

# **Aigrette Financing Limited**

## **Annual report and consolidated financial statements**

for the year ended 31 March 2025

Company number: 13379437

Aigrette Financing Limited  
**Directors' report**  
for the year ended 31 March 2025

The Directors present their report and the audited consolidated financial statements of Aigrette Financing Limited (the 'Company') for the year ended 31 March 2025.

**Principal activities, business review and future developments**

The principal activities of the Company and its subsidiaries (together 'the Group') during the year were water supply, treatment and distribution; sewage collection and treatment; and retail services to water and water recycling customers. The Group's principal business is Anglian Water Services Limited ('Anglian Water'). The Directors expect the Group's activities as detailed in the Strategic Report to continue for the foreseeable future without material change. The information that fulfils the requirement of the Strategic Report, including the Company's financial risk management objectives, is set out on pages 7-107.

**Group results and returns to shareholders**

The income statement on page 108 shows the Group's results for the year. No dividend (2024: £31.8 million) were paid during the year.

**Directors**

The Directors who held office during the year and to the date of this report, unless otherwise stated, are set out below.

Jeremy Aflalo	alternate director
John Barry	
Michael Bradley	appointed 28 November 2024
James Bryce	
Tony Donnelly	resigned on 27 November 2024
Alexandros Nassuphis	alternate director
Batiste Ogier	
Luis Pisco	
Niall Mills	
Ros Rivaz	
Peter Simpson	resigned on 4 August 2024
David Stirton	alternate director
Mark Thurston	appointed 5 August 2024
Albena Vassileva	

Claire Russell continued to serve as Company Secretary throughout the year.

**Directors' indemnities**

During the 2024/25 financial year and up until the date of the signing of the financial statements, the Group has maintained directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision for the purpose of section 234 ((2) – (6)) of the Companies Act 2006.

**Shareholders**

The sole shareholder of the Company is Osprey Holdco Limited.

Aigrette Financing Limited  
**Directors' report (continued)**  
for the year ended 31 March 2025

**Political donations and expenditure**

No political donations or expenditure were made during the year (2024: £nil).

**Research and development**

The Group has a continuing policy of undertaking market-focused research and development on process plant, biosolids treatment, sewers and water supply networks, and other water and water recycling related matters.

**Financial instruments disclosures**

Details are included on pages 7 to 12 of the Strategic Report and in note 19 of the financial statements.

**Employees**

The Group keeps employees informed of changes in the business and general financial and economic factors influencing the Company. This is achieved through a systematic approach to employee communication, which includes regular briefings, presentations and electronic mailings. Weekly Newstream emails provide employees with a round-up of important news across the Company. The Company's intranet is also an extensive source of information. The Company's Open House forum is a chance for employees to hear directly from members of the Executive Committee and senior leaders about the business, receive progress updates and ask any questions. The sessions take place regularly throughout the year and are recorded so employees can watch them at a later date.

Anglian Water has implemented inclusive hiring in line with the Company's Business Disability Forum membership by:

- Providing interview questions to the majority of candidates in advance to support their interview preparation. This helps those who may suffer from anxiety due to mental health conditions or neurodiversity.
- Fully embedded neurodiversity e-learning for team members and managers, with a prompt for managers to refresh their training before interviewing to enhance the interview and general knowledge of neurodiversity.
- Ongoing work with our internal Ability Network to gain deeper insights on building trust with internal or external disabled candidates.

Anglian Water is currently working on an application for Disability Confident Level 3 – Disability Confident Leader. Anglian Water is currently championing Disability Confident with businesses and organisations within the community and its supply chain to encourage them to join the scheme.

The Disability Confident scheme has also been reflected in company policies; the Supporting Attendance Policy Procedure covers disability, reasonable adjustments, return to work and sickness and absence. The policy is briefed to all Managers and the Employee Relations and Occupational Health teams support employees and managers where needed.

**Stakeholder engagement**

Details of how Directors across the Group have engaged with customers, suppliers, and other stakeholders including those representing communities and the environment, can be found in the section 172 statement on pages 26-31.

Aigrette Financing Limited  
**Directors' report (continued)**  
for the year ended 31 March 2025

**Emissions**

Information relating to carbon emissions can be found on pages 62 to 69.

**Health and safety**

Information relating to health and safety can be found on page 34.

**Events occurring after the reporting period**

Details of events occurring after the reporting period are included in note 30 of the financial statements.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and parent company financial statements (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The financial statements also comply with the International Financial Reporting Standards as issued by the IASB. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Aigrette Financing Limited  
**Directors' report (continued)**  
for the year ended 31 March 2025

Each of the Directors, whose names and functions are listed in the Directors section on page 1 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted for use within the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company; and
- the Directors' Report and Strategic Report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

**Statement of Directors' disclosure of information to Auditor**

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- b) he/she 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Aigrette Financing Limited  
**Directors' report (continued)**  
for the year ended 31 March 2025

**Auditor**

The Auditor, Deloitte LLP, have indicated their willingness to continue in office and are deemed to be reappointed.

**Going concern**

The Directors believe, after due and careful enquiry, that the Group has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2025 financial statements. Further details of this review can be found in note 1.

By order of the Board



**Mark Thurston**

Group Chief Executive Officer  
25 June 2025

Registered Office: Lancaster House, Lancaster Way,  
Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU

Registered in England and Wales No. 13379437

Aigrette Financing Limited  
**Strategic report**  
for the year ended 31 March 2025

The Directors present the strategic report of the Aigrette Financing Limited Group (“the Group”) for the year ended 31 March 2025. This strategic report should be read in conjunction with the strategic report of Anglian Water Services Limited, which does not form part of this report, which can be found at <https://www.anglianwater.co.uk/about-us/our-reports/> and provides a more detailed insight into the regulated business.

**Group overview**

Aigrette Financing Limited’s principal business is Anglian Water Services Limited (‘Anglian Water’), the Group’s regulated water and sewerage company, which supplies water and water recycling services to almost seven million customers in the East of England and Hartlepool.

## **Financial and Operational Highlights**

**Chief Executive Officer, Mark Thurston, commented:**

“I am pleased to report a strong financial year, closing AMP7 on a solid footing. Revenue increased by 8.2% to £1,762.3 million, and operating profit rose 16.6% to £478.3 million, driven by strong EBITDA. This was partly offset by higher depreciation, reflecting a record £1,081 million investment to enhance our infrastructure and long-term resilience.”

“2024/25 has also been a year of significant leadership change. Both Michael Bradley, our Chief Financial Officer, and I joined the business during this period. Alongside the wider executive team, we led a comprehensive prioritisation programme focused on seven key areas. Designed to strengthen our AMP7 close-out, this work directly contributed to performance improvements in areas such as delivering on our WINEP obligations and treatment works compliance since our mid-year position — a clear sign of progress we will continue through AMP8.”

“Almost half (c.£16 million) of our £34.4 million ODI penalty for 2024/25 results from our leakage performance, which while falling short of our individual target, remains one of the industry’s leading positions. With the other half of the penalty being made up of underperformance in areas such as pollution incidents, water supply interruptions, and internal and external sewer flooding and we acknowledge we have more work to do to reach our 2030 vision to be an upper quartile performer.”

“Our referral to the CMA remains central to securing a long-term framework that enables essential investment while delivering value for customers and ensuring strong performance is fairly recognised. This process has not slowed our AMP8 momentum — we are already taking decisive action in year one, focusing on operational delivery, customer service and cost efficiency.”

“We recognise the challenges ahead. While important progress has been made, returning the business to upper quartile performance is our priority. The strategies and plans being implemented across the organisation give us confidence in our trajectory and provide a clear roadmap for delivering consistent, high-quality outcomes for customers, colleagues, regulators, investors and the environment.”

“Total Pollutions performance saw an increase in incidents in 2024 compared with 2023, though serious incidents fell by 36%. We continue to work closely with our regulators and have taken significant steps to improve, including an additional £100 million investment from our shareholders to address key assets, blockages, asset health and hydraulic overload.”

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

“Customers remain at the heart of everything we do, as we supply over 1 billion litres of clean drinking water daily. We maintained our 7th place CMeX ranking, 5th when comparing against the Water and Sewerage Companies, while our Priority Services Register grew to 444,387 customers (14.7% of our base), exceeding our AMP7 target within the period and ahead of the scheduled end date.”

“In summary, 2024/25 has been a year of transition, focus and progress, setting firm foundations for a strong and successful AMP8.”

### Financial highlights

	2025	2024	Change	Change
	£m	£m	£m	%
<b>Revenue</b>	1,762.3	1,628.7	133.6	8.2
<b>EBITDA<sup>1</sup></b>	901.4	798.8	102.6	12.8
<b>Operating profit</b>	478.3	410.1	68.2	16.6
<b>Capital investment<sup>1</sup></b>	1,080.6	963.4	117.2	12.2
<b>Operating cash flow</b>	800.8	741.2	59.6	8.0
<b>Net debt before derivatives<sup>1</sup></b>	9,456.1	8,704.0	752.1	8.6
<sup>1</sup> Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each year presented in these financial statements. EBITDA and Net debt excluding derivatives are alternative performance measure as defined in note 29.				

### Revenue up 8.2%

- Revenue increased by £133.6 million to £1,762.3 million primarily as a result of a price increase of 8.6% reflecting allowed inflationary and real terms increases set out in the PR19 determination regulatory settlement. All other factors such as consumption remained relatively consistent year on year.

### EBITDA up 12.8%

- Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by £102.6 million to £901.4 million with revenue increases partially offset by increased operating costs as set out on page 142. Our strong cost control in the year and over the AMP have allowed the additional capital investment over and above what was funded by Ofwat.

### Operating profit up 16.6%

- Operating profit increased by £68.2 million to £478.3 million reflecting strong EBITA, partially offset by higher depreciation.
- The increase in depreciation reflects the significant investment made in our asset base - the year saw a record investment of £1,081 million.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Capital investment up 12.2%**

- Delivery against this investment programme has remained strong with this year being our biggest to date with gross annual capital expenditure across the appointed business increasing from £963 million in 2023/24 to £1,081 million in 2024/25.
- This investment included continued work on our strategic pipeline which will help to support water resources in the region and enable growth along with continued spend on maintaining our existing assets. This investment also creates valuable jobs in the region both directly and indirectly through our supply chain.

**Operating cash flow up 8.0%**

- Operating cash flow increased by £59.6 million to £800.8 million reflecting strong EBITDA and additional pension contributions in the year.

**Net debt before derivatives up 8.6%**

- Net debt has increased by £752.1 million partly as a result of our largest ever year of capital investment and partly as we began to pre-fund even more investment in 2025/26. Gearing has temporarily increased from 78% to 80% in line with our forecast.

**ODI Penalty**

- At the end of year 5 of the AMP, we are £33.4 million in net penalty, with £3.4 million in rewards and £36.8 million in penalties.
- Independent reports show our absolute performance is above average in several areas — for example, our leakage position remains one of the best in the industry and is critical for our region. However, we still remain in penalty at year-end.
- Significant improvement in our year-end position was achieved through a focused prioritisation programme, delivering operational efficiencies and stronger cross-business alignment.
  - These actions improved our year-end penalty by c.25% against our forecast at July 2024, although we recognise there is more to do to return to upper quartile performance.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Reconciliation of operating profit to statutory profit before tax**

	Year ended 31 March 2025 £m	Year Ended 31 March 2024 £m
Operating profit	478.3	410.1
Interest excluding indexation	(324.4)	(285.8)
Indexation on debt	(197.1)	(359.9)
Finance income	65.6	63.5
Adjusted loss before tax	22.4	(172.1)
Fair value gains on derivatives	62.9	204.9
Statutory profit before tax	85.3	32.8

Statutory profit before tax of £85.3 million reflects a £52.5 million increase on the prior year. This represents a significant reduction in fair value gains more than offset by a reduction in costs associated with indexation of debt. The fair value gain in the period is an unrealised, non-cash item. This is as a result of decreases in derivative liability positions, primarily driven by forecast decreases in inflation rates and forecast increases in interest rates. Fair valuation movements on derivative valuations can be volatile depending on the market rates forecast at the time of reporting and do not have a crystallised economic impact to the business until the time of actual cash flow fixing.

*Treasury management*

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the Group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the Group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;
- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources; and
- monitor counterparty credit exposures.

The Group's Board, through the Finance, Treasury and Energy Policy Group, regularly reviews treasury policy, organisation and reporting to ensure continued effectiveness and relevance. More information on treasury management can be found in note 19 of the consolidated financial statements.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

*Liquidity*

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters, to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis.

The business generates operating cash flows to finance the day-to-day operations of the Group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long-term viability of the Group. In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient, to enable it to be able to access the necessary debt and equity to deliver its business plan - both over the current 5 year regulatory period but also into the future taking consideration the long term planning cycle to be able to maintain a strong investment grade credit rating throughout. This is in part why we have asked Ofwat to refer the PR24 Final Determination to the CMA as we do not believe this financeability requirement has been met for the notional company.

Anglian Water Services has undrawn borrowing facilities of £1,382.5 million (2024: £1,450.0 million). On 16 June 2025, the Group received formal commitment from lenders for the facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 in the form of a new 3-year facility totalling £1 billion.

Osprey Acquisitions Limited Group's undrawn borrowing facilities, additionally, consists of a syndicated £208.0 million revolving loan facility for general corporate requirements provided by National Westminster Bank Plc and syndicated to certain other banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £40.0 million with HSBC Bank Plc for general corporate purposes.

Borrowing facilities at Aigrette Financing Limited Group comprises an additional £30.0 million revolving loan facility provided by National Westminster Bank Plc.

See note 16 for other movements in net debt. The maturity profile of the Group's borrowings is set out in note 19 of the consolidated financial statements.

*Capital structure*

The Group's capital structure is largely driven by the requirements of Anglian Water's capital expenditure programme and the need to support Anglian Water's investment grade credit status, which is met by a combination of cash flow and debt issuance at the two levels of the Group structure with covenant tests at the Anglian Water and Osprey Acquisitions Limited. At 31 March 2025 Anglian Water's and Osprey Acquisitions' net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 71 per cent (2024: 69 per cent) and 80 per cent (2024: 78 per cent) respectively. At 31 March 2025 Aigrette Financing Limited's net debt to capital value ratio was 86 per cent (2024: 84 per cent). Aigrette Financing Limited's net debt is similarly defined to those of Anglian Water and Osprey Acquisitions, but Aigrette Financing Limited is not subject to a Common Terms Agreement.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

*Borrowing covenants*

The financing within Anglian Water is secured under a Common Terms Agreement with investors. All other group borrowings are raised or guaranteed by the Company, Anglian Water (Osprey) Financing Plc, AWG Parent Co Limited, AWG Group Limited and, in certain instances, subsidiary companies.

The central Treasury function is responsible for monitoring ongoing compliance with the Group's financial covenants, which principally relate to Anglian Water's and Osprey Acquisition's ratio of net debt to Regulatory Capital Value and interest coverage. At 31 March 2025, all group companies were compliant with all covenants.

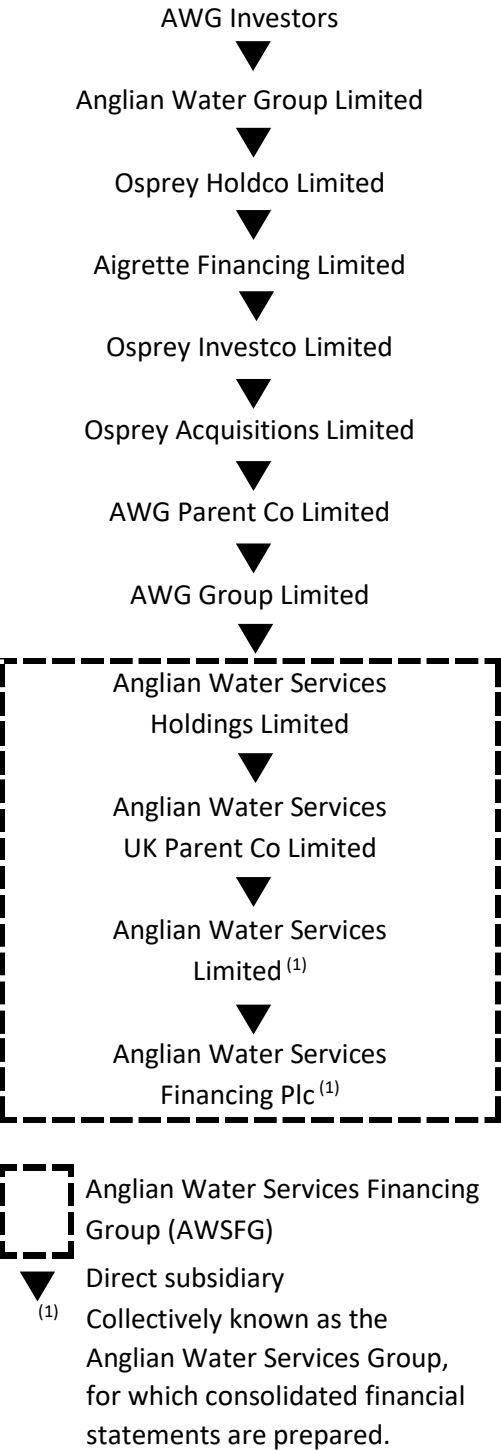
*Interest rates*

The Group'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 31 March 2025, taking into account interest rate swaps, 46.7% (March 2024: 50.1%) of the company's borrowings were at rates indexed to inflation, 35.9% (March 2024: 35.2%) were at fixed rates and 17.4% (March 2024: 14.6%) were at floating rates. At 31 March 2025, the proportion of inflation debt to regulated capital value was 44.8% (March 2024: 47.3%).

Aigrette Financing Limited  
Strategic report (continued)  
for the year ended 31 March 2025

**Ownership and company structure**

Anglian Water Services Limited (AWS) is the principal subsidiary of Anglian Water Group Limited (AWG). The AWG Board consists of six investor representatives, the Chief Executive Officer, the Chief Financial Officer and an independent Non-Executive Chair.



**Our corporate structure**

AWG is owned by a consortium of committed, long-term investors, representing millions of individual pension holders. Details of the consortium, along with details of beneficial ownership of AWG (by investor type), are shown in the following diagrams.

The complete holding company structure is presented in the diagram and the principal companies in the structure are explained below.

When AWG was acquired by investors in 2006, it became the ultimate parent company of the group. It is a Jersey-registered company, but UK tax resident and, as such, is liable for tax in the UK. All companies in the AWG holding structure are UK tax resident and liable for tax in the UK. Osprey Holdco Limited has issued debt that is held by our shareholders in proportion to their respective shareholdings. They are entitled to receive an interest payment on the debt annually.

The group's financing strategy for AMP7 has reduced AWS gearing, in order to enhance and protect its current solid investment-grade credit ratings. This enables AWS to borrow at lower rates, to support the investments our customers have asked us to make.

**AWG Group companies**

Aigrette Financing Limited, Osprey Investco Limited, Osprey Acquisitions Limited and their UK financing subsidiaries have borrowed funds externally during AMP7, in order to increase the group's equity investment in AWS.

AWG Parent Co Limited and AWG Group Limited are holding companies that were set up when AWG was a listed group. Both companies are wholly-owned subsidiaries, are registered in the UK and are UK tax resident.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Anglian Water Services Financing Group companies**

Anglian Water Services Holdings Limited was put in place in 2002, when Anglian Water's covenanted and ring-fenced debt structure was established. This group of companies (referred to as the Anglian Water Services Financing Group, or AWSFG) protects customers and our bond holders from the risk associated with other non-regulated Anglian Water Group companies, outside of the ring fence.

This makes us an attractive investment prospect for bond holders, which means we've been able to keep financing costs lower, ultimately benefiting our customers in the form of lower bills.

Anglian Water Services UK Parent Co Limited is a second holding company in the ring-fenced structure, also providing protection for customers and investors from the risks of other nonregulated group companies. All companies within the AWSFG are UK-registered and UK tax resident companies.

Anglian Water Services Limited is the regulated entity that trades as Anglian Water, managing our water and water recycling network and serving almost seven million customers. It is the part of the business that most people think of as 'Anglian Water'.

The group's equity injections into AWS during AMP7 have enabled AWS to reduce its gearing.

Anglian Water Services Financing Plc is the financing company that raises money on behalf of Anglian Water Services Limited. Funds raised by this company underpin our investment in the region's water and water recycling services.

Details of the consortium of investors that owns AWG are shown below:

- Canada Pension Plan Investment Board (CPP Investments™) (ownership: 32.9%) is a professional investment management organisation that invests the excess funds of the Canada Pension Plan, in order to build a diversified portfolio of assets and help ensure the future pensions of more than 22 million Canadians.
- IFM Global Infrastructure Fund (ownership: 19.8%) is a fund advised by IFM Investors. IFM Investors is a global institutional fund manager owned by 15 profit-to-member Australian pension funds, specialising in infrastructure, private equity, debt and equity investments. IFM invests on behalf of approximately 120 million pensioners from around the world.
- Camulodunum Investments (ownership: 15.0%) is a joint investment vehicle for Dalmore Capital and GLIL Infrastructure. GLIL Infrastructure is a partnership of UK pension funds and manages £4.1 billion of committed capital. Dalmore is an independent fund manager, with interests in over 130 infrastructure assets and has assets under management of over £5.5 billion.
- Igneo Infrastructure Partners (ownership: 15.6%) is an unlisted infrastructure asset management business and is part of the First Sentier Investors Group (FSIG), a global asset management business. FSIG has US\$134.9 billion in assets under management (as at 31 December 2024) on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.
- Infinity Investments S.A. (ownership: 16.7%) belongs to a group of entities, ultimately wholly owned by the Abu Dhabi Investment Authority (ADIA) and focused on infrastructure investments in Europe.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Beneficial ownership by investor type:

- Pensions (CPP Investments, GLIL Infrastructure, Igneo Infrastructure Partners Investors and IFM Investors): 75.8%
- Asset manager (Dalmore Capital): 7.5%
- Sovereign wealth fund (Infinity Investments S.A.): 16.7%

**Our business model**

***1) What drives us***

Our purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

***2) We deliver our value for our stakeholders***

- Environment and planet
- Customers and communities
- People and partners
- Shareholders
- Investors, banks and ratings agencies
- Regulators
- National and local government

***3) Our long term ambitions***

Our ambitions respond to the pressures outlined in our 25-year Strategic Direction Statement.

- Make the East of England resilient to the risks of drought and flooding.
- Enable sustainable economic and housing growth in the UK's fastest growing region.
- By 2030, be a net zero carbon business and reduce the carbon in building and maintaining our assets by 70%.
- Work with others to achieve significant improvement in ecological quality across our catchments.

***4) Our goals for 2020-2025***

- To make life better for our customers, every single day.
- To deliver our 2020-2025 Final Determination.
- To deliver our identified business priorities.
- To create a sustainable future for our region.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

*What will help us get there?*

- Skilled, trusted and customer-focused people who are happy, healthy and safe.
- Maximising opportunities from standardisation and centralisation.
- Smart use of information and technology.
- World-leading alliances, working as one team.
- Collaboration inside and outside the organisation.

**5) How we make decisions**

We balance our six capitals to shape investment decisions.

1. Natural – The health of the natural systems and resources that we rely on and impact in our region and beyond; the availability and quality of water in our rivers and aquifers; the protection of our soil and biodiversity; and our impact on carbon emissions.
2. Social – The value of our relationships with stakeholders, including customers, communities and other organisations; the impacts we have on people and society (both positive and negative) and the trust they place in us as a result.
3. People – The knowledge, skills and wellbeing of our people; the health, happiness and safety of our working environment; and our organisational culture and ways of working.
4. Financial – The financial health and resilience of the organisation and our access to and use of sustainable finance.
5. Intellectual – The knowledge, systems, processes, data and information we hold, create and share within our business and with our alliance partners.
6. Manufactured – The ability of our infrastructure to provide resilient services to meet the current and future expectations of our customers.

**6) Sustainable Development Goals**

The UN Sustainable Development Goals influence our thinking. And the investment we make contributes towards their delivery. We work in the spirit of all 17 goals, but we have mapped our work to the 10 where we have the most material impact.



Aigrette Financing Limited  
**Strategic report**  
for the year ended 31 March 2025

**Financial performance**

The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS). Alternative performance measures (APMs) used in this report have been defined in note 29 to the financial statements.

*Segmental reporting*

The key performance indicators of the Group's individual businesses are discussed in the "Anglian Water and Head Office and Other" sections below. This strategic report should be read in conjunction with the strategic report of Anglian Water Services Limited, which does not form part of this report, which can be found at <https://www.anglianwater.co.uk/about-us/our-reports/> and provides a more detailed insight into the regulated business.

EBITDA is defined in note 29 as the profit from continuing operations before interest, tax, depreciation and amortisation. The segment result comprises operating profit. In addition, compliance with the Group's borrowing covenants is an additional key performance indicator for the Group.

**For the year ended 31 March 2025**

	Anglian Water £m	Head Office and Other £m	Total £m
<b>Revenue</b>			
External	1,749.3	13.0	<b>1,762.3</b>
	<b>1,749.3</b>	<b>13.0</b>	<b>1,762.3</b>
<b>Segment result</b>			
EBITDA	920.0	(18.6)	<b>901.4</b>
Depreciation and amortisation	(423.1)	-	<b>(423.1)</b>
	<b>496.9</b>	<b>(18.6)</b>	<b>478.3</b>
<b>Cash flows</b>			
Operating cash flow	811.3	(11.6)	<b>799.7</b>
Capital expenditure	(1,068.2)	(0.8)	<b>(1,069.0)</b>
Net debt excluding derivative financial instruments	(7,721.1)	(1,735.0)	<b>(9,456.1)</b>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**For the year ended 31 March 2024**

	Anglian Water £m	Head Office and Other £m	<b>Total £m</b>
Revenue			
External	1,626.6	2.1	1,628.7
	<u>1,626.6</u>	<u>2.1</u>	<u>1,628.7</u>
Segment result			
EBITDA	819.5	(20.7)	798.8
Depreciation and amortisation	(388.6)	(0.1)	(388.7)
	<u>430.9</u>	<u>(20.8)</u>	<u>410.1</u>
Cash flows			
Operating cash flow	767.1	(27.1)	740.0
Capital expenditure	(992.3)	0.2	(992.1)
Net debt excluding derivative financial instruments	<u>(6,976.9)</u>	<u>(1,727.1)</u>	<u>(8,704.0)</u>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS**

Pages 20 to 26 below set out the financial performance of Anglian Water, the principal business in the Group, followed by that of Head Office and Other on page 26.

Anglian Water's financial results are summarised in the table below:

	2025 Total £m	2024 Total £m
<b>Revenue (excluding grants and contributions)</b>	<b>1,660.1</b>	1,528.8
Grants and contributions	89.2	97.8
Other operating income	16.8	15.8
Operating costs	(809.8)	(784.2)
Loss allowance for expected credit loss	(36.3)	(38.7)
EBITDA <sup>1</sup>	920.0	819.5
Depreciation and amortisation	(423.5)	(388.6)
<b>Operating profit</b>	<b>496.5</b>	430.9
Interest (excluding indexation)	(221.5)	(187.6)
Indexation charge	(197.1)	(359.9)
Finance income	48.2	44.9
<b>Adjusted profit/(loss) before tax</b>	<b>126.1</b>	(71.7)
Fair value gains on derivatives	62.9	204.9
Profit before tax on a statutory basis	189.0	133.2
Tax	(52.6)	(31.2)
<b>Profit after tax</b>	<b>136.4</b>	102.0

1 As defined in note 29 financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The group uses such measures for performance analysis because they provide additional useful information on the performance and position of the group. Since the group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements, and have been consistently applied within each year presented in these financial statements.

2 In order to show pre-tax performance based on management's view of an underlying basis, the fair value gains and losses on financial derivatives have been shown separately in the table because these are volatile non-cash movements that distort the actual underlying economic performance.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS** (continued)

**Revenue**

Revenue, excluding grants and contributions, for the year was £1,660.1 million (2024: £1,528.8 million), or an increase of £131.3 million (8.6%). The net increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, resulting in a £132.1 million increase. This is reflected in an average increase of 8.6% in dual-service bills.
- A net increase in demand of £1.8 million. Household consumption is up £1.3 million and non-household up £0.5 million when compared with the prior year.
- Other offsetting movements in revenue of £2.6 million.

**Grants and contributions**

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 work on existing infrastructure needed to accommodate development. 2024/25 has seen a decline in this activity in which grants and contributions revenue is directly linked. This has resulted in a reduction in the year of £8.6 million to £89.2 million.

**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.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS (continued)**

**Operating costs (including loss allowance for expected credit losses)**

Operating costs increased by £23.2 million (2.8%), to £846.1 million. The movement in operating costs is principally due to inflation and costs such as tankering, within Water Recycling Operational Logistics, and salary costs which have increased over and above inflation. These movements are explained in the table below:

	£m
<b>Prior period</b>	822.9
<b>Funded by Final Determination (FD)</b>	
Inflation	25.5
<b>Extreme Weather</b>	
Tankering and additional people cost	8.4
<b>Power</b>	(25.7)
<b>External/Government changes</b>	
Rates	5.2
Discharge Permits	6.0
<b>Other significant items</b>	
Loss allowance for expected credit losses	(1.1)
Above inflation salary increases	9.5
Reimbursed legal costs	(2.1)
Other	(2.5)
Total increase	23.2
<b>March 2025</b>	846.1

Inflation

The inflationary increases in our cost base formed part of the Final Determination and are therefore, whilst subject to a timing delay, funded through the inflationary increases in revenues.

Extreme weather

Our region experienced one of the wettest Q1's on record which resulted in extremely high level of rain in our waste water network. In order to minimise disruption to customers and the environment there was a significant increase in spend, particularly in hired vehicles and tankers as we helped to manage flooding in the region and in our network.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS (continued)**

Power

The reduction in power reflects the general reduction seen in energy prices. Our proactive energy hedging approach enabled us to have flexibility in the most volatile and expensive market periods.

Rates and Discharge Permits

We saw increases in rates and discharge permits over and above inflation from the Local Authority and Environment Agency respectively.

Other significant items

Salaries have increased by £9.5 million, partly due to increased employee numbers and partly due to the agreed pay rise of 6.0% which was above CPIH of 2.9%.

**EBITDA**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 5 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 12.3% to £920.0 million, which is consistent with the effect of the increases described above.

**Depreciation and amortisation**

Depreciation and amortisation is up 9.0% to £423.5 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

**Operating profit**

Operating profit has increased by 15.2% to £496.5 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS (continued)**

**Financing costs and profit before tax**

Adjusted net finance costs (excluding fair value gains on financial instruments) were £132.2 million lower than the prior year at £307.5 million. This is primarily a result of the non-cash impact of lower inflation on index-linked debt which decreased by £162.8 million to £197.1 million partially offset by interest burden on higher debt balances.

Fair value gains in the period, which are unrealised, non-cash items, are the result of decreases in derivative liability positions, primarily driven by forecast decreases in inflation rates and forecast increases in interest rates. Fair valuation movements on derivative valuations can be volatile depending on the market rates forecast at the time of reporting and do not have a crystallised economic impact to the business until the time of actual cash flow fixing.

The business is funded based on its embedded cost of debt and relative performance against the iBoxx index. As a result, these non-cash fair value gains and losses do not impact the immediate commercial performance of the business, Ofwat obligations or shareholder distributions during AMP7.

**Taxation**

The tax charge for the period comprises:

	Year Ended 31 March 2025 £m	Year Ended 31 March 2024 £m
<b>Current tax:</b>		
In respect of the current period	(47.8)	(47.3)
Adjustments in respect of prior periods	25.6	(0.4)
<b>Total current tax credit</b>	<b>(22.2)</b>	<b>(47.7)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	96.7	82.8
Adjustments in respect of previous periods	(21.9)	(3.9)
<b>Total deferred tax charge</b>	<b>74.8</b>	<b>78.9</b>
<b>Total tax charge on profit on continuing operations</b>	<b>52.6</b>	<b>31.2</b>

Compared to the same period in the previous year, the total tax charge has increased by £21.4 million from a charge of £31.2 million to a charge of £52.6 million. This is mainly due to an increase in profit before tax and a prior year charge due to the agreement of previous tax computations, offset by an increased prior year credit arising from the decision to reverse a surrender of tax losses to another group company in 2022/23.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS (continued)**

**Taxation (continued)**

In addition to the £52.6 million tax charge on the income statement, there is a charge of £16.7 million (2024: credit of £8.4 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value losses on cash flow hedges.

**Delivery of our AMP7 capital investment programme**

2024-25 was the final year in the five-year AMP7 investment programme. Delivery against this investment programme has remained strong with this year being our biggest to date with gross annual capital expenditure across the appointed business increasing from £963 million in 2023/24 to £1,081 million in 2024/25 (£424 million on capital maintenance, £657 million on capital enhancement).

This has resulted in a £760 million increase in property, plant and equipment and intangible assets, net of depreciation.

**Financial needs and resources**

At 31 March 2025, Anglian Water had borrowings net of cash of £7,721.2 million (excluding the fair value of derivative financials instruments), an increase of £744.2 million from 31 March 2024. The increase in net borrowings primarily reflects accretion on index-linked debt, capital expenditure and interest payments.

During the period, there were new issuances of £700 million 6.25% fixed rate 2044, £200 million bond tap on 5.75% fixed rate 2043 and a £50 million 6.05% fixed rate 2039. The funds were partially used to repay £75 million 3.666% RPI index-linked 2024, £100 million 1.588% fixed rate 2024 and £86.3 million EIB debt repayments.

**Liquidity**

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis.

The business generates operating cash flows to finance the day-to-day operations of the Group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long-term viability of the Group. In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient to enable it to be able to access the necessary debt and equity to deliver its business plan both over the current 5 year regulatory period but also into the future taking consideration the long term planning cycle, as well as to be able to maintain a strong investment grade credit rating throughout. This is in part why we have asked Ofwat to refer the PR24 Final Determination to the CMA as we do not believe this financeability requirement has been met for the notional company.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER FINANCIAL RESULTS (continued)**

Anglian Water has borrowing facilities of £1,382.5 million (2024: £1,450.0 million). On 16 June 2025, the Group received formal commitment from lenders for the facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 in the form of a new 3-year facility totalling £1 billion.

**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 31 March 2025, taking into account interest rate swaps, 55.8% (March 2024: 60.5%) of the company's borrowings were at rates indexed to inflation, 31.9% (March 2024: 28.4%) were at fixed rates and 12.3% (March 2024: 11.1%) were at floating rates. At 31 March 2025, the proportion of inflation debt to regulated capital value was 44.8% (March 2024: 47.3%).

**Pension funding**

At 31 March 2025, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £89.3 million, compared to £30.7 million at 31 March 2024. This increase 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 smaller decrease in our assets which are hedging gilt based liabilities.

**HEAD OFFICE AND OTHER FINANCIAL RESULTS**

The increase in operating profit, EBITDA and operating cash flow outside of Anglian Water has been driven by decrease in Head Office costs year on year, primarily due to project costs in relation to Corporate Finance work.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**SECTION 172 STATEMENT**

The Company has elected to disclose a section 172 statement on a voluntary basis, outlining how the directors promote the successes of the Company.

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR). As such, all references below refer to Anglian Water Services Limited.

In July 2019, with the approval of our Board and shareholders, we became the first major utility company to enshrine our Purpose into how the business operates, by amending our Articles of Association. This amendment means that the Company has enshrined, for the long-term, the principles set out in section 172 of the Companies Act 2006 — making us accountable for delivering on our long-standing commitment to working in the public interest.

Section 172(2) states that, where the purposes of a company consist of purposes other than, or in addition to, benefiting the company's shareholders, the section 172 duties will take effect, as if the reference to promoting the success of the company for the benefit of shareholders were a reference to achieving those alternative purposes. The purpose of the Company (our Purpose) is to conduct its business and operations for the benefit of members, while delivering long-term value for its customers, the region and the communities it serves, seeking positive outcomes for the environment and society. It follows that the directors of the Company have a duty to act in a way that can be considered as most likely to promote our Purpose.

The following disclosures demonstrate how the Anglian Water Limited Services Board has regard to the matters set out in section 172(1) (a) to (f) and includes cross-references to other sections of the report for further information.

**S.172(1)(a) The likely consequences of any decision in the long term**

Anglian Water's long-term strategy is driven by our 25-year Strategic Direction Statement (SDS). Since the SDS was first published in 2007 it has been refreshed, with Board support, in both 2017 and 2023 and now covers the period to 2050. The four key strategic priorities set out in our SDS are shown in our business model on page 8. The SDS sets out what we want to achieve, in terms of outcomes for our region, and our Long-Term Delivery Strategy (LTDS) refines this further, determining how we will get there through a core pathway of investments and interventions across the business through to 2050. The LTDS draws information from our other long-term plans such as the Water Resources Management Plan (WRMP) and the Drainage and Wastewater Management Plan (DWMP). The Board has been closely engaged with each of these strategic plans and has provided assurance where required.

Much of the Board's focus over the prior and current financial year was the PR24 Business Plan for the period 2025-2030, with the Board's engagement in the development of the PR24 Business Plan stretching back to March 2021. See the case study on page 30 for further details.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

A key element to securing the long-term future water supplies is the development of two new reservoirs in the East of England, one in the Cambridgeshire Fens and another in Lincolnshire. The Board is already closely engaged in the development of these projects. During the year, a number of directors visited the proposed sites of both reservoirs. Additionally, the Board has considered a number of updates on the reservoirs, as well as attending events with employees. To ensure appropriate Board oversight of this key strategic initiative, Ian Funnell, an Independent Non-Executive Director, has joined the Reservoirs Programme Board.

In the year, the Board considered the updates made to the UK Corporate Governance Code and approved the new Anglian Water Services Corporate Governance Code 2025 (AWS Code 2025). To ensure that Anglian Water will be compliant with the AWS Code 2025, the Board considered the Financial Reporting Council (FRC) Corporate Governance Code Guidance (FRC Guidance) and associated questions over the course of the year. These questions focus on areas such as our Purpose and strategy, decision making and stakeholder engagement.

The Board has also approved Anglian Water's long-term viability statement (see pages 117-120 of AIR), within which the directors have assessed the Company's prospects over the next ten years.

#### **Board decisions**

When making decisions, the Board takes into consideration the interests of all relevant stakeholders. To enable the Board to make well-informed decisions, high-quality and detailed Board papers are provided in advance of meetings through a secure Board portal, allowing directors plenty of time for thorough review and consideration prior to Board meetings. Board paper templates specifically include the stakeholders impacted by each paper, ensuring directors consider the views of each relevant stakeholder in their decisions. Additionally, the Company maintains a forward planner that outlines the standard agenda items for each Board meeting, along with additional topics that need to be addressed in the year.

The Board includes an appropriate combination of executive and non-executive (and in particular independent non-executive) directors. During Board meetings there are open discussions, where the non-executive directors constructively challenge, provide strategic guidance and offer specialist advice, while holding management to account. The Board benefits from the diverse skills, knowledge and experience of all directors, all of whom understand the importance of their section 172 duty to act in good faith to promote the success of the Company.

#### **S.172(1)(b) The interests of the Company's employees**

The welfare and development of our employees and of the Company's culture, values and behaviours, are key areas of focus for the Board and its committees, with employee-related issues covered at every Board meeting. Areas considered by the Board and committees range from health, safety and wellbeing to inclusion, employee engagement and succession planning.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

The Board meets the Head of Safety on a quarterly basis, which enables the monitoring of key safety trends and challenges to performance, where appropriate. During the year, Anglian Water employees were required to complete mandatory health and safety training, to ensure readiness for AMP8, reinforcing the importance of safety and ensuring it remained a strong focus for all employees. We also introduced our new commitment to health, safety and wellbeing through Safer Every Day, our initiative to ensure the safety of our colleagues, customers and partners across Anglian Water. The launch event in March 2025 was attended by both the Chair and Ian Funnell, Independent Non-Executive Director.

In line with the Anglian Water Services Corporate Governance Code 2020, the Board has appointed John Barry as the non-executive director responsible for engaging with the workforce. During the year, John met with Anglian Water graduates, apprentices, first line leaders in the Aspire programme and senior talent development delegates to gain additional insight and feedback from those participating in Anglian Water programmes, as well as building relationships with employees.

In February 2025, the annual Love to Listen survey was undertaken, with the aim of seeking and acting on the views of our employees. The survey was deferred from October 2024 to February 2025 to enable employees to express an informed view on the impact of the changes underway in the business to drive performance. The results of the survey, together with plans to address its findings, were considered by the Board at its meeting in March 2025, and can be found on page 61 of AIR.

During the year four events were held, which gave directors and employees the opportunity to engage with each other and discuss in detail a variety of important matters affecting the Company. Areas considered included the proposed Fens and Lincolnshire reservoirs and people matters.

Employees are kept informed of changes in the business and general financial and economic factors influencing the Company. This is achieved through a systematic approach to employee communication, which includes regular briefings, presentations and electronic newsletters and emails. Weekly Newstream bulletins provide employees with a round-up of important news across the Company. The Company's intranet is also an extensive source of information. The Company's regular virtual all staff meetings are a chance for employees to hear directly from members of the Executive Committee and senior leaders about the business; receive progress updates; and ask any questions. The sessions take place regularly throughout the year and are recorded, so employees can watch them at a later date.

As part of the Company induction process, new employees are invited to join Meet the CEO calls with Mark Thurston. This provides a valuable opportunity for them to be personally welcomed into the business by Mark and share how they've been settling in. Mark also holds monthly calls with the senior leadership team to provide an update on key business matters.

### **Board engagement with stakeholders**

Our Board has set out to define discrete stakeholder groups, but it recognises that, in many cases, they have complementary interests and shared priorities. On occasion, their concerns may even conflict with one another. The Board's duty in reviewing, challenging and shaping plans and setting strategic direction, is to consider and balance the impact of its decisions on a wide range of stakeholders.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

We have an annual stakeholder engagement strategy, which is approved by the Board. This is designed to demonstrate how Anglian Water is delivering on its Purpose and to increase the breadth and depth of understanding of the value that Anglian Water delivers. The Board regularly engages in the delivery of the stakeholder strategy.

There are some key issues, of such strategic importance, that the Board judges it should engage directly with relevant stakeholders. However, much of our engagement happens at an operational level. Where the Board has not engaged directly with stakeholders, it receives regular reports from management, so the directors can understand and take account of the key issues to which they must have regard.

**S.172(1)(c) The need to foster business relationships with suppliers, customers and others**

Our most important supply chain relationships are with our alliance partners, who play a crucial role in the delivery of our infrastructure and services. The Board receives an update on the progress of the capital investment programme at each Board meeting. This update provides an opportunity for the directors to review and challenge progress across the different delivery routes. As referred to above, as part of the implementation of the AWS Code 2025, the Board considered the FRC's Guidance and associated questions regarding the Company's approach to managing suppliers.

Under Anglian Water's Scheme of Delegation, the Board must approve the procurement approach prior to the award of contracts with suppliers, where the anticipated spend exceeds a certain value. This ensures there is an appropriate level of oversight of these key contracts. During the year, the Board approved procurement strategies for; sewer network monitors; tanks and liquid storage; and pump hire services. Each year, the Board also approves Anglian Water's Modern Slavery and Human Trafficking Statement, which details the steps we have undertaken to ensure that slavery and human trafficking are not taking place in any part of the business, or within Anglian Water's supply chain.

The Board also engages with our different regulators including Ofwat, the Environment Agency (EA) and the Drinking Water Inspectorate (DWI). During the year, both the Chair and Chief Executive Officer regularly engaged with their respective counterparts. Part of this engagement took the form of regular calls and meetings between our Chair, Dr Ros Rivaz, and the Chairs of Ofwat and the EA. As well as these meetings, Dr Ros Rivaz hosted several site visits; with Alan Lovell (Chair of the EA), visiting Ardleigh Reservoir and Chelmsford Water Recycling Centre; and with Iain Coucher (Chair of Ofwat) visiting both Rutland Water and the Benfleet Mycelium Mushroom Wetland construction site. Dr Ros Rivaz also met with the Chair of the Consumer Council for Water (CCW) during the year.

During the year, the Board considered and supported the Company's Service Commitment Plan (SCP), which was the Company's response to Ofwat's Water Company Performance Report for 2023/24. The SCP provides context for the Company's performance and the actions it is taking to make improvements.

Another important stakeholder group are debt investors, banks and rating agencies. Engagement is key to understanding their requirements, demonstrating our long-term, sustainable vision and helping them to understand what makes Anglian Water a sound investment.

**S.172(1)(d) The impact of the Company's operations on the community and environment**

The environment is at the heart of our Purpose and our SDS is fully aligned with the Government's 25-year Environment Plan. In July 2021, we published our Net Zero Strategy to 2030. This route map, which was fully supported by the Board, sets out how we aim to reach net zero carbon emissions by 2030. The Board regularly considers matters that impact both the environment and communities. Over recent years, the Board has recognised that — as a business with a stated purpose to bring environmental and social prosperity to the region we serve — pollution performance has been disappointing for all stakeholders. In January 2024, shareholders agreed to invest £100 million to tackle pollutions and storm spills. Therefore, during the year, the Board has closely tracked pollution reduction activity, receiving a quarterly update from Emily Timmins, Director of Water Recycling. It has also monitored the progress of both Ofwat's and the Environment Agency's investigations into sewage-treatment-works compliance.

Some of the Company's environmental work also has a wider benefit to communities. The Board was interested to receive an update on the environmental and societal benefits achieved by Get River Positive since its inception in 2022.

**S172(1)(e) The desirability of the Company maintaining a reputation for high standards of business conduct**

We seek to maintain high standards in all that we do as a business. We have robust risk-management and internal control processes, which are reviewed by the Board, or the relevant Board committee. Our code of conduct, 'Doing the Right Thing', applies to all employees and sets out what is expected from our people in different situations.

Anglian Water also holds itself to account against a set of Responsible Business Principles, which are approved by the Board.

**S.172(1)(f) The need to act fairly as between members of the Company**

The Anglian Water Group is owned by a consortium of five, long-term investors, representing millions of long-term pension holders in the UK and overseas. These shareholders are represented on the Board of our ultimate parent company, Anglian Water Group Limited. There are also shareholder representatives on the Board of the Company. In this way, we ensure that we treat all shareholders fairly and that their views are heard when making key decisions. These directors bring with them a broad range of skills and experience. This is extremely valuable during Board discussions. Our shareholders have made a long-term commitment to our organisation and have a shared interest in, and responsibility for, its success. As the ultimate shareholders are the source of equity investment, so, it's vital that we engage them in strategic planning and share our progress and results with them.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Business Plan for 2025—2030**

Throughout the Price Review 2024, the Company sought to deliver a Business Plan for AMP8 that addresses the current and future needs of our region. As a long term, purpose-driven business, we are planning sustained investment over decades, to build resilience against a changing climate, deliver essential investment in water and sewerage infrastructure and protect and enhance the environment – all of which will create jobs and bolster the local economy. The Government has made clear that driving growth to stimulate the economy is a priority and has already highlighted the critical role water plays in this. In the East of England, with four of the fastest growing cities in the UK, as well as the Cambridge-Oxford Arc, the levels of investment needed are significant.

This resulted in the Company's largest ever Business Plan, which commits us to spending £11 billion\* with one of the lowest corresponding bills increases (29% in real terms, over the five years to 2030), accompanied by one of the largest packages of customer support. It was created in collaboration with our customers and other stakeholders, who recognised the need for greater investment in this five-year period, but also in the decades following.

The Board was engaged throughout the Price Review 2024 process. The Board approved the PR24 Business Plan that was submitted to Ofwat in October 2023 and rigorously scrutinised Ofwat's Draft Determination (published in July 2024), over the course of a number of meetings. The Board collectively agreed that, while some aspects of the Draft Determination were positive, there were also limitations which, if not satisfactorily addressed, would impact both the Company and wider economic growth in the East of England. The Board's concerns regarding certain aspects of the Draft Determination were highlighted to Ofwat in the Company's Draft Determination representations.

In December 2024, Ofwat published its Final Determination, which once again was closely scrutinised by the Board over the course of the following two months. During its deliberations, as to whether or not to accept the Final Determination, the Board considered its impact on key stakeholder groups, including customers, the environment, shareholders and debt investors.

Ofwat's stated aims for its AMP8 settlement were to align the interests of companies and investors to those of customers, by setting the appropriate balance of risk and return. Ultimately, however, the Board decided that the overall level of risk inherent in Ofwat's Final Determination, such as the underfunding for asset maintenance, was not acceptable, particularly given the returns on offer to investors.

After extremely careful consideration, the Anglian Water's Group Limited Board concluded that Ofwat's Final Determination fell short of its stated aims. Therefore, the Board decided, unanimously, to request that Ofwat refer the Final Determination to the Competition and Markets Authority (CMA) for a redetermination, so the CMA can consider whether the right balance between investment and affordability has been achieved.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT**

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR) [www.anglianwater.co.uk/about-us/our-reports](http://www.anglianwater.co.uk/about-us/our-reports). As such, all references below refer to Anglian Water Services Limited.

The statements below reflect our commitment to, and management of, employees, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months as required by sections 414CA and 414CB of the Companies Act 2006.

We integrate this information throughout this report; the information is designed to help you find key elements on non-financial matters. Links to policies, standards and relevant documents can be found at [anglianwater.co.uk](http://anglianwater.co.uk)

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
<b>Environmental and climate matters</b> Our commitment to protecting and enhancing our environment is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.	<ul style="list-style-type: none"> <li>• Articles of Association</li> <li>• Strategic Direction Statement</li> <li>• Integrated Management System Framework Policy</li> <li>• Water Resources Management Plan</li> <li>• Drought Plan</li> <li>• Water Recycling Long-Term Plan</li> <li>• Drainage and Wastewater Management Plan</li> <li>• Pollution Incident Response Plan</li> <li>• Climate Change Adaptation</li> <li>• Net Zero Strategy 2030</li> </ul>	<ul style="list-style-type: none"> <li>• Chair's Welcome: pages 4-5</li> <li>• Chief Executive Officer's statement: page 6</li> <li>• The year in context: pages 10-17</li> <li>• Our strategic ambitions: page 9</li> <li>• Measuring our Purpose performance: pages 27-29</li> <li>• Responsible financing: sustainable finance: pages 22-23</li> <li>• Climate-related (CR) financial disclosures: pages 75-101 <ul style="list-style-type: none"> <li>(a) governance arrangements, pages 77-79</li> <li>(b) how CR risks and opportunities are identified, assessed and managed, pages 97-98</li> <li>(c) how processes for identifying, assessing and managing CR risks are integrated within the Company's overall risk-management framework, pages 97-98</li> <li>(d) description of: (i) principal CR risks and opportunities, pages 81-83; (ii) time periods to which these are assessed, pages 81-83</li> <li>(e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy, pages 84-87</li> <li>(f) resilience of the business model and strategy, taking into consideration different CR scenarios, pages 80-96</li> <li>(g) targets used to manage CR risks and realise CR opportunities and performance against targets, pages 99-101</li> <li>(h) KPIs used to assess targets above and calculations on which these are based, pages 99-101</li> </ul> </li> </ul>



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
		<ul style="list-style-type: none"> <li>• Our stakeholders: Environment: pages 37-47</li> <li>• Section 172 statement: pages 70-72</li> <li>• Climate-related financial disclosures, pages 75-101</li> <li>• Principal risks: pages 107-115</li> </ul>
<b>Employees</b> Our approach to our employees is guided by the values that drive our continued progress: Together, we build trust; we do the right thing; we are always exploring.	<ul style="list-style-type: none"> <li>• Values framework</li> <li>• Doing the right thing – code of conduct</li> <li>• Inclusion plan</li> <li>• Health and Safety policy</li> <li>• Dignity at work policy and procedure</li> <li>• Personal relationships at work policy</li> <li>• Gender pay gap report</li> <li>• Whistleblowing policy and procedure</li> <li>• Ethnicity pay gap report</li> <li>• Board diversity policy</li> </ul>	<ul style="list-style-type: none"> <li>• Chair’s welcome: pages 4-5</li> <li>• Chief Executive’s statement: page 6</li> <li>• Our stakeholders: People: pages 56-66</li> <li>• Section 172 statement: pages 70-72</li> <li>• Corporate Governance report: pages 127-135</li> <li>• Nomination Committee report: pages 143-146</li> <li>• Remuneration Committee report: pages 147-165</li> </ul>
<b>Human rights</b> Our policies and processes are underpinned by our values; in particular: we do the right thing.	<ul style="list-style-type: none"> <li>• Doing the right thing – code of conduct</li> <li>• Dignity at work code of conduct</li> <li>• Data protection policy</li> <li>• Data retention policy</li> <li>• Customer privacy notice</li> <li>• Modern slavery and human trafficking statement</li> <li>• Human rights policy</li> </ul>	<ul style="list-style-type: none"> <li>• Our stakeholders: pages 37-69</li> <li>• Nomination Committee report: pages 147-165</li> </ul>
<b>Social matters</b> Our commitment to serving our customers and our communities is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.	<ul style="list-style-type: none"> <li>• Anglian Water Articles of Association</li> <li>• Anglian Water Strategic Direction Statement</li> <li>• Social Contract</li> <li>• Employee volunteering guidelines – Love to Help</li> </ul>	<ul style="list-style-type: none"> <li>• Chair’s welcome: pages 4-5</li> <li>• Chief Executive’s statement, page 6</li> <li>• The year in context: pages 10-17</li> <li>• Our strategic ambitions: page 9</li> <li>• Measuring our Purpose performance: pages 27-29</li> <li>• Our Stakeholders: Customers and communities: pages 48-55</li> <li>• Section 172 statement: pages 70-72</li> </ul>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
<b>Anti-corruption and bribery</b> Our policies and processes are underpinned by our values; in particular: we do the right thing.	<ul style="list-style-type: none"> <li>• Doing the right thing – code of conduct</li> <li>• Anti-bribery policy</li> <li>• Anti-fraud policy</li> <li>• Corporate hospitality policy</li> <li>• Whistleblowing policy</li> <li>• Board protocol for dealing with conflicts of interest</li> <li>• Tax and transparency policy</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Risks: Legal: page 115</li> <li>• Audit and Risk Committee Report: pages 136-142</li> </ul>
<b>Description of the business model</b>		<ul style="list-style-type: none"> <li>• Our business model: page 8</li> <li>• Board statement of company direction and performance, Annual Performance Report (available at <a href="http://anglianwater.co.uk/corporate/reports/our-reports/">anglianwater.co.uk/corporate/reports/our-reports/</a>)</li> </ul>
<b>Anti-corruption and bribery</b> Our policies and processes are underpinned by our values, in particular: we do the right thing.	<ul style="list-style-type: none"> <li>• Doing the Right Thing – Code of Conduct</li> <li>• Anti-Bribery Policy</li> <li>• Anti-Fraud Policy</li> <li>• Corporate Hospitality Policy</li> <li>• Whistleblowing Policy</li> <li>• Board protocol for dealing with conflicts of interest</li> <li>• Tax and transparency Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Risks: Legal: page 115</li> <li>• Audit and Risk Committee Report: pages 136-142</li> </ul>
<b>Non-financial key performance indicators</b>	<ul style="list-style-type: none"> <li>• Non-financial performance measured against a set of commitments agreed with Ofwat</li> <li>• Health and safety measures and targets</li> <li>• Environmental performance assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Commitment outcomes: pages 30-36</li> <li>• Our Stakeholders: People: pages 56-66</li> </ul>
<b>Description of principal risks and impact of business activity</b>		<ul style="list-style-type: none"> <li>• The year in context: pages 10-17</li> <li>• Risk management: pages 102-116</li> <li>• Risk management: pages 102-116</li> <li>• Principal risks: pages 107-115</li> <li>• Business long-term viability statement: pages 117-120</li> </ul>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

A copy of our code of conduct ('Doing the Right Thing'), together with our Whistleblowing policy, our Anti-bribery policy and our current Modern Slavery and Human Trafficking statement can be found on our website at [anglianwater.co.uk](http://anglianwater.co.uk) Our customer privacy notice can be found at [anglianwater.co.uk/aboutus/legal/privacy-notice](http://anglianwater.co.uk/aboutus/legal/privacy-notice)

## **OUR APPROACH TO THE CLIMATE AND NATURE CRISES**

In this report, we cover our approach via two reporting frameworks: the Task Force on Climate-related Financial Disclosures (TCFD), which we have reported against since 2017. Our approach is consistent with all 11 TCFD recommendations and is compliant with the requirement of LR 9.8.6R, by including climate-related financial disclosures. This disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD). This disclosure also includes reporting that follows the principles of the Task Force on Nature-related Financial Disclosures (TNFD). We will continue to develop our disclosures as our approach matures.

As a water company, we have an intrinsic relationship with the environment. The health of the environment both influences and is impacted by our operations. And our environment is changing, as a result of climate change.

Around the world, we are seeing increased risk of drought, paired with extreme storms and rising sea levels. In recent years, in the UK, we have witnessed more flooding and the highest temperatures ever recorded.

We have long known about these challenges. When we published our Strategic Direction Statement in 2007, we set out what we believed to be our main challenges to 2035; the most significant being climate change and growth. This relationship has driven a range of climate-related commitments and targets.

Climate change is a global issue and our work is influenced by global aspirations and policies, such as the United Nations Sustainable Development Goals. During COP29, water was a key focus, with the Global Commission on the Economics of Water presenting a strong case for integrating water into national climate plans, arguing that the world is at risk of entering an era of "chronic water scarcity." A key takeaway was the growing recognition of water security as foundational to global economic stability and climate resilience.

This global sentiment is echoed in the region we serve. The East of England has experienced significant change over the past few decades; more customers; more products that cause blockages going into our sewers; and less green space to absorb rainfall. Couple this with growth ambitions and it is clear that water plays a fundamental role in supporting environmental prosperity, economic growth, new agricultural practices and in unlocking opportunities in hydrogen and renewable energy and closing the green skills gap. Our long-term ambitions to 2050 show our aspirations, as a water company, to unlock these opportunities.

Furthermore, we have always taken a long-term approach to building resilience, but increasingly, climate-related conditions will impact our ability to supply safe, clean drinking water and take away used water and return it safely to the environment.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Our Climate Change Adaptation Report, updated in 2024, outlines the key climate-related risks we face. Since we last reported in 2020, we have observed increased risks related to raw water quality and sewer flooding. Raw water quality relates to the quality of the water we clean and put into supply. Sewer flooding risks have increased in response to the heavy rainfall and stormy weather experienced in recent years and we have seen the damaging impact to our assets.

Our changing climate is also impacting nature. For example, climate change is impacting cropping patterns for farmers, resulting in different crops being grown and sold, the use of different pesticides and changes to the chemical run-off into waterways, alongside biodiversity impacts. Furthermore, warmer water and transferring resources across the region could put us at greater risk of invasive non-native species. We must find ways to work with our changing climate, in a way that doesn't detriment nature, but works harmoniously with it – and that means our approach needs to be flexible too. Our view is that adapting to climate change is a long, continual journey.

To prepare for the future, we have led and supported a wide breadth of projects, using integrated, partnership approaches and nature-based solutions. Increasing flood prevention, coastal protection and improving water quality in rivers and waterways are complex issues that cannot be solved alone. We have championed joint approaches for many years and we will build on our portfolio of work in AMP8.

We have several strategies and plans that cover different areas of our business and ways in which we are building resilience and adapting to the climate and nature crises. In this report, we cover our approach via two reporting frameworks: the Task Force on Climate-related Financial Disclosures (TCFD), which we have reported against since 2017. Our approach is consistent with all 11 TCFD recommendations and is compliant with the requirement of LR 9.8.6R, by including climate-related financial disclosures. This disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD).

This disclosure also includes reporting that follows the principles of the Task Force on Nature-related Financial Disclosures (TNFD). We will continue to develop our disclosures as our approach matures.

Our Net Zero Transition Plan will be published separately.

Recent highlights:

- B for Climate and A- for Water Security for our 2024 CDP disclosure, demonstrating that our actions are aligned with good environmental management
- £0.9 billion raised in green bonds in the year and a total of £4.7 billion of sustainable financing since 2017
- Delivering 66.1% reduction in capital carbon, in line with our ambition set out in our Net Zero Carbon 2030 Strategy
- Platinum certified by Achilles Carbon Reduce, signalling 10+ consecutive years of carbon reductions
- Fourth Climate Change Adaptation Report submitted to Defra
- 99% of Sites of Special Scientific Interest (SSSIs) in favourable condition
- 107% of Biodiversity Net Gain delivered across our capital delivery programme
- £5.3 million invested into 65 multi-agency projects via Get River Positive

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

- Over the next five years, we will be delivering 23 treatment wetlands, using nature-based solutions to further clean water before it is returned to the environment

In December 2024, we submitted our Climate Change Adaptation Report to the Department for the Environment, Food and Rural Affairs (Defra), under the Adaptation Reporting Power of the UK Climate Change Act (2008). This is the fourth submission we have made. Its purpose is to outline progress we have made in adapting to our climate change risks since 2021, contribute to the Government's understanding of the UK's level of preparedness to climate change and inform other ongoing work on climate adaptation, including the national Climate Change Risk Assessment and National Adaptation Programme.

To understand what future climate scenarios could mean for us, we have undertaken modelling in the preparation of our many strategies (which we cite throughout this report), including our Long-Term Delivery Strategy (LTDS), Water Resources Management Plan (WRMP) and Drainage and Wastewater Management Plan (DWMP).

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Climate-related governance**

**Board oversight**

The Anglian Water Services Limited (AWS) Board retains overall oversight of climate and nature-related risks and opportunities. The Board discusses climate and nature-related issues through many aspects of our strategic planning, for example in reviewing our Water Resources Management Plan, updated in 2024. Climate and nature-related risks are also included within the Company's top-tier risk register, which is reviewed twice a year by the Board and managed through risk management and internal control systems.

The Board meet between eight and 10 times per year, where climate and nature-related matters are discussed — covering topics such as abstraction, compliance against the Environment Agency's Environmental Performance Assessment (EPA), progress on our Water Industry National Environmental Programme (WINEP), our water resource position and pollution reduction schemes.

The Board receives monthly performance reports, containing a number of measures relating to progress against some of our climate and nature-related commitments and targets, including our EPA performance and Outcome Delivery Incentives (ODIs) — such as pollutions performance, WINEP delivery and leakage. The Board has embedded accountability for delivery against our Purpose and receives quarterly reports that contain a basket of measures, framed around our six capitals approach. This scorecard helps us to understand how well we are delivering against our Purpose and includes performance against our capital carbon and operational carbon reduction targets. Our operational carbon performance is used to monitor progress against our Net Zero 2030 Strategy.

In 2017, the Board led the business to become one of the first utilities to raise finance through a Green Bond, due to the governance structure we have in place.

The Board drives and oversees our climate and nature-related commitments including:

- Anglian Water's commitment to achieve net zero carbon by 2030: our Chief Executive Officer at the time was co-sponsor of the sector-wide Water UK commitment. Our Net Zero 2030 commitment covers our Scope 1 and 2 emissions, together with those Scope 3 emissions we're required to report on. The Board monitors progress.
- Our commitment to reducing our capital carbon emissions: Scope 3 emissions (that arise as a consequence of building and maintaining our assets) by 70%, against a 2010 baseline by 2030.
- Our five Get River Positive pledges, launched in 2022. This initiative is part of our commitment to protect and revitalise rivers.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

## **Leadership**

The Company's Board offers a diverse set of skills and backgrounds, including experience in environment and sustainability. Our Chief Executive Officer, Mark Thurston, is a Visiting Professor at the Bartlett school of Sustainable Construction at UCL and the School of Complex Project and Programme Leadership at Loughborough University. He is also a Fellow of the Institution of Civil Engineers.

Our Chair, Dr Ros Rivaz is Chair of Anthropy East of England Alliance, a regional sub-group of Anthropy, which is a national membership network for leaders to convene to foster a stronger, fairer and more sustainable future for Britain. The group's current focus is around building regional collaboration on green skills, to tackle climate change and social mobility.

## **The role of the Audit and Risk Committee**

The Audit and Risk Committee plays a key role in monitoring the Company's financial reporting, reviewing the material financial judgements and assessing the internal control environment; ensuring information is accurate, timely, reliable and compliant.

The Committee provides effective oversight of both financial and non-financial disclosures, including climate-related financial disclosures. Climate change is an area of focus.

The Committee approves our annual internal audit plan, which this year included an audit of our non-financial climate reporting, to drive areas of focus. The Committee also bi-annually reviews the top-tier risk register.

## **The role of the Remuneration Committee**

The Remuneration Committee plays a key role in ensuring that climate change and our impact on the environment — along with other Environmental, Social and Governance issues — are considered at the top of the organisation. A portion of variable executive remuneration is already aligned to our Purpose and selected ESG measures. These measures include our performance as a business in operational and capital carbon, pollutions, leakage, biodiversity net gain and WINEP delivery. Performance metrics are agreed by the Committee at the start of the financial year, or performance period, with performance being reviewed at the November Committee meeting.

## **The role of the Nomination Committee**

The Nomination Committee's primary function is to advise the Board, in relation to the appointment of executive and non-executive directors. The Committee is responsible for monitoring that the Board has the right balance of skills, experience, and knowledge and makes recommendations to the Board accordingly. Prior to commencing the search for new directions, the committee reviews the Board skills matrix, which covers Environment and Sustainability including climate change, informs the recruitment process for new independent non-executive directors.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Climate and nature-related governance**

<b>The Anglian Water Services Limited (AWS) Board</b>		
Oversight of climate and nature-related risks		
Audit and Risk Committee Review the Company's top-tier risks	Remuneration Committee Remuneration policy linked to ESG	Nomination Committee Balance of skills, knowledge, experience and diversity on the Board
Executive Committee		
ExCo sub-committees		
Environment and Sustainability	Operations – Water	Capital Delivery
Risk, Assurance and Disclosure	Operations – Water Recycling	Strategic Change
People	Operations – Customer and Wholesale	Health, safety and wellbeing
Water Quality and Environmental Compliance Group	Climate Change and Carbon Steering Group	Sustainability Centre of Excellence

**Six Capitals Framework**

Our Board is committed to using the six capitals framework for decision making, an approach we first introduced back in 2015. This framework, which is embedded in our business model, helps us balance natural capital, alongside social, people, intellectual, manufactured and financial capital, to shape investment decisions.

**Executive Committee**

In 2024, we reset our governance structures, to enhance focus on key issues and create a clear line of governance from the frontline to the Executive Committee and into the AWS board. These changes were driven by our new Chair — Dr Ros Rivaz — and new CEO — Mark Thurston.

In monthly Executive Committee meetings, issues related to climate and nature-related impacts and dependencies are discussed. These meetings are often shaped by the agendas and outcomes of the groups specified below. The Executive Committee consists of our Chief Executive, along with key decision makers, who chair many of the groups below.

The Executive Committee plays a key role in ensuring the delivery of our performance commitments, which include climate and nature-related targets — relating to operational and capital carbon, pollution incidents, WINEP delivery, and natural capital.

The Executive Committee reviews the top-tier risk register a minimum of twice a year. Climate and nature-related impacts and dependencies are key elements of this review. Due to the nature of our business, our Executive Committee is collectively responsible for the delivery of environmental prosperity for the region.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Environment and Sustainability Executive sub-Committee

Our Director of Quality and Environment, Dr Robin Price, is responsible for leading Anglian Water's Environment Strategy and associated ambitions and targets. Robin chairs the Environment and Sustainability Committee, a sub-committee of the Executive Committee, which meets quarterly and governs matters relating to our Purpose, environmental impact, sustainability, climate change – including net zero – and related matters. A summary of the discussion and actions is shared with the full Executive Committee, with an update shared onwards to Board. A number of groups report up into the Environment and Sustainability Committee including the Climate and Carbon Steering Group, which Robin also chairs.

The Climate and Carbon Steering Group

The Climate and Carbon Steering Group is responsible for progress against climate change mitigation and adaptation. The group meets monthly to discuss specific themes, including our proposed AMP8 (2025-2030) net zero investment plans, which include a focus on reducing Nitrous Oxide emissions at 17 of our largest sites and moving towards lower carbon HGVs. The group also monitors our plans to develop renewable energy generation and consumption. Updates are provided to the Environment and Sustainability Committee when required, for example on our net zero carbon trajectory. This group has been integral to the development of our climate adaptation investment plans for 2025-2030, our Climate Change Adaptation Report and progress against our 2030 carbon commitments.

Water Quality and Environmental Compliance Group

This group meets weekly and monitors tactical and short-term operational strategies. It receives and reviews reports on matters relating to environmental issues, such as water recycling performance, supply/demand, biosolids and the quality of drinking water. The group is responsible for commissioning work, providing assurance to the business and external stakeholders, identifying lessons learned and ensuring they are communicated.

Sustainability Community

Anglian Water's Sustainability Community allows Anglian Water employees and alliance partners to engage with sustainability-related activities. This ensures that input into the climate change, carbon and sustainability agenda is open to all. This Community aims to harness these ideas and the widespread commitment to sustainability across Anglian Water and our partners.

*c. Describe the organisation's human rights policies and engagement activities, and oversight by the Board and management, with respect to indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of — and response to — nature-related dependencies, impacts, risks and opportunities.*

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

## Stakeholder considerations and engagement

Our Articles of Association require Anglian Water to conduct its business and operations for the benefit of shareholders, while delivering long-term value for the Company's customers, the region and the communities it serves, alongside seeking positive outcomes for the environment and society.

Engagement with stakeholders is central to shaping, informing and challenging our strategic plans. We have set out, in detail, how we have engaged with our customers and community in our Section 172 Statement.

In the development of our Drainage and Wastewater Management Plan (DWMP), we worked in collaboration with a range of stakeholders, including county and district councils, the Environment Agency, the River and Wildlife Trusts and Natural England, to identify catchment risks and any partnership working opportunities. Our Water Resources Management Plan (WRMP), updated in September 2024, has been guided by the water needs of our region — taking into consideration customer and stakeholder views to develop an affordable, sustainable pathway that will benefit our customers, society and the environment. We also work with key partners in our region to contribute to the Water Resources East Regional Plan.

## Ongoing engagement

We encourage and gather views of our communities through our online community forum, Customer Board and Community Ambassador Programme. We carried out almost 35,000 in-depth engagements with our household customers and over 2,500 engagements with our non-household customers, specifically on our AMP8 plans.

## External scrutiny

We work with others outside of the business to challenge us on our plans, for example, our Independent Challenge Group (ICG), a group of independent subject experts and regulators. The Chair of the group is Craig Bennett, Chief Executive of The Wildlife Trusts. Craig is an Honorary Fellow of the Chartered Institute of Water and Environmental Management (CIWEM). As Chair, Craig has committed to attending a full Anglian Water Board meeting once a year and Dr Ros Rivaz, Anglian Water Chair, has committed to attending one ICG meeting. Our Chief Executive Officer, Mark Thurston, also attends quarterly ICG meetings. Board engagement is critical to the success of the ICG.

Our independent River Health Panel was established in 2023, to provide challenge and hold us accountable on our river health initiatives.

## Human rights

Through the Anglian Water Group Human Rights Policy, (which draws upon the International Bill of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work), we seek to prevent or mitigate adverse human rights' impacts and continue to look for ways to support the promotion of human rights within our operations.

Our Whistleblowing Policy and Procedure is there for when an employee or someone working on our behalf wishes to raise a concern on a range of matters, including damage to the environment.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

See our non-financial and sustainability information statement, for more on the relevant policies, documents and reports that govern our approach to human rights.

Nature-related advocacy

We are keen to input, influence and shape the external political and regulatory environment, to enable us to deliver environmental benefits. For example, we argued strongly in favour of government action to enable water companies to make more ambitious use of nature-based solutions, in our submissions to the work of the Independent Water Commission.

**Strategy**

Globally, research from the Institute and Faculty of Actuaries has shown that the economy could face a 50% loss in GDP between 2070 and 2090<sup>10</sup>, unless immediate policy action on risks posed by the climate crisis is taken. These risks include food system shocks, water insecurity, heat stress and infectious disease, which (without action), could lead to mass mortality, involuntary mass migration, severe economic contraction and conflict.

More immediately in the UK, a Deloitte report<sup>11</sup> has shown that property insurance payouts in 2024 are set to hit their highest level since the 2007 torrential summer floods. While there are many factors at play, climate change is prominent, with claims relating to weather — including floods, storms and freezing temperatures — expected to reach £1.2 billion.

We are feeling these impacts in our region, demonstrated by weather events in successive years, with significant flooding in 2021, drought in 2022 and storms and flooding throughout the winter of 2023. These are all indicative of our changing climate, which will lead to greater risks across our operations that impact both climate and nature, to include:

- A hotter, drier climate will reduce water available for abstraction.
- Saltwater intrusion, due to sea level rises, will put an increased number of water sources at risk — such as the impact of estuary water on natural ground water — alongside a loss of assets due to coastal erosion.
- Increasingly intense rainfalls will put pressure on sewer systems.
- Wetter winters will lead to rising groundwater levels, which could also impact water quality and increase infiltration into our sewer network.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

We have aggregated our climate risks into five key headline themes, as shown in the table below.

Our five-year investment periods and associated Ofwat Performance Commitment Levels (PCLs) are set in the context of a much longer timeframe, in line with our Purpose and Strategic Direction Statement (2050). In the table, the metrics cited are our Ofwat PCLs. These are a subset of a wider range of performance measures, which ladder up to our long-term ambitions.

Table 1: Key physical risks

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
<b>Security of public water supply</b>	Hotter, drier summers increasing drought severity and frequency combined with population growth.	<p>On customers:</p> <ul style="list-style-type: none"> <li>• Increase in interruptions to supply</li> <li>• Low water-pressure issues</li> <li>• Drought restrictions more commonplace</li> </ul> <p>On business:</p> <ul style="list-style-type: none"> <li>• Impact on our financial penalty/reward position</li> <li>• Increase in operating costs to deal with periods of drought</li> <li>• Increase in capital investment required</li> </ul>	We maintain a 25-year Water Resources Management Plan (WRMP), which quantifies the need and recommends investment to maintain the supply-demand balance to avoid water shortages in the context of drought and population growth. This 25-year plan is refreshed every five years, to incorporate short, medium	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> <li>• Leakage</li> <li>• Per Capita Consumption</li> <li>• Unplanned Outage</li> <li>• Percentage of population supplied by a single supply</li> <li>• Abstraction Incentive mechanism</li> <li>• Properties at risk of persistent low pressure</li> <li>• Smart metering delivery</li> </ul>	<p>Our WRMP shows that by 2050, as a result of climate change and changes to abstraction licensing and drought, there will be an 80Ml/d reduction in the water available to us. This is part of the total deficit of 593Ml/d in the region. Our AMP8 Business Plan contained proposed investments of over £1 billion* to meet the total shortfall in water availability.</p>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			and long-term actions.	<ul style="list-style-type: none"> <li>• Internal interconnector delivery</li> <li>• Risk of severe restrictions in a drought</li> <li>• Natural capital impact</li> </ul>	<p>As part of this, we will deliver two new reservoirs to achieve resilience to a 1-in-500 year drought. With no new reservoirs being constructed since the 1990s, our proposed new reservoirs have been identified as a large-scale investment in new water resources that we need. They will play a critical role in securing water supply, long into the future alongside protecting and restoring the environment. Our Lincolnshire reservoir will improve our resilience to drought, while the Fens</p>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
					reservoir will allow us to leave more water in chalk streams.
<b>Risks to our assets from flooding</b> Short medium and long term	Increased frequency of periods of heavy rainfall combined with wetter, warmer winters.	On customers: • Increase in interruptions to supply. On business: • Impact on our financial penalty/reward position as well as environmental penalties. • Increase in operating costs, to deal with heavy rainfall and associated flooding. • Increase in capital investment required. • Reputational damage.	As set out in our Drainage and Wastewater Management Plan (DWMP), the next 25 years will increase flood risk in many catchments in the East of England, due to more intense rainfall, resulting from climate change. The risk is particularly acute for coastal areas, considering 28% of our region is low-lying. Our long-term approach to addressing hydraulic flooding is outlined	The most relevant Ofwat PCLs for this key risk are: • Water supply interruptions • Unplanned outage • Pollution incidents • Treatment works compliance • Bathing waters attaining excellent status • WINEP • Partnership working on pluvial and fluvial flood risk	Our AMP8 Business Plan contains proposed investments of £17 million* to increase pluvial and fluvial flood resilience. Climate change will increase the frequency and severity of heavy rainfall events. With two significant wet weather events and unprecedented groundwater levels in the space of three years — and with warmer wetter winters predicted — a new, more holistic catchment-based approach is essential, to make communities more climate resilient. Our plan

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
			in our DWMP strategic planning framework. The DWMP presents a catchment-level long-term strategy for addressing flooding over a 25-year horizon and recognises that hydraulic flood risk is the collective responsibility of a wide number of stakeholders, including the water sector. This approach delivers over a short, medium and long-term timeframe.		also includes investments to improve water resilience, to mitigate against the impacts of surface water flooding at key water production assets, including boreholes, which are highly susceptible to flooding. This is to ensure that the impacts of heavy rainfall and sea level rises, both attributed to climate change, will be mitigated in the medium to long term.
<b>Risks to sewer flooding from extreme rainfall</b> Short medium and long term	Increased frequency of periods of heavy rainfall,	On customers: • Internal and external sewer flooding and impact on customers' homes.	As set out in our Drainage and Wastewater Management Plan	The most relevant Ofwat PCLs for this key risk are:	Our AMP8 Business Plan includes proposed capital investment

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
	combined with wetter, warmer winters.	On business: <ul style="list-style-type: none"> <li>• Impact on our financial penalty/reward position as well as environmental penalties.</li> <li>• Increase in operating costs to deal with heavy rainfall and associated flooding.</li> <li>• Increase in capital investment required.</li> <li>• Reputational damage.</li> </ul>	(DWMP), the next 25 years will increase flood risk in many catchments in the East of England, due to more intense rainfall, resulting from climate change.	<ul style="list-style-type: none"> <li>• Internal sewer flooding</li> <li>• Pollution incidents</li> <li>• Treatment works compliance</li> <li>• External sewer flooding</li> <li>• Bathing waters attaining excellent status</li> <li>• WINEP</li> <li>• Risk of sewer flooding in a storm</li> </ul>	of c.£108 million* over the next five years to help mitigate the risk of flooding of properties. This investment is required to enhance our sewerage system, to reduce the risk to properties and external areas of flooding from sewers.
<b>Risks to raw water treatment from reduced water quality</b> Short medium and long term	High intensity rainfall events are accelerating soil erosion, leading to increasing concentrations of nutrients in raw water supplies.  High temperatures lead to	On customers: <ul style="list-style-type: none"> <li>• No impact on water quality delivered to customers.</li> </ul> On business: <ul style="list-style-type: none"> <li>• Impact on our operating costs due to increased treatment costs.</li> <li>• Reputational damage.</li> </ul>	Wet weather can negatively impact the quality of water we take out of rivers, reservoirs and our groundwater, due to higher turbidity and sediment-bound pollutants. To tackle this in the short-term, we	The most relevant Ofwat PCLs for this key risk are: <ul style="list-style-type: none"> <li>• Percentage of population supplied by a single supply</li> <li>• Water supply interruptions</li> <li>• Abstraction Incentive Mechanism</li> <li>• Event Risk Index</li> </ul>	Our AMP8 Business Plan contains significant proposed investments to improve water quality — although climate change is not the primary driver; the impacts will be worse into the future if left unmanaged. See footnote 12, section 11.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
	increased algal blooms, which can result in treatment challenges and reduce the efficiency of our treatment.		have instigated a programme to use weather station data to plan our abstraction regimes. Catchment management provides a longer term solution. We are sharing local data with other water users and land managers, to make informed decisions to protect our water resources.	<ul style="list-style-type: none"> <li>• Compliance Risk Index</li> </ul>	Our plans propose investment of c.£1 million* to combat invasive non-native species, which pose a greater risk for us as a result of a warming climate and our water transfer schemes.
<b>Risk of service interruptions and interdependent risks</b> Short medium and long term	Hotter drier summers and warmer wetter winters could lead to prolonged drought and wetter periods,	On customers: <ul style="list-style-type: none"> <li>• Increase in interruptions to supply.</li> </ul> On business: <ul style="list-style-type: none"> <li>• Impact on our financial penalty/reward position, as well as environmental penalties.</li> </ul>	We have moved from a reactive to a coordinated and proactive incident management system, embedded across our whole	The most relevant Ofwat PCLs for this key risk are: <ul style="list-style-type: none"> <li>• Water supply interruptions</li> <li>• Unplanned outage</li> <li>• Pollution incidents</li> </ul>	Our Long-Term Delivery Strategy (LTDS) sets out how we will achieve our future vision, with our core pathway outlining

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
	impacting the performance of our assets and those other infrastructure assets (e.g. power infrastructure), on which we rely.	<ul style="list-style-type: none"> <li>• Increase in operating costs to deal with heavy rainfall and associated flooding.</li> <li>• Increase in capital investment required.</li> <li>• Reputational damage.</li> </ul>	<p>business, to manage and mitigate the impact of any disruptive event, including those from prolonged and extreme weather events.</p> <p>We are active participants in the Climate Resilience Demonstrator (CReDo) project, which aims to prevent cascade failure with the interconnected infrastructure network.</p> <p>We have recently completed a study into climate vulnerable mains. This covers mains that are vulnerable</p>	<ul style="list-style-type: none"> <li>• Partnership working on pluvial and fluvial flood risk</li> <li>• Internal sewer flooding</li> <li>• Treatment works compliance</li> <li>• External sewer flooding</li> <li>• Risk of sewer flooding in a storm</li> </ul>	<p>the investments we expect to make to 2050. We have used Ofwat's common reference scenarios — technology, demand, climate change and abstraction reduction — to test our future plans. And we have looked to the future through a variety of lenses including; digital, innovation, partnership-working and place-based approaches, to ensure we have considered every possible solution. This enables us to create a core pathway and a set of alternative routes, in the event circumstances change.</p>

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key risk	Drivers	Potential impact	Response to risk	Related metrics and	
				targets	Cost of response to risk
			to bursts, as a consequence of drought-induced soil shrinkage. This study highlights the pressing need to make vital assets resilient and fit for the future. A tool has been developed to assess the potential failure of assets due to extreme high temperatures – likely to be more common in the future.		Our LTDS proposes to invest £1.64 billion by 2060, as part of a multi-AMP programme to remove 75% of our 8,241km of climate vulnerable mains by 2060. <sup>13</sup> Proposed investments within the ‘Risks to our assets from flooding’ are relevant here. These investments will make the network more resilient and reduce the risk of interruptions to supply.

\* Correct at time of publication, however subject to change following CMA referral

13 [Our Long Term Delivery Strategy](#)

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Table 2: Key transitional risks**

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
<b>The pace of grid decarbonisation</b>  <b>Short and medium term</b>	Future energy policy direction affecting future electricity markets.	Changes in the pace of grid decarbonisation will impact the magnitude of our residual emissions, as well as the cost effectiveness of future energy-efficiency measures.	Continued wider market engagement to better understand future grid electricity tariff scenarios, in particular, green electricity and energy sleeving, to have a more informed electricity procurement strategy.	The most relevant Ofwat PCLs for this key risk are: <ul style="list-style-type: none"> <li>• Operational carbon</li> <li>• Capital carbon</li> </ul>	Demand for green energy has been rising in recent years, with both domestic and non-domestic customers driving this increase. For companies to report on the amount of green energy they have procured and used from the grid, they need to demonstrate that the energy used has been generated from renewable sources. Renewable Energy Guarantees of Origin (REGO) certificates are obtained to show this.  As more companies choose to procure green energy from the grid, the increase in demand is reflected in the price of REGOs. Spot trading prices increased from c.£0.20-£0.30 per REGO  in the late 2010s, to a peak of c.£25 per REGO in September 2023. Market prices for Compliance Period 23 (CP23), covering financial year
	Premiums for green electricity.	Uncertainty in the future financial balance between the cost of investing in energy efficiency and the cost of low-carbon energy.	Continued engagement with our solar investors, EPC contractors and distribution network operators, to ensure solar portfolios are delivered.		
	Grid pricing mechanisms.		Engagement with Government consultations on the future of electricity generation, supply and markets.		
	Planning challenges for onshore wind and solar PV.		Monitoring of planned solar investments in our region (outside of our own land), to identify and benefit from annual solar generation by 2030 and beyond.  Continued engagement with local authorities, to monitor planning risks for onshore wind in our region.		

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			Encouraging employees to challenge and report areas where energy efficiency can be improved.		<p>2024/25, have fallen considerably from this level to around £3-£5 per REGO — however, prices are still prone to volatility, which is expected to continue into the future.</p> <p>During the year, we have signed two corporate purchase power agreements to procure renewable energy, directly from generators, via the grid and to reduce our reliance upon standard ‘brown’ grid energy, where the generation mix is dominated by fossil fuels.</p>
<b>Societal and legislative views on environment and net zero carbon</b>  <b>Short, medium and long term</b>	Increased media interest and changing public attitudes to environmental issues may increase focus on improved environmental policies.	Potential for increased investment in environmental protection schemes. As an energy intensive sector and with GHG emissions associated with water treatment potential for increased costs.	<p>The delivery of infrastructure affords the opportunity to deliver other positive environmental outcomes – for example Nature Based Solutions – and through our partnership work such as Future Fens.</p> <p>Strong relationship with delivery partners to deliver low carbon solutions as seen through our historic and ongoing commitment to reducing the capital carbon in our assets.</p>	<p>The most relevant Ofwat PCLs for this key risk are:</p> <ul style="list-style-type: none"> <li>• Operational carbon</li> <li>• Capital carbon</li> </ul>	Following consultation with our customers and other key stakeholders, our AMP8 Business Plan contains proposed investments towards net zero carbon. At Final Determination, Ofwat confirmed £296 million.* Our LTDS contained proposed investments over the longer term. This reflects wider societal priorities and identification of the need to

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	Changing Government tax income may lead to a focus on carbon as a mechanism to raise tax income.		Regular engagement with the UK Government, regulators and other stakeholders to shape policy outcomes.		invest in the environment for long-term prosperity.  Customers want us to ensure a sensible balance between ambition, affordability and intergenerational fairness. While necessary increases to investment will raise bills in the long-term, we have tested our proposals with customers and stakeholders, to make sure they reflect the things that matter most to them and that they represent the best value for our region. For customers who are struggling to pay, we have a wide range of support available.
<b>Investment levels required Short, medium and long term</b>	Higher levels of investment required to meet more stringent environmental standards, improve resilience adapt to climate change and meet long term targets The current regulatory model means that such investment will ultimately be	Increase to how much customers will have to pay, with has the potential to affect affordability for those struggling financially.	Taking affordability into account, as part of the planning and investment process — through customer consultation and macro-economic analysis. Assisting the most-vulnerable customers, through a range of packages. Carefully planning investments, to deliver optimum outcomes, while keeping costs to a minimum.	The most relevant Ofwat PCLs for this key risk are: • Abstraction Incentive Mechanism • Bathing waters attaining excellent status • Smart metering delivery • Internal interconnector delivery • Partnership working • Priority services register • Value for money	

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	funded through customer bills.				
<b>Nitrous Oxide Emissions</b> <b>Short, medium and long term</b>	Uncertainty over the emissions factor for Nitrous Oxide emissions.	Potential increase in reported Nitrous Oxide emissions resulting in an increase in overall reported CO2e emissions.	The historic mechanism for calculating Nitrous Oxide emissions from waste water treatment is under review in the UK and internationally. Monitoring is underway in Anglian Water and the wider UK water sector to understand the robustness of the current emissions calculation methodology. Following the completion of this research, a decision will be taken as to the accuracy of the current methodology and if the current emissions factor should change. Our PR24 business plan contains proposed investments in various Nitrous Oxide reduction approaches which will deliver over 5,000 tCO2e by 2030.	The most relevant Ofwat PCL for this key risk is: <ul style="list-style-type: none"> <li>Operational carbon</li> </ul>	Our AMP8 Business Plan contained proposed enhancement investments in various Nitrous Oxide reduction approaches, see section 2.3 <sup>14</sup> . At Final Determination, Ofwat confirmed £75.5 million* for the delivery of Nitrous Oxide reduction projects. Our aim is to reduce emissions and provide valuable understanding that can be applied to our various sites, if reductions can be achieved in a cost effective way. If the Nitrous Oxide emissions factor increases, the investment improves in tonnes CO2e saved/£ invested, but the size of reported emissions increases. Our LTDS contains more details on the levels of future investment required.

\* Correct at time of publication, however subject to change following CMA referral

14 [Our PR24 Enhancement Strategies – A carbon neutral business](#)

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Residual risk**

Our aim is to mitigate risk, as much as possible, in the short, medium and long term. However, we will not eliminate risks entirely. Our robust, risk-based approach will ensure we focus on areas that are most pervasive and material, in line with our long-term ambitions. Our Business Plan submission details the nature of the investments to both adapt and mitigate against these risks. In practice, this is our adaptive response, which allows us to remain flexible to changing circumstances, alongside ensuring we limit bill impacts by only investing in solutions that will be needed.

As part of our vision for 2050, outlined on page 9 of AIR, our future aspirations will ensure that; all customers have at least two sources of water supply (in the face of more frequent drought); our customers never experience internal or external flooding; and our region will be regarded as an international exemplar for the use of nature-based solutions, to solve water security issues.

**Key opportunities**

Our governance structure enables us to identify climate and nature-related opportunities. This has allowed us to develop strategies for success, for example, through the green/sustainable financing that we undertake as discussed in the section below.

In line with our Purpose, we are encouraged to innovate — seeking sustainable solutions with environmental and societal benefits. We collaborate with many organisations, including: working with the aviation industry to understand the role of biosolids in the development of sustainable aviation fuels; recovering waste heat from our sludge treatment processes, in line with circular principles; hosting battery boxes on our sites, to deliver increased renewable electricity to the grid and improve network resilience; and leading the development of a framework, to increase uptake of green steel. Our key opportunities are centralised and reviewed within the Climate and Carbon Steering Group and outlined below:



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Table 3: Key opportunities**

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
<b>Spend to save programme</b>  <b>Short and medium term</b>	Increased cost of energy.	<ul style="list-style-type: none"> <li>• Reduction in operating costs</li> <li>• Reduction in operational and capital carbon</li> <li>• Reduction in energy consumption</li> <li>• Reduction in reliance on grid power, increasing grid resilience</li> </ul>	We have a dedicated initiative to identify opportunities to reduce energy, carbon and cost. Funding is made available for this initiative, providing it pays back in five years or less. We also consider investments which may pay back over a longer period of time.	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.
<b>Correlation of reducing, carbon reduces cost</b>  <b>Short and medium term</b>	Need to reduce carbon footprint and align with our net zero target.	<ul style="list-style-type: none"> <li>• Reduction in capital investment required on projects</li> <li>• Reduction in operational and capital carbon</li> </ul>	<p>Our strategy is consistent with the international standard for capital carbon management, PAS 2080, which we assisted BSI to develop. The PAS 2080 standard aims to achieve a systematic process for infrastructure delivery, in which carbon management — under the direct control of the value chain — is the main focus.</p> <p>The introduction of electricity and gas smart meters at many of our sites is giving us a better understanding of consumption, allowing us to optimise energy reduction solutions.</p>	The most relevant Ofwat PCL for this key opportunity is Capital Carbon.
<b>Uptake of renewable energy</b>	The rising cost of grid power and the increasing appetite for	<ul style="list-style-type: none"> <li>• Reduction in operating costs</li> <li>• Increase in green-energy consumption</li> </ul>	Investment in the optimisation of our combined heat and power (CHP) programme, biomethane programme and solar	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
<b>Short, medium and long term</b>	renewable power.	<ul style="list-style-type: none"> <li>Reduction in the energy required to be imported and opportunities to export</li> </ul>	<p>photovoltaic installations on and adjacent to our sites.</p> <p>Long-term renewable energy procurement.</p>	
<b>Uptake of catchment and nature-based solutions</b>  <b>Short, medium and long term</b>	<p>The need to protect and restore natural ecosystems, while minimising our carbon footprint.</p> <p>The need to maintain water quality and availability.</p>	<ul style="list-style-type: none"> <li>Supports net zero commitment, by reducing the need for carbon intensive infrastructure and offsetting opportunities.</li> <li>Potential cost savings over transitional infrastructure solutions, particularly through reduced operational expenditure.</li> <li>Improves resilience of water treatment assets.</li> </ul>	<ul style="list-style-type: none"> <li>Investment in more treatment wetlands, to reduce the need for expensive, carbon-intensive infrastructure and the chemical dosing that is conventionally used.</li> <li>As part of our spill reduction programme, we will be delivering 17 storm lagoons and 44 Sustainable Drainage Schemes (SuDS) in AMP8.</li> </ul>	The most relevant Ofwat PCLs for this key opportunity are WINEP and Natural capital.
<b>Multi-partnership approach and use of digital innovation to improve ecological quality</b>  <b>Short, medium and long term</b>	<p>The need for a catchment approach, to tackle environmental challenges in the region.</p> <p>Development of digital innovation as a solution to concerns around environmental quality.</p>	<ul style="list-style-type: none"> <li>Supports two of our four strategic ambitions: enable sustainable economic and housing growth and work with others to achieve significant improvements in ecological quality of catchments.</li> <li>Drives more efficient environmental outcomes.</li> <li>Use of digital innovation through working with partners unlocks new opportunities to monitor, understand and improve river water quality.</li> </ul>	<ul style="list-style-type: none"> <li>Partnership working on pluvial and fluvial flood risk, e.g., our multi-agency approach.</li> <li>Working with Government and nutrient dischargers in catchment, to develop plans to reduce nutrient loads to unlock opportunities to enable sustainable economic and housing growth, while improving ecological quality.</li> <li>Continue to explore partnerships for innovation e.g., ecological digital twin, remote sensing and in-river sensors.</li> </ul>	The most relevant Ofwat PCLs for this key opportunity are Regional collaboration and Partnership working on pluvial and fluvial flood risk.
<b>Diversify revenue</b>	The need for resource	<ul style="list-style-type: none"> <li>More efficient use of resources, producing environmental</li> </ul>	<ul style="list-style-type: none"> <li>Continue to explore opportunities and innovate</li> </ul>	As part of our zero waste to landfill ambition, we

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
streams, utilising by-products of water and wastewater treatment  Short, medium and long term	efficiency and a circular transition.	benefits. • Revenue generation, through utilising by-products of wastewater treatment.	with partners to utilise by-products of water treatment and water recycling e.g., through our Bioresources Strategy. This includes an exciting opportunity to use sewage sludge as a feedstock, for production of sustainable aviation fuel to help the UK meet targets to decarbonise the aviation industry.  • Our award winning Triple Carbon Reduction Project is creating a circular system to reduce carbon and recover resources through an alternative wastewater treatment process.	aim to ensure that 100% of our biosolids are recycled, meaning zero end up in landfill.

\* Correct at time of publication, however subject to change following CMA referral.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Our dependencies and impacts on climate and nature lie at the core of our business. Our business model is structured to create long-term value for customers, investors, business partners and the wider community. Our strategic priorities are linked to our impact and dependence upon natural capital and underpin all our plans.

Financial impact

*b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.*

*e. Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.*

*b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.*

Our sector is facing unparalleled demand for investment in both the near and long-term future. We continue to ring-fence an element of the OPEX budget centrally, to ensure this is available when we incur additional costs as a result of weather events.

Our region experienced one of the wettest winters in 2023/24, which resulted in high levels of groundwater carrying into 2025. To minimise disruption to customers and the environment, we spent c.£8.4 million to mitigate extreme weather-related impacts. The increased spend covered activities, such as hiring vehicles and tankers to manage flooding. Furthermore, we have not reached our regulatory targets on some key measures. As a result, we are in a penalty. The impact of climate change is incorporated into our key assumptions and significant judgements on page 133. This discusses the risks in relation to our water mains network, in conjunction with the investment required for climate vulnerable mains, as highlighted in the risks table above.

Sustainable finance

In 2017, the Board led the business to become one of the first utilities to raise sustainable finance through a Green Bond. Sustainable/green finance covers investments that meet Environmental, Social and Governance (ESG) standards and ensures funds are used to pay for projects that drive sustainable growth, protect or enhance the environment, or help us deliver against our Purpose.

The sustainable investment programme at Anglian Water is rapidly expanding, in line with the uptick in our capital programme. We are always seeking new opportunities to ensure as many of our investments as possible are sustainable. The investments we've financed using our former framework for Green Bonds contribute to five environmental objectives: climate change mitigation; climate change adaptation; biodiversity conservation; pollution prevention and control; and natural resources conservation.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Green Bonds financed in line with our latest framework, updated in February 2024, will contribute to four new, eligible sustainable categories:

- sustainable water and wastewater management;
- terrestrial and aquatic biodiversity;
- renewable energy; and,
- affordable basic infrastructure.

The sustainable debt we have raised, to date includes both use of proceeds debt and sustainability-linked financing. The sustainability performance targets are summarised below. For more information on how the proceeds have been allocated and our progress against these targets, please refer to the Sustainable Finance Impact Report.

Table 4: Sustainability key performance indicators

Sustainability key performance indicator	Actual	Target	Target met
Capital Carbon: Percentage reduction in carbon emissions from construction activity, measured in tonnes of CO2 equivalent, compared to a 2010 baseline.	66.1%*	65%	We have achieved our 65% capital carbon reduction target.
Water quality Compliance Risk Index: This is the key measure used by the Drinking Water Inspectorate (DWI), to determine our overall compliance with stringent regulatory drinking water standards	Not published yet	1.5 (deadband)	The DWI will publish the water industry's CRI figures in July 2025. At the time of reporting, our internal forecast indicates 2024 will be an improvement on 2023. We are unlikely to meet Ofwat's target.
Water leakage: A percentage reduction in the amount of water lost to leakage across the region, in megalitres per day (Ml/d), measured on a three-year average. One megalitre is a million litres	3.9% reduction	16.4% reduction	We missed our three-year leakage reduction target. However, our performance remains industry-leading. More on how we manage supply and demand on page 95.
Supporting vulnerable customers: Number of domestic households on Priority Services Register (PSR) – as % of the number of households (connected properties)	14.7%	12.8%	We met our target, with 14.7% of customers signed up to the PSR, against a national industry average of 10.2%.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Pollution incidents: Number of pollution incidents, due to escapes from our water recycling network, per 10,000km of sewer network	57.17*	19.50	We missed our pollutions target. We have a substantial programme of work to rectify our performance, more on page 38 of AIR.
Net operational carbon: Reduction in carbon emissions from operational activity, measured in tonnes of CO2 equivalent, compared to a 2018/19 baseline.	26.6%	10%	This year we met our target through an investment programme that prioritises green energy and sustainable projects.
Water abstraction: Average daily amount of water abstracted directly from rivers, reservoirs and groundwater, for household use, per capita in a year. This measurement is based on litres per person, per day (l/h/d).	181.9* l/h/d	193.0 l/h/d	The volume of water consumed by household customers slightly increased this year, alongside leakage. However, the increase in population meant a slight decrease in abstraction per capita. We met our target.

\* At the time of reporting, these figures are subject to audit.

#### Transition to Net Zero

By 2030, we aim to be a net zero carbon business. This is defined as net zero emissions, where we have operational control, as set out in our Net Zero Carbon Strategy to 2030. In 2030, we will likely have residual emissions, for example: fossil fuel use in Heavy Goods Vehicles and from process emissions from waste water treatment — which we will look to offset. As set out in our strategy, regarding process emissions, we recognise this is a considerable challenge and are reducing uncertainty, by monitoring and collaborating with other global organisations.

Our strategy contains more detail on the risks associated with transitioning to a net zero carbon business. Overall, we have a comprehensive approach to climate change, of which our transition risks form a key part.

In our AMP8 Business Plan, we will be instigating a number of carbon reduction approaches, including:

- Nitrous Oxide (N2O) reduction technologies. Under the Net Zero challenge fund we have secured c.£75 million of investment, to introduce 17 N2O reduction projects at 16 sites across four technology types – liquor recovery, containment and treatment, real time control and Membrane Aerated Biofilm Reactor (MABR). These approaches will deliver CO2e savings, while providing valuable insights and learnings as to the most appropriate technologies for the various waste water treatment contexts. This learning will be shared with the wider water sector, to inform post 2030 N2O reduction approaches.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

- **Electric Heavy Goods Vehicles (HGVs).** We will be introducing a number of electric HGVs and associated charging infrastructure across our operations in 2025-2030. These vehicles afford large scale CO2 reductions, compared to traditional diesel vehicles. In 2021, when our Net Zero 2030 Routemap was published, we did not envisage the introduction of electric HGVs, instead believing that Hydrogen HGVs would be available post-2030. However, electric vehicle technology has moved forward more quickly than envisaged. This is a small example of retaining flexibility in our net zero approaches – adopting unforeseen technologies when they arise.

- **Methane (CH4) capture.** We will be developing a number of projects to capture further CH4 at our sludge treatment centres. CH4 has a much higher Global Warming Potential (GWP) than CO2 and capturing this CH4 will have a large benefit on our overall emissions.

- **Gas to Grid.** Currently, at our sludge treatment centres, biomethane generated from the sludge treatment process is processed through Combined Heat and Power (CHP) engines, which generate heat for the treatment process and renewable electricity that is either used on site or exported to the electricity grid. As these CHP engines reach the end of their life, we plan to develop gas-to-grid schemes, where the biomethane generated is injected into the gas grid. This approach delivers greater carbon savings than the current CHP approach.

*c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*

*c. Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios.*

*f. Analyse the resilience of the Company’s business model and strategy, taking into consideration different climate-related scenarios.*

Anglian Water’s overall resilience to climate and nature-related risk is addressed through various strategies and plans, including our Strategic Direction Statement, Long Term Delivery Strategy, PR24 Business Plan, Water Resources Management Plan, Drought Plan, Drainage and Wastewater Management Plan, Bioresources Strategy our Pollution Incident Reduction Plan and Climate Change Adaptation Report. An overview of the three key reports can be found below.

Table 5: Key strategies and plans

	Drainage and Waste water Management Plan	Water Resources Management Plan and Drought Plan	Long-Term Delivery Strategy
Overview	Our Drainage and Wastewater Management Plan (DWMP) sets out our plans to manage and recycle water in our region and includes the scale of investment needed to reduce the risks and impacts of sewer flooding over the next 25 years.	Our long-standing statutory Water Resources Management Plan (WRMP) and Drought Plan set out how we will manage water supply and demand in our region. Both plans provide a comprehensive framework for modelling and assessing uncertainties, including climate change, to plan future water supplies.	Our Strategic Direction Statement (SDS) was developed in 2007 to set a clear, sustained direction for the following 25 years. Our SDS was refreshed in 2017 and reviewed in 2021. Our 25-year Strategic Direction Statement states what we want to

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

	<p>In our DWMP, we address the triple challenge we face from our rapidly changing climate, a fast-growing population and the need to protect our region's environment. Based on analysis tools, such as hydraulic modelling, we set out interventions that are needed across water recycling catchments, to ensure our infrastructure is fit for the future. In our plan we highlight how we have assessed risk and carefully balanced the needs of our customers and the environment — for example, additional storm storage and nature based solutions, to reduce the risk of hydraulic overload.</p> <p>Our DWMP is updated every five years, with the second cycle under preparation for publication in 2028. Our second DWMP is now a statutory requirement and must meet guidance issued by the Government. Our technical approaches will be refined further and seek to continue to use an adaptive planning approach, to test our plans against a range of climate scenarios. In addition, the new plan will be subject to an annual review, to understand material changes that could impact on the effectiveness of our interventions. Should the review reveal substantial changes (e.g. higher population and housing development), large parts of the plan will be reviewed.</p>	<p>Our WRMP24 accounts for new challenges, such as increased resilience to enhanced drought. It also provides a long-term strategy for environmental improvement, focusing on the abstraction reductions needed to improve river flows. Our adaptive plans recognise that certain supply-side options take significant amounts of development time and will allow us to develop our understanding of water reuse, desalination and aquifer storage and recovery.</p> <p>Our WRMP will be updated every five years, setting out our plan for the next 25 years. This review will be undertaken using climate scenario modelling. In addition, the existing plan will be subject to annual review, which will include reference to the climate scenario analysis.</p> <p>As a consequence, the strategy may change to address identified risks and opportunities, as a consequence of the five-yearly (or sooner) revision. The impact of any changes related to climate change will be assessed as to the financial implications</p> <p>Assessing our environmental impact</p> <p>The environmental assessments undertaken, alongside the development of our WRMP24, are Strategic Environmental Assessment (SEA), Habitats Regulation Assessment (HRA), Water Framework Directive (WFD) assessment, Invasive NonNative Species (INNS) assessment, Biodiversity Net Gain (BNG) assessment and the Natural Capital Approach via Ecosystem Services Assessment (NCA via ESS).</p>	<p>achieve — in terms of outcomes for the region — and our Long Term Delivery Strategy (LTDS) refines this further, to determine how we will get there through a 'core pathway' of investments and interventions across the business. It draws in information from our other long-term plans such as WRMP and DWMP.</p> <p>Our LTDS identifies key internal and external factors that could slow or advance reaching our ambition. The LTDS also considers the impacts of uncertainty and extreme projections (such as a changing climate) through a series of 'alternative pathways', which we may need to switch to, should trigger points be reached.</p> <p>The completion of our LTDS was an Ofwat requirement for the PR24 process. It is unclear whether a similar submission will be required by Ofwat at PR29, but we are currently establishing a programme for the creation of a second long-term strategy and plan that builds on the knowledge gained in our LTDS.</p> <p>We are required to monitor our current LTDS at least every five years. We expect our understanding of the risks — particularly over the long term — to continue to improve, including on the financial implications of challenges like climate change and growth.</p>
--	---	--	--



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

	Through taking this approach, our strategy will continue to track and respond to changes in risks and highlight opportunities to make progress quicker. The impact of any financial implications of climate change will be assessed as part of the monitoring and review process.		
Modelling assumptions	<p>Climate scenario</p> <p>A range of climate change scenarios, including UKCP18 RCP2.6 and RCP 8.5, plus six storm return periods (1:30, 1:75, 1:100, 1:250, 1:500 and 1:1,000).</p>	<p>Climate scenario</p> <p>Based on UKCP18, through 12 bias-corrected Regional Climate Model (RCM) factors for RCP8.5. This modelling was carried out for each Water Resources Zone (WRZ) within our system.</p>	<p>We have developed six alternative pathways, using Ofwat's common reference scenarios (climate change, demand, abstraction and technology) and our wider scenarios (water for energy and landbank availability), to identify higher-regret investment, not included in our core pathway. They are split into 'high' and 'low' assumptions about the future.</p> <p>Climate scenario</p> <p>For climate change, Ofwat expects companies to use UKCP18 projections for RCP2.6 and RCP8.5, to explore how these different climate futures affect their strategies – including their potential impacts on water resources, wastewater loads, flooding, and biodiversity – and to ensure the strategy is appropriate given these alternative climate assumptions.</p> <p>Ofwat considers that using the 50th percentile probability level for each projection offers plausible high and low assumptions for setting common reference scenarios.</p>
Timeframe	Four time horizons: 2025, 2030, 2035 and 2050.	To meet current and future needs over a 25-year period (2025-2050).	Aligned with our existing strategic frameworks and the Government's long-term objectives to 2050 (2025-2050).

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Key findings from modelling	The results clearly show the impact of climate change, as we look ahead to 2050. Using the RCP8.5 scenario (broadly equivalent to a 4 degree C temperature rise), we can see that fluvial flood risk (when a river bursts its banks) reduces slightly, while pluvial flooding (when heavy rainfall overwhelms the ability of the ground to absorb or drain water) increases slightly.	The results of the climate change scenario analysis identified that two of our 27 WRZs are particularly vulnerable to climate change and that there would be a material impact on the supply demand balance in another five WRZs. Climate change impacts were combined with other factors, such as growth, to understand the total impact on the supply/demand balance in each WRZ. This has helped inform better resilience strategies for the WRZs (as shown in the diagram below).	Our LTDS represents the best value plan for our region and we have extensively tested it, to ensure our core pathway is efficient, affordable and fair in both the short- and longer-term, setting us up for a range of plausible futures. We have considered numerous solutions to create value across all components of the plan and we are clear how we will use base maintenance provision, alongside enhancement funding, in the long term.
-----------------------------	---	---	--

#### Risk to security of public water supply

By 2050, we are projected to have 38% less water available for abstraction, while over 700,000 more people will live in the region. As the driest region in the UK — combined with limited capacity to store increasing winter rainfalls — less water will be available. Increased demand for water from households, agriculture and businesses, is also likely in a drier, warmer climate. Left unmanaged, this results in one of our most significant, climate-related risks. Without action, this will negatively impact the environment.

Guided by the water needs of our region and our customer and stakeholder views, we have developed a three-tiered strategy, to ensure safe and secure water resources into the future.

We recognise that driving down water consumption in our region is critical to long-term resilience. Demand management is a key element and our goal remains to offset the demand requirements needed, to serve new housing and population growth, through effective demand-side measures — including leakage and educating our customers to be waterwise.

Through our long-standing engagement work, we have one of the industry's lowest water usage per person. Our reductions are underpinned by our consistent work to encourage water efficient behaviours, coupled with smart metering and our framework to encourage behaviour change.

In April 2024, we launched our smart seasonal tariff trial for household customers in two areas — Lincoln and Norwich. With water companies being challenged to innovate around progressive tariff structures, we worked with the Centre for Competition Policy, to understand how tariffs and different communications can reduce demand and improve affordability. We developed a methodology and created a summer and winter structure, testing if paying a higher price for water between May and August would make a difference to usage, or if digital communications could also influence behaviour change. Around 30,000 customers are taking part in the trial, which is the largest trial in the industry. This will be extended into Northampton and Colchester from

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

April 2025. We are working with the Centre for Climate Change and Social Transformation based at Bath University to measure attitudes and behavioural response for customers within the trial.

#### Addressing climate-related challenges in our supply chain and wider sector

We work closely with our supply chain to deliver our capital programme. It is fundamental that we work together to reduce emissions. We began engaging with our supply chain on climate change in 2007, when we invited our key partners to HRH The Prince of Wales' first Mayday Summit. Since then, we've worked with our design and construction partners to reduce capital carbon by more than 66.1%\*, against a 2010 baseline.

We engage with our supply chain throughout the year on a range of topics. In January 2025, members from our Sustainability and Commercial Procurement teams presented at the Supply Chain Sustainability School 'AMP 8 and Beyond: Making Water More Sustainable' event. The event, which was hosted online, attracted 662 attendees. Insights were shared on sustainability and sustainable procurement for the upcoming AMP8 period, from the perspectives of both the water industry and individual organisations. Around 100 questions were raised by attendees, reflecting a strong desire to understand and address the sustainability challenges and opportunities facing the water industry.

In 2016 we became the first organisation to be verified against PAS 2080, the world's first standard for managing carbon in infrastructure. In 2024, we were verified against the updated PAS2080, which in its update, incorporates more issues around working with supply chains to reduce carbon.

More widely, our Head of Carbon Neutrality co-chairs the Water UK Carbon Network. This group meets monthly, to share best practice, knowledge and developments to shape net zero policy and strategy, from a water sector perspective.

#### Whole Life Carbon

We're focused on reducing the carbon associated with the materials used to build our assets. Our Ofwat-funded research project works to better understand 'Whole Life Carbon' – the carbon associated with constructing, operating, maintaining and managing the end of life of our assets.

Aligned to PAS2080, the project provides a proof-of-concept visualisation tool that can identify carbon and cost hotspots; supporting decisions to reduce carbon and cost during the design phase. It provides the detail on the processes, systems, behaviours and culture needed to ensure Whole Life Carbon and cost information can be used by engineers and decision makers.

Over AMP8, we have an Ofwat ODI which incentivises the delivery of reduced carbon emissions associated with the concrete used to construct our assets. Concrete can be a carbon intensive material and is one of the main sources of emissions from our construction programme. The concrete supply chain is complex, and the product itself is relatively low in value, making the delivery of savings a challenge. Design teams will work with material suppliers and procurement experts to 'design out' concrete, using alternative materials and low-carbon concrete mixes. While this ODI is specific to carbon emissions associated with concrete, reductions in these emissions will contribute to our overall carbon reductions.

We also support the advent of green steel.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Across Europe, forecasts from the UK Steel and Green Alliance suggest that demand for steel will increase from 2030 to 2050, mostly driven by new infrastructure to meet net zero goals.

The water industry uses steel in a variety of applications (e.g. sewer pumping stations, water mains and tanks). However, at present, steel production relies on a carbon intensive blast furnace production process. We are seeing new methods to create 'green steel' emerge. This generic term refers to steel produced with fewer carbon emissions than existing blast furnace steel. Most green steel projects are in the pilot stage, yet production is set to grow rapidly in the next five years.

There are a host of issues to overcome in the pursuit of greener steel – and we have submitted a bid to the Ofwat Innovation fund to develop a strategic procurement methodology and framework for greener steel to drive demand.

#### Integrated approaches to mitigate climate change

Our work in the Fens, Cambridgeshire, makes the case for integrated, landscape-scale approaches to mitigate climate change impacts.

We recently contributed to the Fens Climate Change Risk Assessment, which examines how climate change is impacting the Fens, an area which is home to the UK's largest coastal lowland and is a vital hub for food production. The Fens faces pressures from rising sea levels, extreme weather, and other challenges. Authored independently by the Tyndall Centre for Climate Change Research, this localised assessment offers evidence-based insights beyond national studies, with scenario modelling showing the impact of global warming on the area, if high CO<sub>2</sub> emissions continue as predicted. Our AMP8 plans make the case for further integrated approaches, working in partnership to develop solutions to our changing climate, collectively.

#### CReDo

Using a pioneering cross-sector climate adaptation digital twin to share data from the water, energy and telecoms sectors we are providing a practical example of how connected data can improve climate adaptation and resilience across a system of systems. This has provided us with improved understanding of asset failure, systems interdependencies and cascade failures under extreme heat scenarios.

#### The challenge

Our assets operate in an interrelated infrastructure system. We are reliant on the power network for electricity, the telecoms networks for communications and the transport system for access. These assets are connected in a host of ways and a failure in any one of these can have cascade effects which lead to failures elsewhere – an issue which has become more acute in the face of more frequent extreme weather events with climate change.

Increasingly, high temperature events are testing the resilience of our infrastructure. We are beginning to experience temperatures that have never been seen in the UK such as the 2022 heatwave, where temperatures broke records reaching 40.3°C in the Anglian Water region. Across the UK, a significant number of water assets were impacted due to heat or required emergency cooling actions to maintain normal operation.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Infrastructure owners are only just beginning to understand the effect of extreme heat on asset failure and the failure cascade of critical connected utility infrastructure is even more unknown.

#### Our climate change adaptation

Since 2021, we've partnered with BT and UK Power Networks on a project, led by the National Digital Twin programme and Connected Places Catapult, known as the Climate Resilience Demonstrator (CReDo). Initially funded by BEIS and Innovate UK – and now developed further with funding from both Ofwat Innovation Fund and Ofgem – CReDo is combining datasets from Anglian Water, BT, and UK Power Networks into one system model, to develop a cross-sector picture of the interconnectedness of networks.

The working digital twin has been used to examine the potential impacts of extreme high temperature events on the wider infrastructure network. We have produced an extreme heat app that enables users to understand asset risk and when assets could fail under climate change driven extreme heat scenarios to inform strategic planning, emergency planning, and infrastructure design.

#### Next steps

As we look to the next stage of the project, we will be scaling the working digital twin model to become UK-wide. We are also considering other future scenarios, including extreme wind and storm events and involving more asset owners, to cover infrastructure such as roads. This project has showcased how we can collaborate on a national network of connected digital twins, to create resilient infrastructure.

In January, Anglian Water's Head of Asset Management, Matthew Humphrey, joined a panel to discuss resilience across Critical National Infrastructure, along with energy, transport and telecoms stakeholders at the National Preparedness Commission in Westminster. Discussions centred on the future role of regulation in Critical National Infrastructure resilience. A report by the National Preparedness Commission, titled 'Regulating for Resilience', argues that current regulatory frameworks are ill-equipped for the uncertainties and pace of risks in an increasingly interconnected, interdependent world, outlining opportunities for regulatory innovation that could unlock significant economic and societal benefits.

*a. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.*

#### Our relationship with nature

We address the ways in which we rely and have an impact upon natural capital and ecosystem services through our plans. Our nature-related dependencies and impacts are summarised below. We will continue to evaluate and assess our exposure to accelerating environmental change, exploring our value chain, to develop our understanding and inform our management of nature-related issues.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

## Our dependencies

We rely upon several ecosystem services to provide water and water recycling services to the region we serve. Most materially, these are the provision of surface water and ground water for a safe and resilient supply of drinking water, which is also enabled by the maintenance of water and soil quality, and water flow (i.e. the hydrological cycle). In addition, ecosystem services can help mitigate the impact of these operations, for example through bioremediation (i.e. the ability of living organisms to degrade, reduce, and/or detoxify contaminants) and filtration (i.e. the filtration, sequestration, storage, and accumulation of pollutants).

Healthy soil is important. Its ability to hold onto water (slow the flow) and provide an aerobic environment for microbiology to thrive in (releasing nutrients for crops to uptake and degrading pesticides) reduces losses to watercourses, contributing to healthy water. Healthy soils lead to healthy crops, which require less inputs (pesticides and nutrients), and leads to better water quality. The link between soil health and land use is clear and in the East of England the agricultural economic contribution is roughly twice the national average. This is why we work closely with farmers and landowners in the region.

Nature also has the ability to provide climate regulation and flood and storm protection. However, the region we serve has just 7% of woodland cover, below the national average of over 10%. Low levels of tree cover contribute to a range of challenges: less shading and cooling, increased thermal heating and evapotranspiration from soils and plants, less biodiversity, and increased flood risk. We use partnership working to manage surface water and flooding more effectively and will be investing further in upstream management of surface water through the provision of sustainable drainage systems, regulation and flood and storm protection.

## Our impacts

We are permitted to abstract water from the environment, and to return used water once it has been treated through permit conditions imposed by our environmental regulator. These permits ensure that environmental impacts are either eliminated or are reduced over time.

### Abstraction

We recognise that the water we abstract from the environment must be done sustainably. Abstraction can have associated impacts on sensitive habitats and ecosystems such as chalk streams if levels exceed a sustainable threshold. One of the best ways we can protect watercourses in our region is by reducing the amount of water we take from the environment.

### Environmental destinations

The concept of an 'environmental destination' is a long-term vision for the environment, most notably for reducing the impact of abstraction on water flow and restoring, protecting and enhancing waterbodies. As a water company and the largest abstractor in the region, we have worked closely with other abstractors and environmental regulators as part of Water Resources East (WRE) to define a set of regional specific and locally verified environmental destination scenarios, included in our WRMP. Having a set of environmental destination scenarios enables water companies, regulators and stakeholders to understand the types of interventions required to achieve sustainable abstractions.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

#### Reasons for poor river health

River health is determined by many different factors and we work in partnership to address this issue collectively.

#### Permitted discharges

Permitted discharges can contain high nutrient levels. By the end of 2025, our phosphorus programme has improved river health across 104 waterbodies, including 165 confirmed, probable, or suspected RNAGs. At WRCs with new or existing permit limits for phosphorus, we have reduced levels entering rivers and streams in our region by 53% on 2020 levels. We have recently installed an I-Phyc Algal Biological Reactor at a water recycling centre in Bedford, leveraging natural processes to improve the efficiency and sustainability of our water recycling process. The reactor is designed to reduce phosphorous levels to below or equal to 0.5mg/l. This innovative initiative not only reduces the need for chemicals, but also lowers sludge production, reducing carbon emissions and enhancing safety on site.

#### Invasive species

Invasive Non-Native Species (INNS) can cause significant impacts. Recreation at our Water Parks and how we operate flows in our reservoirs can increase the spread of INNS. In our region, these species include Quagga Mussel, Killer Shrimp and Himalayan Balsam. The risk is likely to increase with warmer conditions and increased raw water transfers between regions as a solution to drought.

To prepare, we have trained our operational teams with guidance on how to maintain biosecurity, with a network of Biodiversity Champions across the region. We also provided grants to support projects seeking to control or eradicate INNS from specific aquatic and wetland environments across the region. Our grants have funded a range of projects around the region to address the spread of New Zealand Pigmyweed, Mink and Water Fern. We provided grants around £40,000 during the year.

#### Our impacts and dependencies on nature

In preparing this disclosure, we ran a series of workshops with subject matter experts from across the business, informed by the LEAP (Locate, Evaluate, Assess and Prepare) approach, outputs from the ENCORE tool and our strategic planning, to identify our nature related impacts and dependencies, and the risks and opportunities that these present. We have summarised them in the diagram on the next page. We will continue to use the LEAP approach to inform our future assessments.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Table 6: Our impacts and dependencies on nature

Key:

H: High impact | M: Medium impact | L: Land Biome | F: Freshwater Biome | A: Atmosphere Biome

	Dependencies		Impacts	
Raw water is collected	We depend on plentiful water to abstract and leave enough in the environment.	H F	Surface and groundwater abstraction has the potential to create ecological impacts for rivers and groundwaterdependent ecosystems.	H L / F
	Healthy soils hold and slowly release water and keep soil on land and out of the river.	H L / F	There is a risk of invasive species through recreation at our sites and through the water treatment process.	H L / F
	Habitats in the right place and condition improve water quality and water resource availability.	H L / F		
Raw water is cleaned at water treatment works	High intensity rainfall events accelerate soil erosion and lead to increasing concentrations of nutrients and emerging contaminants in raw water supplies. Without adaptation, treatment costs, energy use and carbon emissions will increase, to maintain high drinking water standards.	H A	Where pollutions occur, there is a risk of species or habitat loss from chlorine, sludge or brine.	M F
			Building infrastructure also has the potential to cause habitat loss.	H L / F
Potable water is distributed	Extreme temperatures and prolonged drought can lead to soil shrinkage, causing ground movement, which can increase bursts in water pipes.	M A	Leakage has the potential to cause habitat and species loss, e.g., from soil erosion into water bodies.	M L / F
Water is used by our customers	Water usage is sensitive to weather conditions, with demand for water increasing in the summer if the weather is hot and dry. More	H A	The inability to manage supply-demand balance effectively has the potential to lead to negative ecological impacts in affected catchments.	H F
			Customer water use	H



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

	frequent and intense heatwaves, as a result of climate change, will exacerbate this.		contributes to household energy use and carbon emissions.	A
Used water is collected	Habitats, alongside well-designed urban environments, reduce flooding and ensure enough capacity in the system to respond to extreme weather events.	M L	Where pollutions or storm overflows occur, there is the potential for species and habitat degradation.	M L / F
Used water is cleaned at water recycling centres	We depend on biological processes to undertake part of the water recycling process.	H F	Where pollutions or storm overflows occur there is the potential for species and habitat degradation.	M L / F
			Building infrastructure also has the potential to cause habitat loss.	H L / F
Water is returned to the environment and biosolids recycled to land	Rivers with better water quality and flow are more effective at bioremediation and filtration.	M A	River habitats may not be rehabilitated effectively, if discharge quality is not high enough for the river to be in good ecological health .	H F
	Soil condition and climate change may affect the area of agricultural land over which our bioresources products can be recycled.	H L	Return of nutrients and organic matter to land improves soil and plant health and supports reduced use of artificial fertilisers.	H L
			Research is ongoing into the impacts of pollutants, such as heavy metals, forever chemicals (such as PFAS) and microplastics.	

Note: The materiality ratings are derived from the materiality ratings in ENCORE (encorenature.org) and informed by expert internal insights. In ENCORE, ‘material’ is interpreted as synonymous to significant or important to consider in the decision-making process. We will continue to review materiality in future years.

## Pollutions

Addressing pollutions, which typically occur as a result of an escape of untreated wastewater, is a huge area of focus. Alongside this, we're working hard to ensure we complying with our obligations for storm overflows. Significant work has been undertaken across our Water Recycling network to address our pollutions performance. Most recently, the actions outlined in our Pollution Incident Reduction Plan and £100 million capital investment have all resulted in improvements, through tangible risk reduction measures, in addition to enhanced mitigation measures through increasing our operational response.

These measures have been implemented and will set a strong foundation to underpin future performance improvements. We have received external assurance from Roland Berger, validating our plans and believe AMP8 will be a period where we reset our performance, putting ourselves on a stronger footing for AMP9 and beyond. We report progress annually.

Potable water pollutions caused by failure of our assets can also impact the environment. The speed and flow of clean water from a burst can wash additional sediment into watercourses and increase the turbidity. The settling of this sediment can disrupt natural processes and disturb important habitats.

## Embracing nature-based solutions

In 2018, we unveiled our flagship treatment wetland in Ingoldisthorpe, created in partnership with the Norfolk River's Trust. The first of its kind in England, the site naturally cleans 1.4 million litres of water a day and has served as a blueprint for further treatment wetlands in our region. Treated water passes from our Water Recycling Centre to the wetland to be filtered further by plants before it is returned to the River Ingol. Wetlands are a low-carbon method of treating used water and also act as a natural flood defence by slowing the flow of water re-entering rivers and supporting biodiversity.

We're also supporting Cranfield University's research into how treatment wetlands can play a role in reducing levels of PFAS entering the wider environment.

Over the next five years, we will be delivering 11 treatment wetlands (designed in AMP7) and a further 12 are currently going through feasibility assessments. These will be delivered via our Water Industry National Environment Programme (WINEP).

Our AMP8 Business Plan sets out a nature-first approach to development. Keeping rainwater out of our sewers using nature-based solutions is one way we are reducing the risk of flooding and reducing storm overflow spills. We work in partnership to deliver Sustainable Drainage Systems (SuDS), combining drainage materials, plants and soil to help retain water and allow it to soak away naturally.

We are also funding an increasing number of other nature-based solutions, including beaver releases in partnership with the Wildlife Trust for Bedfordshire, Cambridgeshire, and Northamptonshire. The reintroduction of beavers helps to manage and restore wetland habitats by reshaping waterways, reducing scrub growth, and enhancing reed bed areas.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

#### Biodiversity Net Gain

The construction and upgrade of our assets can lead to habitat loss and disturb ecosystems, which is why we implement our six capitals framework to account for the full impact of our activities in our decision-making. Whilst some habitat losses are unavoidable, we are committed to applying the Mitigation Hierarchy in our delivery of Biodiversity Net Gain (BNG), a framework embedded in planning and best practice, that seeks to avoid and reduce any impacts on biodiversity in the first place, before compensating for any residual losses.

We made a commitment to deliver BNG well before the introduction of the Environment Bill, which puts a legal requirement on developments to deliver 10% BNG. Our AMP7 commitment went further than this, to ensure a BNG of 10% against the measured losses of habitats by area on all Anglian Water-owned land. This applied across all capital schemes and land management activities where there is a material impact upon biodiversity between 2020-2025.

#### Access to green and blue spaces

We manage 49 Sites of Special Scientific Interest (SSSI) and we are proud that 99% are considered to be in favourable condition by Natural England. Some of these sites are at our seven waterparks, which provide an important role in conserving and enhancing our region's wildlife. Our five largest parks hold Green Flag status, the benchmark standard for the management of recreational outdoor spaces. We are also working with Beyond Swim to ensure all our parks can be certified as safe swim locations.

There are currently 54 designated bathing sites across the Anglian Water region: 48 coastal sites, two estuarine sites, two reservoir sites and two river sites. 17 sites have Blue Flags and a further 26 have Seaside Awards, supporting the tourism economies of coastal towns.

#### Our nature-related commitments

Our Get River Positive pledges are reflected across our planning framework. The Kunming-Montreal Global Biodiversity Framework has 23 action-oriented global targets for action over the decade to 2030. Our Get River Positive pledges are in the spirit of all these targets, however there are some which have the most material impact.

Table 7: Get River Positive commitments and Global Biodiversity Framework (GBF) 2023 targets

1. Ensure storm overflows, sewage treatment works and abstraction do not harm rivers <b>GBF Target 7: Reduce pollution to levels that are not harmful to biodiversity</b>
2. Create more opportunities for everyone to enjoy our rivers <b>GBF Target 11: Restore, maintain and enhance nature's contributions to people</b> <b>GBF Target 12: Enhance green spaces and urban planning for human wellbeing and biodiversity</b>
3. Support others to improve and care for rivers <b>GBF Target 16: Enable sustainable consumption choices to reduce waste and overconsumption</b>
4. Enhance our rivers and create new habitats so wildlife can thrive <b>GBF Target 2: Restore 30% of all degraded ecosystems</b>
5. Be open and transparent about our performance and our plans <b>GBF Target 15: Business assess, disclose and reduce biodiversity-related risks and negative impacts</b> <b>GBF Target 21: Ensure that knowledge is available and accessible to guide biodiversity action</b>

*d. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.*

Locations of operations important for nature-related impacts and dependencies Anglian Water operates over an area of 2,750,000 hectares (ha), and we own approximately 7,000ha of land. A range of assets reside on our owned land, and we have some land with no defined use. The land is under various ownership types, including leases e.g. for livestock grazing.

Areas important for biodiversity owned by Anglian Water

Our estate covers a diversity of habitat types. We work hard to ensure where possible we are managing our land to benefit habitats and species as well as supporting broader environmental objectives. We have many areas important for biodiversity in the region including the National Site Network, which covers Special Areas of Conservation (SAC) and Special Areas of Protection (SPA). Based on TNFD's definition, we would consider these to be sensitive locations.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Table 8: Areas important for biodiversity owned by Anglian Water

Hectares	Type of land
2,846 hectares of SSSIs	A site of special scientific interest (SSSI) is land notified under the Wildlife and Countryside Act (1981). They are sites rich in wildlife and natural features in England, supporting many characteristic, rare and endangered species, habitats and natural features. Our patch includes significant areas, if not all, of Foxcote Reservoir and Wood, Grafham Water, Newbourne Springs, Pitsford Reservoir, Rutland Water and Tetney Blow Wells.
1,575 hectares of Special Protection Areas	These are protected areas for birds in the UK. Rutland Water accounts for a significant proportion of the SPAs we own. SPAs, together with Special Areas of Conservation (SACs), form the UK's national site network.
1,366 hectares of Ramsar land	This is wetland of international importance, designated under the criteria of the Ramsar Convention on Wetlands for containing representative, rare or unique wetland types, or for their importance in conserving biological diversity.
890 hectares of Priority Habitat	Priority habitats identified in the UK Biodiversity Action Plan are considered as being of principal importance for the purpose of conserving or enhancing biodiversity, under Section 41 of the Natural Environment and Rural Communities Act (2006).
755 hectares of Local Wildlife Sites Local Geodiversity Sites and Roadside Nature Reserves/Verges	Areas of land with substantive nature conservation value. They support both locally and nationally threatened wildlife, with many supporting important Section 41 Habitats and Species.
50 hectares of Ancient woodland	Natural England has mapped 50 hectares of our estate as Ancient Woodland, this data still requires ground-truthing. Ancient Woodlands are often very diverse and an important habitat for wildlife.
12 hectares of Special Areas of Conservation	We own a small amount of Special Areas of conservation (SACs), these are protected areas for habitats and species (fauna and flora), in the Habitats Directive. SACs, together with SPAs, form part of the UK's national site network.

#### Drinking Water Safeguard Zones and Source Protection Zones

Groundwater Source Protection Zones (SPZs) and Drinking Water Safeguard Zones (SgZs) are defined by the Environment Agency. SPZs show the level of risk from contamination to a ground water source used to supply drinking water. This could be from any activity that might cause pollution in the area. SgZs are established around public water supplies where additional pollution control measures are needed.

#### Drinking Water Safeguard Zones (Surface water)

Drinking Water Safeguard Zones (Surface Water) are catchment areas that influence the water quality for their respective Drinking Water Protection Area (Surface Water). They are identified where the protected area has been assigned as being “at risk” of failing the drinking water protection objectives of the Water Environment (Water Framework Directive) (England & Wales) Regulations 2017.

## **Risk and impact management**

This section describes the Company's processes to identify, assess, monitor, manage and prioritise climate and nature-related risks, dependencies, impacts, and opportunities. It covers how we identify risks and opportunities, the management of these risks and their integration into the Company's overall risk management process. (This answers a.b.c across the risk management pillar in CFD, TCFD and TNFD).

### Identifying, assessing and prioritising climate and nature-related risks

We outline our 13 principal risks in 'Risk Management' pages 88-92. Climate change and our impacts and dependencies on nature are a consideration in each. Identification of current and emerging climate and nature-related risks is undertaken as part of our embedded risk processes. Our process utilises expert judgement, historical data, external data and forward-looking analysis. The consequences and likelihood of these risks are determined and ranked using a scoring matrix, aligned to our risk appetite. We use scenarios to inform our future direction.

The assessment and management of climate and nature-related risks is consistent with the approach used to manage risk throughout the business. Climate-related risks were identified and assessed during the production of our latest Climate Change Adaptation Report. This discusses 40 risks in relation to climate change adaptation and aggregates these into five key headline themes, as shown in the table as shown in table 1. Each of these can be linked to our top-tier risk register and are integrated into our corporate risk register and business planning processes. Although we have made adaptation progress in all areas, we have observed increased risks related to raw water quality and sewer flooding. These risks are inherently linked to our dependencies on nature. Our strong adaptation progress has reduced our risk related to interruptions to supply from extreme weather events.

Across these headline risks, we observe cross-cutting impacts and external influences. Understanding the impacts of multiple hazards, compound, and cascading risks are all essential to maintaining services to our customers and to meet our environmental objectives.

Climate and nature-related risks are also identified and managed through the preparation of long-term plans, covered in table 5 and the delivery of individual investments. We review the current risk level, as well as how our controls provide confidence and assurance around our management of that risk.

We are developing a transition plan, which will contain transitional risks.

The management of climate-related risks is consistent with our approach to manage risk throughout the business. Being a regulated business, not all the categories of example risks and opportunities identified within the TCFD guidance (tables A1.1 and A1.2 (pages 75-76 of TCFD guidance) are relevant to us. We have considered them as necessary and disclosed as appropriate.

Within this system, we define what constitutes substantial financial and strategic impact to the business. A critical impact at Anglian Water is defined in the risk register as being greater than £25 million, while a significant impact is between £10 million and £25 million.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

#### Double materiality

In 2023 we completed a double materiality assessment of Anglian Water, which was shared in our 2024 Annual Report. We plan to undertake a formal review of this matrix in the coming years, in line with our AMP8 Business Plan priorities.

The landscape in which we operate is evolving at pace, and most of the areas referenced have increased in business impact since our formal review in 2023. Many of these are covered in depth throughout this Annual Integrated Report.

These include:

#### Sustainable Growth

The Government has made clear its priority to drive growth to stimulate the economy and has already highlighted the critical role water plays in this. This has resulted in our largest ever business plan, worth £11 billion, which includes the development of two reservoirs, completion of our strategic interconnecting pipeline and the relocation of Cambridge Water Recycling Centre.

#### Supply Chain management

AMP8 signals transformational change for our sector, as water companies across England and Wales gear up to deliver significantly more. This will increase the pressure on shared supply chains.

#### Circularity/Waste Management

We treat in excess of 150,000 dry tonnes of sludge through our sludge treatment processes across 12 sites each year. As part of our Bioresources Strategy for 2025-2050, we are exploring alternative recycling options for our biosolids, which will increase our resilience and ensure that options are available for biosolids recycling in the future.

#### Corporate Governance and business ethics

Regulatory reviews, led by Sir Jon Cunliffe and Dan Corry will reset the framework which determines how the water industry delivers for customers and the environment over the next few decades.

#### Cyber security and data protection

The services we provide are defined as UK Critical National Infrastructure. This year, we have seen increased risk of cyber and physical threats targeting critical infrastructure.

#### Labour and human rights

Ongoing legislative changes in this space, combined with the increase in National Insurance, have increased the impact of this area.

*a. ii. Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).*

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Our Commercial Procurement Team has developed materiality heatmaps which provide a holistic view of the identified ESG risks and opportunities for each sub-category of spend.

The heatmaps are integrated within sourcing strategies and discussed to enable inclusion of relevant ESG assessment questions for suppliers, ensuring consideration is given to relevant areas of the framework or contract for the goods or services being procured. By engaging with our suppliers around these topics early, and by sharing and encouraging environmentally positive and ethical behaviour in line with Anglian Water's Supply Chain Code of Conduct, we aim to drive sustainability best practice.

We work closely with our capital delivery alliances, for example involving them in our Climate and Carbon Steering group to ensure we can identify and address environmental challenges as one team. Our alliances have played a key role in the delivery of our Biodiversity Net Gain (BNG) target over AMP7 through our capital delivery programme. We measure the impact and performance of our biodiversity assets through an organisation-wide tool. By utilising an Alliance-wide approach, our key partners can view BNG assets spatially, visually map, track and report activities to support decision-making across our capital schemes and land management activities.

#### **Metrics and targets**

*a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.*

*h. Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities, and the calculations on which those key performance indicators are based.*

*a. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.*

*b. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.*

*c. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.*

#### **Performance Commitments**

Our Ofwat-related Performance Commitments track our progress. Due to the nature of our business, many of these commitments are inherently linked to our impacts and dependencies on climate and nature. These performance commitments, along with information on how we monitor our progress and how we've performed against our targets during the reporting year can be found in 'Ofwat-related Performance Commitments'.

We've developed a process to assess and manage the climate resilience of our investments, via our Six Capitals framework and integrate our Long Term Delivery Strategy (LTDS) with our water and wastewater strategic planning frameworks to inform efficient investment decisions against long-term need.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Senior leader remuneration

Since 2022/23, a proportion of senior leader remuneration has been linked to performance against these climate-related targets. For 2024/25, 2% of senior leader bonuses is linked to the achievement of our operational carbon performance target and 2% is linked to the achievement of our annual capital carbon performance target.

In total, measures relating to our delivery for the environment make up 42% of this performance contract, which also contains metrics for CSO spills, pollutions, leakage, biodiversity net gain and WINEP delivery. From 2025/26 onwards, 50% of the performance contract will relate to our environmental performance

**Scope 1, Scope 2 and relevant Scope 3 Greenhouse Gas Emissions (GHG)**

This table meets requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations and b. of the CDP disclosure.

Table 9: SECR

	Units	2023/24	2024/25	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,069,978,529	1,100,697,958	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
SCOPE 1 – Gas and fuel oil consumption	Tonnes CO2e	10,945	17,988	Fossil fuel combusted, natural gas and biogas
SCOPE 1 – Process and fugitive emissions	Tonnes CO2e	84,780	85,250	Water and waste water treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO2e	21,759	22,216	Fleet vehicles and company cars
SCOPE 1 – Total	Tonnes CO2e	117,483	125,454	
SCOPE 2 – Purchased electricity	Tonnes CO2e	134,597	133,989	Grid electricity – location-based electric for vehicles
SCOPE 2 – Total	Tonnes CO2e	134,597	133,989	
SCOPE 3 – Business travel	Tonnes CO2e	740	809	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO2e	18,434	25,074	Outsourced tankers

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

	Units	2023/24	2024/25	Inclusions
SCOPE 3 – Purchased electricity	Tonnes CO2e	11,632	11,828	Transmission & distribution
SCOPE 3 – Total significant	Tonnes CO2e	30,806	37,712	We have not included commuting, capital carbon and emissions from use of water in customers' homes.
TOTAL ANNUAL GROSS EMISSIONS	Tonnes CO2e	282,886	297,156	
Exported renewables	Tonnes CO2e	-6,549	-8,739	Exported renewables REGO certified
Green tariff	Tonnes CO2e	0	0	
TOTAL ANNUAL NET EMISSIONS	Tonnes CO2e	276,337	288,417	
INTENSITY RATIO – water treated	Kg CO2e per MI	191.99	186.7	
INTENSITY RATIO – recycled water	Kg CO2e per MI	454.7	461.1	
INTENSITY RATIO – recycled water	Kg CO2e per MI	236.1	212.5	Full flow to treatment

Methodology: Emissions have been calculated using Carbon Accounting Workbook v18 (2024), an industry standard reporting tool. We have followed the 2020 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 to calculate the above disclosures. There have been no methodological changes in the way emissions have been calculated in financial year 2023/24 against 2022/23.

The reporting boundary covers the emissions within the regulated activity of Anglian Water Services Limited, where we have operational control, i.e. all Scope 1 emissions, all Scope 2 emissions and Scope 3 emissions of outsourced transport, business travel and transmission and distribution losses.

The numbers reported have been verified by Achilles Carbon Reduce (powered by Toitū) Scheme (formerly CEMARS) as being measured, managed and reduced in accordance with ISO 14064-1. This verification process has been followed since 2011.

We aim to be a net zero carbon business by 2030. This is defined as net zero emissions where we have operational control as set out in our Net Zero Carbon Routemap 2030.

Aigrette Financing Limited  
Strategic report (continued)  
for the year ended 31 March 2025

Energy consumption has increased slightly in 2023/24 over 2022/23 primarily because of the very wet weather and the subsequent increased pumping required to pump higher volumes of wastewater. This was somewhat offset by lower water demand and pumping requirements for water supply, including abstracting raw water from rivers into impounding reservoirs.

Where relevant, we have also aligned with industry best practice for emissions measurement and reporting. Since 2010, this approach has been verified by CEMARS, as being measured, managed and reduced in accordance with ISO 14064. Our strategy for operational carbon reduction has been verified against ISO 14064 since 2010. And in 2021, we were awarded Platinum status on Achilles Carbon Reduce.

*c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.*

*g. Describe the targets used by the company to manage climate-related risks and to realise climate-related opportunities, and performance against those targets.*

#### Six Capitals framework

Our Six Capitals framework as shown in our Business Model (page 40) is used to consider the broadest value we can create through investment decisions. These metrics have been incorporated into our value framework – which attributes a notional financial value to elements within each of the six capitals – and into our risk, opportunity and value tools and process. Within Natural Capital, we have measures such as environmental quality, carbon and emissions, pollutions, water resources and permit failures. Investments are then assessed for climate resilience, operational carbon performance and capital carbon performance.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Organisational targets to manage climate-related risks and opportunities

Our key short to medium-term, climate-related targets are as set out below. We frequently monitor and forecast our position towards our net zero commitment. The below targets are in addition to our Performance Commitments:

Table 10: Anglian Water's Net Zero Carbon targets and performance

Target	2024/25 <sup>15</sup>	2023/24
On the pathway to our 2030 target, by 2025 achieve a 34% reduction against our Net Zero 2018/19 baseline (aligned to our Net Zero strategy)	32%	Not applicable (target only relevant from 2025)
Deliver a 65% reduction in capital carbon by 2025, against our 2010 baseline;	66.1%	64.2%
Deliver a 10% reduction in operational carbon <sup>16</sup> by 2025, against a 2020 baseline; and	26.6%	-1.6%
Between 2020 and 2025, ensure that a climate change resilience assessment is completed for all relevant investments.	99.5%	99.5%

<sup>15</sup> Our 2024/25 performance covers our performance between 2020-2025.

<sup>16</sup> Capital carbon is the carbon emitted as consequence of the manufacture and installation of assets we construct, for example, our new strategic pipeline or a new treatment facility.

Our Net Zero 2030 Strategy sets out in detail how we will achieve these reductions. They will be achieved by:

- Maximising energy efficiency and renewable energy generation and storage.
- Procuring green electricity.
- Decarbonising our fleet.
- Maximising the value of our biogas.
- Managing our process emissions.
- Opting for alternative fuels.
- Developing our offsetting strategy.

Aigrette Financing Limited  
**Strategic report (continued)**  
 for the year ended 31 March 2025

Our longer-term, climate-related targets are in line with our Purpose and Strategic Direction Statement to 2050. And, we are currently developing our approach to delivering further reductions post-2030, including our approach to increased uptake of low carbon concretes. We will publish our approach over the coming years.

Additional nature-related metrics

These are pulled from the Environment Agency’s Environmental Performance Assessment (EPA) and other obligations and commitments.

Table 11: Nature-related metrics

Key  
 Physical Risk (P), Transition Risk (T), Opportunity (O)

Description of metric	Key	2023/24	2024/25	Related targets and progress
<b>Biodiversity Net Gain</b>  The % change in the number of biodiversity units is based upon condition and extent of biodiversity as a result of construction and land management activities on the company’s land	O	92%	107%	We have a responsibility to protect the precious habitats and species in our region and support biodiversity. Biodiversity Net Gain is one way we are enhancing natural capital in the region. It encompasses our approach to development and land management, which aims to leave the natural environment in a measurably better state than beforehand. During AMP7 we had a target to deliver a 10% net gain across capital schemes and land management activities, where we may have a material impact on biodiversity.
<b>SSSIs managed in favourable condition</b>  Percentage of SSSIs (Sites of Scientific Special Interest) we manage by area which are considered in favourable condition by Natural England	P	99%	99%	99% of the 49 SSSIs we manage by area were in favourable condition in 2024, compared to just 35% of SSSIs by area nationally.
<b>Trees planted</b>  Total number of trees planted since 2018	P	7,300	12,139	We will continue to monitor our tree planting progress in AMP8.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

<b>Spills from storm overflows</b>  Sometimes referred to as Combined Sewer Overflows (CSOs), storm overflows are relief valves built into the combined sewer systems, to allow excess water into rivers, lakes, or the sea when rainfall exceeds capacity. This permitted discharge protects properties from flooding and prevents sewage backing up into streets and homes during heavy storms	P	22	31	Our storm overflow average has increased this year, although it is difficult to make a year-on-year comparison as 2024 was the first year where we had 100% monitoring. While it is disappointing to see this figure increase, it reflects that nearly 50% of spills occurred in the first quarter of the year, during one of the wettest winters we've seen on record.  Our vision for 2050 is that storm overflows are no longer required.
<b>Satisfactory sewage sludge disposal</b>  Percentage of sewage sludge production (overall tonnes dry solids) that is dispatched and used or disposed of in a satisfactory manner	P	99.43%	100%	We achieved 100% of our targets for the satisfactory disposal of sewage sludge to agriculture and expect to be rated as Green again in the EPA.
<b>Self-reporting of pollution incidents to the EA</b>  Percentage of category 1 to 3 pollution incidents self-reported by a water company to	T	89%	88%	Our performance remained strong for self reporting of pollution incidents meaning we again achieved Green in the EPA.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

the Environment Agency				
<b>Abstraction licence compliance</b>  Percentage compliance for our annual drinking water abstraction licences with the Environment Agency	<b>P</b>	99.5%	100%	We achieved 100% compliance across our annual and daily licences this year.
<b>Supply Demand Balance Index</b>  How the supply demand balance (water available for supply compared to forecast dry year demands) compares to what is set out in a water company's Water Resources Management Plan	<b>P</b>	100%	100%	The Supply Demand Balance Index is a key metric used by the Environment Agency to determine whether we have sufficient resources to meet demand. It compares the amount of water we would have available in a severe drought, net of actual outage, with demand and target headroom. Our overall Supply Demand Balance Index was 100% for 2024/25.

## **MAINTAINING A RESILIENT BUSINESS AND MANAGING OUR RISKS**

We also saw heightened domestic unrest, which has left water companies at increased risk of protest and sabotage-related crime — exacerbated by increased media coverage. These challenges required us to further strengthen our resilience strategies and adapt to the evolving risk landscape.

Throughout 2024/25, we encountered additional stressors such as increased risk of cyber and physical threats to critical infrastructure, heightened geopolitical tensions affecting energy supplies and more frequent natural disasters —exacerbated by climate change.

### **To maintain operational resilience, we have:**

- Reviewed and aligned our corporate governance.
- Embedded an incident management structure to manage company-wide and longer-term incidents, using military J-cell elements for improved threat visibility and clear command structures.
- Created a new dedicated, competent and confident 24/7 incident response capability within our Tactical Operations team, with support from key roles and a wider volunteer force.
- Trained our Incident Community to handle major incidents.
- Developed emergency plans, focusing on service resilience.
- Reviewed Business Impact Assessments for resource prioritisation and begun to develop a minimum-viable Company approach, to assure standards of resilience measures against criticality.
- Mapped interdependencies related to chemicals and supplies.
- Supported diverse customer profiles.
- Agreed a new contract to ensure robust and timely support to provide alternative supplies to our most vulnerable customers, in the event of a large-scale interruption to supply.
- Enhanced training programs for resilience.

In addition to responding effectively to live incidents, we have conducted 45 exercises to test our response plans against multiple scenarios. This involved multi-agency collaboration with regulators, Local Resilience Forums, Police, stakeholders across other industries and other water companies. Our new dedicated 24/7 Incident Response team, supported by Anglian Water Force (with a membership of over 3,500 trained employees), ensures company-wide incident-response readiness.

Collaborating through national groups like Platinum Incident Management (PIM) and National Incident Management (NIM), we promote industry-wide resilience. We are proud of our ISO 22301 certification in business continuity management, which attests to our high level of resilience.

Security is integral to our strategy, encompassing personnel, cyber, information and physical security. We adhere to Protective Security Guidance under the Security and Emergency Measures Directions (SEMD) and maintain our security standards through regular audits.



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

Risk management is crucial for our strategic priorities. We consider global mega-trends, use the National Risk Register and adopt an all-hazards approach for preparedness. Engaging with customers helps us to understand their priorities and communicate our challenges. We also update processes in line with the 2024 SEMD, to ensure national security and civil emergency mitigation and have planned further enhancements to protect our vulnerable sites.

Our risk management practices are integrated into our governance framework, with clear accountabilities, authority limits and policies to govern employee conduct.

### **Risk management**

We manage risk across our business through a number of processes, including our three lines of defence model. Our risk management processes sit within our overall governance framework, which includes clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee conduct.

Anglian Water's three lines of defence

### **First line of defence**

The business

- Identify, evaluate, mitigate, monitor and report business risks
- Ensure compliance
- Escalation to appropriate governance group
- Strategic planning
- Long term business plans

Oversight

- Structure of oversight and governance groups to discuss, manage and respond to risks

### **Second line of defence**

Enterprise risk management

- Set risk management framework and policies
- Reporting
- Provide expertise and training to the business
- Enterprise view of risk
- Risk deep dive
- Horizon scanning
- Assurance activities

Oversight

- Audit and Risk Committee
- Risk, Assurance and Disclosures committee
- Risk Committee

Third line of defence

Internal Audit

- Annual audit programme
- Provide independent assurance to senior management and the Board

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

- Evaluate the effectiveness of governance, risk management and internal controls
- Oversight

- Audit and Risk Committee
- Risk, Assurance and Disclosures committee

**Managing risk in line with our strategy**

Our Executive leadership team, with oversight from the Audit and Risk Committee and the Anglian Water Services Limited (AWS) Board, is responsible for developing our strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets and identified the actions needed to deliver on our commitments, including the management of risk.

**Risk management approach**

We have an established risk management process in place with defined 'principal risk areas' and we review risk appetite statements regularly. Our top-tier and business risks are aligned to our principal risk areas and are enabled by our risk management process and supporting activities.

The risk management process sits within our overall governance framework, which includes clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee conduct. Our governance framework is mapped on page 107 of AIR.

Our risk management framework enables the identification, assessment and effective management of business risks, both individually and in aggregation. The consequences and likelihood of these risks are determined and ranked using a scoring matrix, aligned to our risk appetite. This ensures we take a consistent approach when assessing the overall impact to Anglian Water and our customers.

**Risk appetite**

Anglian Water is exposed to a variety of uncertainties that could have a material adverse effects or impact on our financial condition, our operational performance, programme delivery, business resilience and/or our reputation.

Risk appetite defines the opportunities and associated risks which Anglian Water is willing to accept in the pursuit of achieving its strategic objectives. These statements are used to drive risk-aware decision-making, by key business stakeholders.

We consider risks in relation to our strategic priorities and align these to our Principal Risk Areas. Underpinning each statement is a series of risk-appetite thresholds. These assist in providing a view on whether we are operating within our appetite, or whether additional risk mitigation may be required.

Anglian Water is exposed to a variety of uncertainties that could have a material adverse effect or impact on our financial condition, our operational performance, business resilience and/or reputation.

We have a structured approach to risk assessment, with the Board reviewing and challenging management's assessment of risk, together with the mitigation measures in place to manage principal risks in the context of our obligations to keep employees safe and provide an essential and efficient service to customers. The Board's

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

assessment of risk determines what level of risk it is willing to accept, which helps senior management to understand the mitigating activities required to control risk likelihood and impact to acceptable levels.

For principal risks, we review the current risk level and how our controls provide confidence and assurance around our management of that risk. Where a gap exists between our current position and our mitigated aspiration, we instigate new or revised actions to close or reduce any risk gap.

Peer review and discussion at the Board or Management Board form the basis for establishing our overall principal risk status. There may be occasions when a higher level of risk is acceptable, but this is only in cases where the risks are well understood and can be demonstrably managed. The Board regularly reviews Anglian Water's internal controls and risk management processes, to support its decision making.

### **Principal risks**

The Board has a responsibility to disclose 'significant failings and weaknesses or areas of concern that have not been resolved by year end'. The Board's interpretation of this requirement is that there is a need to disclose any control failure or omission that, if unchecked, has the potential to result in significant financial, operational, or reputational damage to the business.

We carefully assess the principal risks facing us. These risks centre around the criticality of our infrastructure; the importance of our customers and our people, climate change and the environment, health and safety in our service delivery, cyber security, and our ability to finance our business appropriately. These are reported regularly to the Board, as set out below.

In addition to the principal risks, we also actively manage several low-level, business-stream risks, which feed into our principal risks. Principal risks are assessed by considering a combination of factors, including emerging risks and external threats.

We carry out horizon scanning annually, to identify any emerging risks that may impact the business. The scope, speed, impact and interdependence of risks are growing — creating further complexity, meaning we are also having to manage multiple events at a time.

We continue to experience a level of uncertainty, with global supply chain disruptions due to the ongoing war in Ukraine, the emerging trade and tariff disputes, regulatory uncertainty regarding future policies and regulations and extreme weather events such as high levels of rainfall. In response to our evolving risk profile, we have implemented additional controls and mitigating measures, to address and stabilise our risk position.

The principal risks and uncertainties that the business faces over the remainder of this financial year are listed below:

1. Customer proposition
2. Environment
3. Water supply and quality
4. Health and safety
5. People
6. Technology
7. Finance

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

- 8. Reputation
- 9. Asset infrastructure
- 10. Business resilience
- 11. Commercial and third-party
- 12. Strategic execution
- 13. Legislation

Further details of the principal risks can be found in the Risk section of the Anglian Water strategic report.

**GENDER AND ETHNICITY PAY GAP REPORTING**

Gender pay gap reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. As such, all references below refer to Anglian Water Services Limited and it should be read in conjunction with the full disclosure within the AWS Annual Integrated Report.

Gender pay gap

We want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not only gender.

As outlined in the report, our workforce composition – as of April 2024 – was 33.8% female, 65.8% male and 0.4% Other. In comparison to 2023, our median gender pay gap has dropped by 2.4% to 11.6% and our mean gender pay gap has fallen by 1.6% to 4.9%.

We are pleased to note this improvement, however we are mindful that significant sustained change will only be possible through a substantial shift in gender balance at all levels of the business. Factors that continue to affect our pay gap include:

- A higher percentage of males than females in senior positions (57.7% verses 42.3% of the reporting population).
- High retention rates reducing opportunities for change through recruitment.
- Most operational roles (80.4%) are held by males. These roles attract additional pay in the form of allowances and standby rates compared to non-operational roles at a similar level, which has an impact on the pay gap results.

<b>Gender pay gap 2024</b>	
Mean gender pay gap	4.9% (2023: down 6.5%)
Median gender pay gap	11.6% (2023: down 14%)
Gender split across Anglian Water employees:	Women: 33.8%, Men: 65.8%, Other: 0.4%

Ethnicity pay gap

This year, we reported on our Ethnicity Pay Gap for the third year in a row. Recording ethnicity is voluntary. Since 2019 we have asked our workforce to do this, to help us understand and support people from all ethnic backgrounds appropriately.

We have seen a slight increase in our reported pay gap figures, calculated using the same principles that are applied to statutory gender pay gap reporting.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

The ethnicity pay gap shows the difference in the average pay between people from Ethnically Diverse Communities (EDC), which includes people who are Black, Asian and mixed race, compared to white employees (including those that identify as white other).

<b>Ethnicity pay gap 2024</b>	
Mean ethnicity pay gap	8.4% (2023: 6.7%)
Median ethnicity pay gap	6.2% (2023: 5.9%)
Overall ethnicity split across Anglian Water employees (excluding blanks):	EDC: 6.3% / White: 93.7%
Overall ethnicity in our region according to the 2021 Census:	EDC: 12% / White: 88%

### **Addressing our pay gaps**

#### *Changing the way we attract and recruit candidates*

Working extensively with our operational Diversity and Inclusion groups.

Engaging with more than 32,000 primary and secondary students across our region.

#### *Further embedding inclusion activities across Anglian Water*

Enhancing our family friendly benefits: doubling our paid time off for maternity, paternity and adoption leave and introducing a Baby Loss policy to support bereaved parents.

Embedding our reverse mentoring programme from its initial pilot, which continues to receive exceptional feedback from both mentors and mentees.

#### *Employee-led community groups*

We now have seven employee-led support groups creating connections and driving change. This includes completing accessibility audits on our sites, improving communications and process, supporting workplace adjustments and influencing policy.

#### *Retaining and promoting our people*

Over the last year we have deepened our analysis of exit feedback and introduced a monthly survey of people new in role, to help us retain key skills and support our drive for increased diversity in the workforce.

Our business has again been recognised externally this year for our focus and initiatives to improve our gender and ethnicity balance, with Anglian Water being ranked first in the Utilities sector in the FTSE Women Leaders Review 2025, and reaching the final of the 'Best Employer for Women' category at the inaugural Women in Utilities Awards 2024. For more information please see our Gender and Ethnicity Pay Gap Report 2024.

### **ESG framework**

The reward framework for our workforce reflects our wider business. This is mirrored in reward elements such as the Performance Contract, alongside standard reward policies and benefits, for instance private healthcare for all employees, double-matched contributions into our company pension scheme, and the Payroll Giving charity scheme available to our people.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**ANGLIAN WATER PERFROMANCE COMMITMENTS OUTCOMES**

The metrics are known as Performance Commitments, while the targets are referred to as Performance Commitment Levels (PCLs). Below, we summarise how we've performed this year, how we monitor our progress, and whether we are in a reward or penalty position. Most common PCLs are the same for water companies that operate mainly in England or Wales. 2024/25 marks the final year of our current five-year regulatory cycle. While we have performed strongly in many areas, most notably, supporting our customers, we have not reached all of our Performance Commitment Levels. As a result, our net outcome for 2024/25 is - £34.4 million. We received £3.4\* in reward and £36.8 million\* in penalties.

Since September 2024, our performance improvement programme has seen us focus on seven key areas: serious and total pollutions, treatment works compliance, external and internal flooding, our Water Industry National Environment Programme (WINEP), spills, water supplies and ensuring our people are safer every day. This programme has had a positive impact on our performance and has, across many measures, improved our penalty position against our forecast at July 2024, although we recognise that we have more to do to move to 'upper quartile' performance.

\* Please note, the total is calculated in 2017/18 prices and does not match the sum of the individual Performance Commitment rewards and penalties due to rounding.

**Supply meets demand**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Leakage	A percentage reduction in the amount of water lost to leakage across the region in megalitres per day (Ml/d). One megalitre is a million litres.	6.2% reduction (against a 2019/20 baseline)	3.9% reduction (against a 2019/20 baseline)	16.4% reduction (against a 2019/20 baseline)	-£16.9 million
Per capita consumption (PCC)	A percentage reduction in the average water consumption per household per day for properties in our region.	2.2% reduction	6.6% reduction	5.6% reduction	£0
Smart metering delivery	The number of smart water meters that are installed at customer properties.	806,307	1,096,405	1,096,397	£0
Internal interconnector delivery	The number of megalitres per day extra capacity delivered to ensure that customers in the region have sufficient water in the future.	8.9 Ml/d	11.5 Ml/d	469.4 Ml/d	£0

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Leakage:** This year we achieved an in-year leakage result of 187.0 megalitres a day. This produces a three-year rolling average of 186.5 and a 3.9% reduction from the three-year 2019/20 baseline period.

**Per capita consumption:** We achieved in-year performance of 123.9 litres per person per day. This gives us a three-year rolling average of 126.1 and a reduction of 6.6% from the 2019-2020 three-year baseline period<sup>7</sup>. This reduction is underpinned by our large-scale roll out of smart meters, customerside leakage and our ongoing behaviour change programme. Read more on pages 42 and 50 of AIR.

**Smart metering delivery:** Our target was to install over one million smart meters by the end of this AMP. In February 2025, we installed our one millionth meter. We went on to meet our AMP target, installing 1.1 million smart meters in our region. In addition, we installed a further 60,000 under the Accelerated Infrastructure Delivery scheme. This means around half of our customers are on smart water meters.

**Internal interconnector delivery:** Timescales for the delivery of our Strategic Interconnector Grid, being delivered by our Strategic Pipeline Alliance (SPA), have been rephased. It will now be completed during AMP8, rather than by the end of March 2025, in agreement with regulators. We have completed a substantial proportion of the pipeline with c.247km of pipe already in the ground. However, we will not deliver a megalitre per day (Ml/d) of benefit until the whole network of pipes are connected and operating. Appropriate environmental mitigations have been agreed with the Environment Agency to enable the rephasing.

<sup>7</sup> In its Final Determination, Ofwat made adjustments to companies' per capita consumption figures to reflect the impact of the Covid-19 pandemic, with lockdown and changes to working habits leading to an increase in water usage per person per day. This was an unforeseeable event and the PCL was set prior to Covid-19. The adjusted figure is reported here. Please refer to our Annual Performance Report for further information.

### Delighted customers

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Customer Measure of Experience (CmeX)	Customer survey conducted for Ofwat called CmeX which assesses the experience the company provides to residential customers.	77.5, putting us in 7th place	77.4, putting us in 7th place	This is a comparative measure — we aim to perform in the top 25% of companies (4 <sup>th</sup> position or higher)	£2.2 million
Developer Measure of Experience (DmeX)	Survey conducted for Ofwat called DmeX which assesses the experience the company provides to developer services customers who build new homes.	91.2, putting us in 4th place	89.7, putting us in 8th place	This is a comparative measure — we aim to perform in the top 25% of companies (4 <sup>th</sup> position or higher)	£42,000



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Properties at risk of persistent low pressure	Number of properties that are affected by persistent low pressure. Persistent low water pressure is an ongoing low pressure problem rather than short-term low pressure caused by a water mains burst or unusual peak in demand for water.	65	62	106	£279,000
Internal sewer flooding	The number of times that properties are flooded internally per 10,000 customer connections to the sewer.	2.27	1.41	1.34	-£766,000
External sewer flooding	The number of times that properties are flooded externally.	6,564	5,232	3,991	-£5.2 million
Non-household retailer satisfaction	This measure assesses the service provided by the company to non-household retailers.	81.3	84.2	79.1	n/a
Water supply interruptions	Average length of supply interruptions per property (for interruptions over three hours).	9m 8s	6m 51s	5m	-£2.1 million

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Customer Measure of Experience (CmeX):** We maintained our year-end position of 7<sup>th</sup> for Customer Measure of Experience (CMeX), which is 5<sup>th</sup> when comparing against the Water and Sewerage Companies. Anything above the median score means we are in reward. This reflects our continued commitment to delivering a high standard of service for our customers and ensuring their experience remains at the heart of everything we do. While we recognise there is always more to achieve — and we would like to return to upper-quartile performance — this result provides a strong foundation, as we focus on further improvements in the year ahead.

**Developer Measure of Experience (DmeX):** We concluded the year in 8th place, performing just above the industry median. This is a decline from last year, however, achieving a score above the median places us in reward, and demonstrates our commitment to enhancing the experience for our developer customers.

**Properties at risk of persistent low pressure:** The number of reportable properties on the register is 62. This is well within the PCL of 150 properties. At the start of AMP7, 148 properties were on the lowpressure register, with an additional 4,312 at risk. To reduce the risk of new properties being added, and to bring down numbers on the register, we deployed a range of innovative measures including using light detection and ranging data and solar-powered boosters.

**Internal and External Sewer flooding:** Exceptionally high groundwater levels occupying 50% of the region were experienced during the first few months of 2025. The outcome is a significant improvement on last year, specifically on our internal sewer flooding metric, where we have seen a 38% improvement and a 20% improvement on external sewer flooding. While we have not met the PCL for this year, against both measures, we have reached a level of performance which will put us on a solid footing for AMP8.

**Water supply interruptions:** We achieved a supply interruptions score of 6 minutes and 51 seconds, meaning we missed the Ofwat PCL of 5 minutes. Throughout the year, we stayed close to our PCL however in January 2025, a freeze-thaw event caused above average mains bursts and subsequent supply interruptions.

**Fair charges, fair returns**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Managing void properties	The percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged by the company.	0.08	0.06	0.25	£896,000
Value for money	A survey of customers by the Consumer Council for Water about the value for money provided by the Company.	77% agree we provide value for money	70% agree we provide value for money	83% agree we provide good value for money	n/a

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**Managing void properties:** This measure relates to the percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged. The Ofwat target was 0.25% and we outturned at 0.06%. A score closer to zero is positive and we have outperformed this PCL. To achieve this, actions included reviewing all properties void for more than four months, reviewing water consumption data, sharing data with water-only companies, using bureau and land registry data, making doorstep visits and sending letters and emails.

**Value for money:** This performance commitment relates to the outcome from the Consumer Council for Water's annual survey<sup>8</sup>. We scored above average on the 'satisfied with value for money of water services' (Anglian Water score: 70% industry average: 65%) and on sewerage services (Anglian Water: 70%, industry average: 68%.) Despite the overall downward trend across the industry, we have maintained a strong position and continue to engage with customers on value for money.

**Safe, clean water**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Water quality (Compliance Risk Index)	This is the key measure used by the Drinking Water Inspectorate to determine our overall compliance with stringent regulatory drinking water standards.	3.57	Not published yet	2.00	£496,000
Water quality contacts	The number of complaints from customers about water quality per thousand people served.	0.86	0.91	0.77	£375,000
Event Risk Index	This assessment looks at the Company's approach to risk mitigation of water quality events.	109.415	Not published yet	15.000	n/a

\* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

The Drinking Water Inspectorate uses a number of key performance measures and publishes a report every summer assessing water quality across the industry. Drinking water in England is amongst the most tightly regulated. Water companies consistently meet stringent standards for drinking water. Customers can be assured that drinking water quality in England and Wales is among the best in the world, with the Yale University Environmental Performance Index listing the UK as one of only 10 countries with the highest score for drinking water safety. We carry out full investigations on each failing sample. Overall, 99.98% of our samples passed this year, compared to 99.95% of our samples in 2023.

**Water quality contacts:** This measure relates to the number of contacts received from customers about the appearance, taste and odour of their water. In 2024 we narrowly missed the PCL which is set at 0.85 customer

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

contacts per 1,000 customers – we ended the year at 0.91 (compared with 0.86 in 2023). This follows on from excellent performance in 2023, and despite missing our Ofwat target, this result is another record low for us and builds on a ten year downward trend in customer contacts.

**Compliance Risk Index\***: The Drinking Water Inspectorate will publish the 2024 Compliance Risk Index (CRI) figures in July 2025. At the time of reporting, our internal forecast indicates 2024 will be an improvement on the 2023 figure. However, we are unlikely to meet Ofwat’s target. This is due to a number of failures through 2024. We are working hard to ensure our storage point inspection programme improves asset health. Furthermore, technology such as online flow cytometry alongside our Drinking Water Safety plans will identify opportunities to further improve performance in the future.

**Event Risk Index\***: The Drinking Water Inspectorate will publish the 2024 Event Risk Index (ERI) figures in July 2025. At the time of reporting, our internal forecast shows that 2024 will be a deterioration on the 2023 figure, and we will miss our Ofwat target of 15. Our score was impacted by a number of events, two of which had significant scores. Remediation and mitigation works are underway. We continue to work closely with the DWI in relation to these events.

\* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

#### Resilient business

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Risk of severe restrictions in drought	The percentage of properties at risk of service restrictions in the event of a 1-in-200-year drought.	5.2%	4.6%	0.0%	n/a
Risk of sewer flooding in a storm	The percentage of properties that we serve that are at risk of sewer flooding during an extreme wet weather event.	0.75%	0.76%	9.75%	n/a
Percentage of population supplied by single supply system	Percentage of population served by a single supply system. Our goal is to increase the number of properties supplied by more than one water treatment works so that if something goes wrong at one works, our customers’ water supplies are protected.	22.3%	22.3%	14.1%	£0

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Cyber security	Percentage of risks mitigated against the cyber threat to operational technology (OT) and to comply with the network and information systems (NIS) regulations.	Ongoing	100%	100% by 2025	£0

**Risk of severe restrictions in drought:** The percentage of the population we serve that would experience severe supply restrictions during a drought is 4.6%, based on 25-year prediction modelling. The percentage of customers at risk is based on the total population across five Water Resource Zones that could experience severe supply restrictions during a 1 in 200-year drought. This result has reduced from the previous year due to Central Lincolnshire and South Fenland no longer being at risk.

**Risk of sewer flooding in a storm:** This measure is based on modelling that predicts the likelihood of flooding in our network in a 1-in-50 year storm. Targeted investment on assets, such as storm tanks and sustainable drainage solutions, is helping improve sewer capacity, keeping the risk low.

**Percentage of population supplied by a single supply system:** This measure is linked to the delivery of our Strategic Interconnector Grid which, on completion, will provide more than 80% of customers with a dual supply system. We have re-profiled delivery based on supply chain issues earlier in the AMP, with the project now expected to complete in AMP8 (2025-2030).

**Cyber security:** Anglian Water's NIS Compliance Programme has successfully completed the rollout of Network Security across the Ruthamford System, encompassing 20 operational sites. One additional site was brought into scope following site surveys.

#### A Smaller footprint

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Operational carbon	Percentage reduction in carbon emissions from day-to-day operations compared to a 2019/20 baseline.	-1.6%	26.6%	10%	n/a

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Capital carbon	Percentage reduction in carbon emissions from construction activity measured in tonnes of CO <sub>2</sub> equivalent compared to a 2010 baseline.	64.2%	66.1%	65%	n/a

**Operational carbon:** Our operational carbon target of 10% reduction is phased over the AMP. This year we met our target, through an investment programme which prioritises green energy and sustainable projects. See more in ‘Our approach to the climate and nature crises’, pages 35-87. Our aim was that by 2025, 45% of our electricity requirement would be powered by renewable sources. We met this ambition and continue to explore avenues for further take-up of renewables.

**Capital carbon:** Our capital carbon reductions are measured against a 2010 baseline. We achieved our Ofwat target of 65%.

**Flourishing environment**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Pollution incidents	Number of pollution incidents due to escapes from our sewerage network per 10,000 km of sewer network.	40.16*	57.17*	19.50	–£9.8 million
Bathing waters attaining ‘Excellent’ status	Number of recognised bathing waters in our region rated ‘Excellent’ (based on standards set by the European Bathing Water Directive).	29	31	36	–£1.1 million
Abstraction Incentive Mechanism	An incentive to reduce the water we take from sensitive rivers or wetlands during very dry periods.	29 MI	85 MI	–87 MI	–£88,000
WINEP	The progress of the Company in delivering its agreed Water Industry National Environment Programme (WINEP) schemes in a timely manner.	1,533	1,698	1,856	n/a
WINEP delivery		Not met	Not met	Met	n/a

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Natural capital impact	This measures progress towards meeting improvements in natural capital within our region.	Not met	Not met	Met	n/a
Regional collaboration	This measures progress towards the development of a regional approach to assessing and considering natural capital.	On track	Pass	Pass	n/a
Sludge treatment capacity	This measures progress towards delivering additional sludge treatment capacity.	0.0	100%	100% by 2025	£0

\* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

**Pollution incidents\*:** In 2024, we had 57.17 pollutions per 10,000km of sewer network. We have a higher number of total pollutions than we did in the prior year, exacerbated by high levels of groundwater across the region — a result of the wet winter of 2023/2024. While our investments and work spanning the past 18 months have been significant, due to the lag associated with risk reduction, we are yet to see these improvements fully realised in our current performance.

**Bathing waters attaining ‘Excellent’ status:** For the 2024 bathing water season, 31 of our bathing waters attained ‘Excellent’ status, compared to 29 in 2023. We missed our Ofwat target. We continue to collaborate with stakeholders in the region to ensure all our bathing spots are brought up to ‘Good’ status at a minimum. The PCL assessed by Ofwat covers 48 of our bathing waters, although there are currently 54 designated bathing waters in the Anglian Water region. In AMP8, it will encompass all 54.

**Water Industry National Environment Programme (WINEP):** Since 2020, we have delivered 1,698 obligations through WINEP, relevant to this PCL. This commitment is based on outputs originally proposed in 2019. Of the schemes we did not complete, we have had conversations with our regulators. Our investments can be bucketed into a few key areas — improving water quality, storm overflow improvements, flow monitoring and catchment management — all of which are paving the way for future improvements, in line with our obligations and our long-term aspirations.

**Abstraction Incentive Mechanism (AIM):** We work closely with the Environment Agency, to manage pressures on environmentally sensitive areas in our region. Over this AMP, we have worked with our regulators on closing abstraction sources and abstraction license reductions, alongside river habitat improvements, as part of WINEP. This performance commitment was designed to encourage water companies to abstract less water from environmentally sensitive sites at times of low river flow and it relates to four groundwater sources identified as having a potential impact on nearby rivers. In 2024/25, we had limited opportunities for active abstraction, owing to high rainfall in 2024 increasing river flow. Only one of the four sites that contribute to

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

this measure was affected, due to operational issues at a neighbouring water treatment works. This meant we could not minimise abstraction from this site. The remaining three sites had no low flow days in the year.

**Sludge treatment capacity:** Sludge is an organic matter, a byproduct of the water recycling process which we treat at our 10 Sludge Treatment Centres. We have continued with the delivery of our plans to increase our sludge treatment capacity by c.30% at our Whitlingham Sludge Treatment Centre. Our plans have involved upgrading our existing Advanced Digestion process and an innovative reconfiguration of how we operate our digesters to allow them to work more efficiently. We have also replaced our existing digesters with new ones to further futureproof sludge treatment activities at the site. Commissioning and performance testing of our Advanced Digestion upgrade works has completed, and our two new digesters are in the final build stages with further commissioning and testing activities planned over the next period.

**Natural capital impact:** This performance commitment captures improvements made through four sub-measures; water quantity, ground water quality, surface water quality and biodiversity. All sub-measures must be on track to meet the PCL. In 2024/25, only three of the four measures were on track and we failed on the water quantity sub-measure. The three-year rolling average target for distribution input was 225 litres per person per day. Our actual result was 229 litres. This sub-measure is impacted by the shift in water usage, as a result of the pandemic, which is not a unique issue. Despite this, year-on-year reductions have been made since 2020/21.

**Positive impact on communities**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Priority services for customers in vulnerable circumstances	The percentage of customers recorded as requiring priority services due to being in vulnerable circumstances and the percentage of people contacted to ensure records are kept up to date.	12.7% reach 56.2% actual contact 96.9% attempted contact	14.7% reach 58.1% actual contacts 99.6% attempted contacts	12.8% reach 35% actual contact 90% attempted contact	n/a
Customers aware of the PSR	Percentage of customers made aware of our Priority Services Register (PSR) and how they can benefit from being on it.	63.4%	66.8%	65.0%	n/a
Helping those struggling to pay	The number of customers who are struggling to pay their water bill and who receive financial support through one of the Company's financial support schemes.	389,371	405,425	310,161	n/a



Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Community investment	The percentage increase in community investment programmes through which the Company adds social value to its communities (compared to 2020/21).	81.4%	135.8%	5.0%	n/a
Customer trust	The improvement in Company score for a survey of customers by the Consumer Council for Water about the trust that customers place in the Company.	0.08	0.18	0.05	n/a
BSI Standard for Inclusive Service	To maintain certification for the British Standard for Inclusive Service Provision (BS 18477).	Maintained	Maintained	Maintained	n/a
<b>Partnership working on pluvial and fluvial flood risk</b>	Investments delivered working in partnership with other organisations to protect infrastructure from flooding.	61	98	92	£0

**Priority services for customers in vulnerable circumstances:** We are significantly ahead of target on all areas relating to our support for vulnerable customers, including, most notably, take-up of our Priority Services Register (PSR), which has already met the full AMP target. We have 14.7% of customers signed up to the PSR, against a national industry average of 10.2%.

**Customers aware of the PSR:** This year, 66.8% of customers were aware of priority services, exceeding our target of 65%. This is a result of our customer engagement strategy and proactive signposting of priority services.

**Helping those struggling to pay:** This year we exceeded our target by over 31% (95,264 people) providing financial support to 405,425 customers.

**Community investment:** This year there was 135.8% increase in the number of people we directly reached or supported through our community investment activities. We have exceeded our target of 5%. In total, an estimated 67,345 people were directly reached or supported by Anglian Water and our Alliance partners.

**Customer Trust:** Results from the Consumer Council for Water's annual Water Matters survey 2025 has shown a drop in score across the industry, with the average trust score 6.28/10. Our trust score was 6.46/10, which is above average. We are working hard to build trust with our customers through open and transparent communication, and regular engagement.

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

**BSI Standard for Inclusive Service:** This year we have maintained our certification for inclusive service, by achieving the more-stretching international standard (ISO), which has replaced the British standard (BSI).

**Partnership working on pluvial and fluvial flood risk:** This measure encourages us to work with partner organisations, to protect our assets from pluvial, fluvial and coastal flooding. Our target is to complete 92 schemes by the end of the AMP – we completed 98.

**Investing for tomorrow**

What are we measuring?	How are we measuring it?	Prior year performance (2023/24)	Current year performance (2024/25)	Current year target (2024/25)	Reward or penalty outcome for 2024/25
Mains repairs	Number of repairs made to water mains per 1,000 km of total water mains.	123.0	133.4	132.3	£0
Unplanned outage	Percentage of maximum water treatment works output unavailable during the year.	2.05%	1.88%	2.34%	£0
Sewer collapses	Number of sewer collapses per 1,000 km of sewers.	5.43	4.53	5.50	£0
Treatment works compliance	Percentage of water and sewage treatment works meeting permits for the quality of water discharged to the environment.	98.4%	99.28%*	100%	£0
Reactive mains bursts	Reactive bursts are those that are identified and reported by a customer or third party before they are identified by the Company.	3,444	3,842	3,063	n/a

\* At the time of reporting, these figures are provisional and awaiting confirmation from the Environment Agency and the Drinking Water Inspectorate.

**Mains repair and reactive mains bursts:** We have missed our PCL, but our performance was within the deadband. We were off target as a result of the freeze-thaw event in January which led to above average main bursts for the time of year.

**Sewer collapses:** There were 252 sewer collapses in 2024/25 (2023/24: 308). This measure also includes 103 reactive burst rising mains (2023/24: 114). Both figures have reduced compared to the prior year. This brings the total for this year to 355, which, for the performance commitment level, is divided by the total length of sewer (77,780km), resulting in a rate of 4.53. We have exceeded our target.

**Treatment works compliance:** Our Treatment Works Compliance score was 99.28% in 2024, which is within Ofwat's deadband of 99%. We have worked hard this year to improve our scores through our performance

Aigrette Financing Limited  
**Strategic report (continued)**  
for the year ended 31 March 2025

improvement programme, which has enhanced visibility and management of risk in this year. Actions included enhanced performance monitoring across our sites, targeted mitigation activities and management of sludge levels. We continue to manage the volatility associated with weather impacts on this measure. This is a core metric of the Environment Agency's Environmental Performance Assessment, and our performance this year achieved green status.

**Unplanned outages:** Our unplanned outage result is within Ofwat's performance commitment level, outturning 2.03%. We consistently met this target throughout the AMP.

**Reactive mains bursts:** At PR19, we proposed reactive mains bursts reported by customers or third parties as a bespoke measure. This is because we were running a proactive programme of work to identify mains bursts on our network, which would naturally lead to a higher identification of bursts. This year, a significant freeze-thaw event in January saw a spike in bursts, although we stayed close to our target throughout the rest of the year. Due to our targeted focus on assets within high burst areas, the impacts of this were minimised. We are using the Water Infrastructure Serviceability Performance Assessment Model to better understand the impact of external factors such as soils, weather and mains material type on our assets to improve our prioritisation of mains rehabilitation schemes and leakage reduction programmes.

**Approval of the Strategic Report**

This Strategic Report was approved by the Board of Directors on 25 June 2025 and signed on its behalf by:



**Mark Thurston**  
Group Chief Executive Officer

Aigrette Financing Limited  
**Group income statement**  
for the year ended 31 March 2025

		Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Notes			
4	<b>Revenue</b>	<b>1,762.3</b>	1,628.7
	Other operating income	<b>16.8</b>	15.8
5	Operating costs		
	Operating costs before depreciation, amortisation and loss allowance for expected credit losses	<b>(841.5)</b>	(807.0)
	Depreciation and amortisation	<b>(423.1)</b>	(388.7)
	Loss allowance for expected credit losses	<b>(36.2)</b>	(38.7)
	Total operating costs	<b>(1,300.8)</b>	(1,234.4)
	<b>Operating profit</b>	<b>478.3</b>	410.1
6	Finance costs	<b>(521.5)</b>	(645.7)
6	Finance income, including fair value gains on derivative financial instruments	<b>128.5</b>	268.4
	Net finance costs	<b>(393.0)</b>	(377.3)
	Profit before tax from continuing operations		
	Gains/(losses) before fair value gains on derivative financial instruments <sup>1</sup>	<b>22.4</b>	(172.1)
6	Fair value gains on derivative financial instruments	<b>62.9</b>	204.9
	<b>Profit before tax from continuing operations</b>	<b>85.3</b>	32.8
7	Tax charge	<b>(34.4)</b>	(6.4)
	<b>Profit for the year from continuing operations</b>	<b>50.9</b>	26.4

<sup>1</sup> As defined in note 29

Notes 1 to 31 are an integral part of these financial statements.

Aigrette Financing Limited

Group statement of comprehensive income  
for the year ended 31 March 2025

Notes		Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
	<b>Profit for the year</b>	<b>50.9</b>	26.4
	<b>Other comprehensive income/(expense)</b>		
	<b>Items that will not be reclassified to income statement</b>		
21	Actuarial gains/(losses) on retirement benefit	<b>30.5</b>	(28.5)
7	Income tax on items that will not be reclassified	<b>(7.7)</b>	7.1
		<b>22.8</b>	(21.4)
	<b>Items that may be reclassified subsequently to income statement</b>		
23	Gains/(losses) on cash flow hedges recognised in equity	<b>23.3</b>	(36.5)
23	Losses on cost of hedging recognised in equity	<b>(3.9)</b>	(2.7)
23	Gains on cash flow hedges transferred to income statement	<b>18.2</b>	32.3
7	Income tax on items that may be reclassified	<b>(9.4)</b>	1.9
		<b>28.2</b>	(5.0)
	<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>51.0</b>	(26.4)
	<b>Total comprehensive income for the year</b>	<b>101.9</b>	-

Aigrette Financing Limited  
Group balance sheet  
as at 31 March 2025

		At 31 March 2025 £m	At 31 March 2024 £m
Notes			
	<b>Non-current assets</b>		
10	Goodwill	445.8	445.8
11	Other intangible assets	317.3	256.7
12	Property, plant and equipment	12,115.0	11,414.9
13	Investment properties	0.2	0.2
19	Derivative financial instruments	168.3	233.1
21	Retirement benefit surplus	119.8	63.9
		<b>13,166.4</b>	<b>12,414.6</b>
	<b>Current assets</b>		
	Inventories	24.7	26.9
15	Trade and other receivables	664.4	629.3
14	Investments - cash deposits	452.9	552.1
16	Cash and cash equivalents	695.1	574.9
19	Derivative financial instruments	0.9	0.9
		<b>1,838.0</b>	<b>1,784.1</b>
	<b>Total assets</b>	<b>15,004.4</b>	<b>14,198.7</b>
	<b>Current liabilities</b>		
17	Trade and other payables	(719.6)	(733.4)
	Current tax liabilities	(0.9)	-
18	Borrowings	(1,006.6)	(555.8)
19	Derivative financial instruments	(8.3)	(92.8)
	Provisions	(4.5)	(4.5)
		<b>(1,739.9)</b>	<b>(1,386.5)</b>
	<b>Net current assets</b>	<b>98.1</b>	<b>397.6</b>
	<b>Non-current liabilities</b>		
18	Borrowings	(9,597.5)	(9,275.2)
19	Derivative financial instruments	(781.6)	(796.5)
20	Deferred tax liabilities	(1,456.3)	(1,404.6)
21	Retirement benefit deficit	(26.6)	(30.9)
	Provisions	(0.7)	(5.2)
		<b>(11,862.7)</b>	<b>(11,512.3)</b>
	<b>Total liabilities</b>	<b>(13,602.6)</b>	<b>(12,898.9)</b>
	<b>Net assets</b>	<b>1,401.8</b>	<b>1,299.9</b>

*Continued on the next page.*

Aigrette Financing Limited  
Group balance sheet (continued)  
as at 31 March 2025

Notes		At 31 March 2025 £m	At 31 March 2024 £m
	<b>Capital and reserves</b>		
22	Share capital	659.9	659.9
	Share premium	36.0	36.0
	Retained earnings	986.8	913.1
23	Hedging reserve	46.0	14.9
23	Cost of hedging reserve	(3.3)	(0.4)
	Merger reserve	(323.6)	(323.6)
	<b>Total equity</b>	<b>1,401.8</b>	<b>1,299.9</b>

Notes 1 to 31 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 June 2025 and signed on its behalf by:



**Mark Thurston**  
Chief Executive Officer



**Michael Bradley**  
Chief Financial Officer

Company number: 13379437

Aigrette Financing Limited  
**Company balance sheet**  
as at 31 March 2025

		At 31 March 2025 £m	At 31 March 2024 £m
Notes			
	<b>Non-current assets</b>		
14	Other investments	1,796.4	1,796.4
		<b>1,796.4</b>	<b>1,796.4</b>
	<b>Current assets</b>		
15	Trade and other receivables	29.7	25.1
16	Cash and cash equivalents	30.1	42.2
		<b>59.8</b>	<b>67.3</b>
	<b>Total assets</b>	<b>1,856.2</b>	<b>1,863.7</b>
	<b>Current liabilities</b>		
18	Borrowings	(18.4)	(16.2)
		<b>(18.4)</b>	<b>(16.2)</b>
	<b>Net current assets</b>	<b>41.4</b>	<b>51.1</b>
	<b>Non-current liabilities</b>		
18	Borrowings	(719.5)	(717.5)
		<b>(719.5)</b>	<b>(717.5)</b>
	<b>Total liabilities</b>	<b>(737.9)</b>	<b>(733.7)</b>
	<b>Net assets</b>	<b>1,118.3</b>	<b>1,130.0</b>
	<b>Capital and reserves</b>		
22	Share capital	659.9	659.9
	Share premium	36.0	36.0
	Retained earnings	422.4	434.1
	<b>Total equity</b>	<b>1,118.3</b>	<b>1,130.0</b>

Notes 1 to 31 are an integral part of these financial statements.

The Company had losses in the year of £11.7 million (2024: losses of £31.7 million).

The financial statements were approved by the Board of Directors on 25 June 2025 and signed on its behalf by:



**Mark Thurston**  
Chief Executive Officer



**Michael Bradley**  
Chief Financial Officer

Company number: 13379437



Aigrette Financing Limited  
Group statement of changes in equity  
for the year ended 31 March 2025

Notes	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Merger reserve £m	Total equity £m
At 1 April 2023	659.9	-	939.9	17.8	1.7	(323.6)	1,295.7
Profit for the year	-	-	26.4	-	-	-	26.4
Other comprehensive income/(expense)							
21 Actuarial losses on retirement benefit obligations	-	-	(28.5)	-	-	-	(28.5)
7 Income tax credit on items that will not be reclassified	-	-	7.1	-	-	-	7.1
23 Losses on cash flow hedges	-	-	-	(36.5)	-	-	(36.5)
23 Losses on cost of hedging relationships	-	-	-	-	(2.7)	-	(2.7)
23 Amounts on cash flow hedges transferred to income statement	-	-	-	32.3	-	-	32.3
23 Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	-	1.9
	-	-	(21.4)	(2.9)	(2.1)	-	(26.4)
Total comprehensive income/(expense)	-	-	5.0	(2.9)	(2.1)	-	-
Issue of shares		36.0					36.0
Dividends			(31.8)				(31.8)
At 31 March 2024	659.9	36.0	913.1	14.9	(0.4)	(323.6)	1,299.9
Profit for the year	-	-	50.9	-	-	-	50.9
Other comprehensive income/(expense)							
21 Actuarial gains on retirement benefit obligations	-	-	30.5	-	-	-	30.5
7 Income tax charge on items that will not be reclassified	-	-	(7.7)	-	-	-	(7.7)
23 Gains on cash flow hedges	-	-	-	23.3	-	-	23.3
23 Losses on cost of hedging relationships	-	-	-	-	(3.9)	-	(3.9)
23 Amounts on cash flow hedges transferred to income statement	-	-	-	18.2	-	-	18.2
23 Deferred tax movement on hedging reserves	-	-	-	(10.4)	1.0	-	(9.4)
	-	-	22.8	31.1	(2.9)	-	51.0
Total comprehensive income/(expense)	-	-	73.7	31.1	(2.9)	-	101.9
At 31 March 2025	659.9	36.0	986.8	46.0	(3.3)	(323.6)	1,401.8

Aigrette Financing Limited

Company statement of changes in equity

for the year ended 31 March 2025

	Share capital £m	Share premium £m	Retained earnings £m	<b>Total equity £m</b>
At 1 April 2023	659.9	-	497.7	1,157.6
Loss for the year	-	-	(31.7)	(31.7)
Total comprehensive expense	-	-	(31.7)	(31.7)
Issue of shares		36.0	-	36.0
Dividends	-	-	(31.9)	(31.9)
At 31 March 2024	659.9	36.0	434.1	1,130.0
Loss for the period	-	-	(11.7)	<b>(11.7)</b>
Total comprehensive expense	-	-	(11.7)	<b>(11.7)</b>
<b>At 31 March 2025</b>	<b>659.9</b>	<b>36.0</b>	<b>422.4</b>	<b>1,118.3</b>

Aigrette Financing Limited  
**Cash flow statement**  
for the year ended 31 March 2025

Notes	<b>Group</b>		<b>Company</b>	
	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Operating activities</b>				
Operating profit	<b>478.3</b>	410.1	-	-
Adjustments for:				
Depreciation and amortisation	<b>423.1</b>	388.7	-	-
Assets adopted for £nil consideration	<b>(34.0)</b>	(48.2)	-	-
Profit on disposal of property, plant and equipment	-	(1.5)	-	-
Difference between pension charge and cash contributions	<b>(27.4)</b>	(3.1)	<b>(0.1)</b>	-
Net movement in provisions	<b>(3.9)</b>	(1.8)	-	-
Working capital:				
Decrease in inventories	<b>2.2</b>	0.5	-	-
Increase in trade and other receivables	<b>(37.8)</b>	(65.8)	<b>(4.5)</b>	(0.6)
Increase/(decrease) in trade and other payables <sup>(1)</sup>	<b>(0.8)</b>	61.1	-	-
<b>Cash generated from/(used in) operations</b>	<b>799.7</b>	740.0	<b>(4.6)</b>	(0.6)
Income taxes received	<b>1.1</b>	1.2	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>800.8</b>	741.2	<b>(4.6)</b>	(0.6)
<b>Investing activities</b>				
Purchase of property, plant and equipment	<b>(960.9)</b>	(942.7)	-	-
Purchase of intangible assets	<b>(109.6)</b>	(51.4)	-	-
Proceeds from disposal of property, plant and equipment	<b>1.5</b>	2.0	-	-
Interest received	<b>54.0</b>	49.9	<b>2.2</b>	1.8
Decrease/(increase) in investments - cash deposits	<b>99.2</b>	(235.4)	-	-
Dividends received from subsidiaries	-	-		18.7
<b>Net cash (used in)/from investing activities</b>	<b>(915.8)</b>	(1,177.6)	<b>2.2</b>	20.5
<b>Financing activities</b>				
Interest paid	<b>(330.6)</b>	(314.8)	<b>(50.7)</b>	(48.7)
Debt issue costs paid	<b>(25.6)</b>	(16.8)	-	-
Interest paid on leases	<b>(1.0)</b>	(1.2)	-	-
Proceeds from amounts borrowed	<b>1,036.0</b>	1,421.0	-	-
Repayment of amounts borrowed	<b>(419.3)</b>	(527.6)	-	-
Repayment of principal on derivatives	<b>(85.0)</b>	(11.5)	-	-
Receipt of principal on derivatives	<b>67.1</b>	-	-	-
Repayment of principal on leases	<b>(6.4)</b>	(7.2)	-	-
Dividends (paid)/received	-	(31.8)	<b>41.0</b>	(31.8)
Proceeds from the issues of new shares	-	36.0		36.0
<b>Net cash from/(used in) financing activities</b>	<b>235.2</b>	546.1	<b>(9.7)</b>	(44.5)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>120.2</b>	109.7	<b>(12.1)</b>	(24.6)
<b>Cash and cash equivalents at 1 April</b>	<b>574.9</b>	465.2	<b>42.2</b>	66.8
<b>Cash and cash equivalents at 31 March</b>	<b>695.1</b>	574.9	<b>30.1</b>	42.2

<sup>(1)</sup>Excluding movement in capital creditors which is presented in investing activities.

Aigrette Financing Limited  
**Notes to the financial statements**  
for the year ended 31 March 2025

**1. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all of the years presented and are applicable to both Group and Company.

**a) Basis of accounting**

The Group and Company financial statements have been prepared (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Adjusted profit before tax excludes the fair value gains and losses arising on derivative financial instruments and energy derivatives that the Group holds as economic hedges. These introduce volatility into the accounts due to the present value of future cash flows, which management believes is not representative of the underlying operational performance of the business. Alternative performance measures are defined in note 29.

**b) Basis of preparation**

The Group and Company financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings at 31 March. The results of companies acquired or disposed of are consolidated from the effective date of acquisition or to the effective date of disposal. Inter-company sales and profit are eliminated fully on consolidation.

***Business combinations***

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values, as at the acquisition date, of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value, as at the acquisition date, and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

1. **Accounting policies** (continued)

b) **Basis of preparation** (continued)

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

**Going concern**

The Directors have undertaken a detailed review to assess the liquidity requirements of the Group compared against the cash and facilities available to the Group, as detailed below.

Given the relative size and importance of Anglian Water Services Limited (AWSL) to the Group, the assessment initially focused on the going concern of AWSL and is then updated to include wider Group considerations.

The Directors have considered the potential impacts of the current market volatility and uncertainties within the sector in relation to the PR24 referral to the CMA, and on-going regulatory investigations.

The base forecast, which has been updated for the latest internal and external information and is aligned to the Final Determination from Ofwat has been subjected to a range of severe but plausible downside scenarios as noted below.

As set out in the Financing Structure section, the business generates operating cash flows to finance the day-to-day operations of the Group. In order to fund the capital programme the business requires external investment in the form of both debt and equity and both a depreciation charge and fair return on investment are included in the allowed revenues that the Group charges to customers.

In February the business requested that Ofwat refer its PR24 Final Determination to the CMA on the basis that the Group does not believe the FD strikes an appropriate balance of risk and return for the notional company capable of attracting the level of investment needed to deliver the growth set out in the plan. Given Ofwat's statutory duty to ensure that an efficient notional company is financeable we believe that the CMA will ensure that the redetermination is set such that investors will continue to invest in the sector. As Anglian maintains an efficient structure which benefits from our Whole Business Securitisation, our actual gearing structure and covenants see more headroom than for the notional structure.

Management note that the outcome of the CMA appeal will fall substantially outside of the going concern assessment period.

In assessing Going Concern the Directors have considered a number of perspectives, including liquidity and debt covenants and tested these against both the base scenario and the three downside scenarios.

- **Liquidity** – The Group holds sufficient liquidity to cover the going concern period even under the most severe downside scenario.
- **Debt covenants** – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) under its securitised covenants with no plausible scenario identified that would cause an Event of Default.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

1. **Accounting policies** (continued)

b) **Basis of preparation** (continued)

**Assessment period**

Management have considered the appropriate assessment period taking into account all available information. Whilst there is an on-going requirement to raise debt over the longer term to fund our growing investment programme, this is part of our business model and management are confident in our ability to raise debt given our proven track record and strong credit ratings. Therefore, management do not believe there to be a need to extend the period any further than 12 months.

**Liquidity**

Included within the £1,720.5 million of facilities at 31 March 2025 are facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 which is within the 12-month period assessed for going concern purposes. On 16 June 2025, the Group received formal commitment from lenders for the refinancing of these expiring facilities in the form of a new 3-year facility totalling £1 billion. The Group has sufficient liquidity within the assessment period.

**Debt covenants**

Anglian Water Services Limited has a single debt platform (sometimes known as a “common terms” or “CTA” debt platform) that has been structured so as to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and Anglian Water’s Licence (an “Aligned Debt Programme”). Aligned Debt Programmes operate on a single covenant package and shared security and intercreditor arrangement that binds all debt providers.

The CTA introduces two terms, a Trigger Event and an Event of Default. The intention of a Trigger Event is that it is an early warning event designed to reinforce credit worthiness and to protect the Company and its finance creditors from an Event of Default occurring and consequently it is not considered to be a going concern event. It does not enable creditors to destabilise the Company through enforcing their security.

In addition, Osprey Acquisitions Limited also has a common terms debt platform similar to that at Anglian Water Services Limited and operates a single set of covenants that applies to all debt raised at this level of the Group.

**Sensitivity**

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of lower inflation and higher interest rates due to market uncertainty particularly within the sector, as well as specific risks to the business, such as cyber-attacks, the planned migration to our new ERP system, uncertainty associated with our price determination for AMP8 and increased costs/reduced revenue due to adverse weather events.

Given our ability to access capital markets, management do not believe the downside testing, whilst causing additional cash outflows, would have significant liquidity impacts. If Debt markets were to be closed for a time the business would utilise facilities which are currently in place.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies** (continued)

**b) Basis of preparation** (continued)

While medium and worst-case scenarios indicate the potential for a Trigger Event in relation to interest cover ratio covenants, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments as a trigger event does not prohibit the renewal of bank facilities that expire in the going concern period.

For these reasons, the Directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

**Standards, amendments and interpretations effective or adopted**

The following standards and amendments have been effective during the reporting period and did not have any significant impact in the Group's consolidated financial statements:

- Amendments to *IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures* titled *Supplier Finance Arrangements*;
- Amendments to *IAS 1 Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current;
- Amendments to *IAS 1 Presentation of Financial Statements* – Non-current Liabilities with Covenants;
- Amendments to *IFRS 16 Leases* – Lease Liability in a Sale and Leaseback; and
- Amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates*.

**Standards, amendments and interpretations not yet effective and not early adopted**

The following new standards and amendments have not been adopted in the Group's consolidated financial statements as they are not yet effective. These will be adopted at the beginning of the period they become mandatory:

- *IFRS 18: Presentation and Disclosures in Financial statements* (effective from 1 January 2027);
- *IFRS 19: Subsidiaries without Public Accountability: Disclosures* (effective from 1 January 2027);
- Amendments to *IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* (effective from 1 January 2026);
- Amendments to *IFRS 10 Consolidated Financial Statements* and *IAS 28 Investments in Associates and Joint Venture* (effective date has been removed temporarily by the IASB); and
- Annual Improvements to *IFRS Accounting Standards (Volume 11)* (effective 1 January 2026).

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**b) Basis of preparation (continued)**

The Directors do not expect the adoption of the new standards and amendments to the existing standards listed above will have a material impact on the consolidation financial statements of the Group in future periods, except if indicated below.

- IFRS 18: Presentation and Disclosures in Financial statements (effective for annual periods beginning on or after 1 January 2027 with earlier application permitted);

IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Furthermore, the IASB has made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings Per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements;
- improve aggregation and disaggregation. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Directors anticipate that the application of the new standard may have an impact on the Group's consolidated financial statements in future periods.

**c) Foreign currencies**

The Group's consolidated financial statements are presented in British pound sterling, which is also the parent company's functional currency. Individual transactions denominated in foreign currencies are translated into local currency at the actual exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the period and monetary assets and liabilities are dealt with in the income statement except for transactions where hedge accounting has been applied in accordance with IFRS 9 'Financial instruments'.

On consolidation, the income statements of overseas subsidiaries are translated at the average exchange rates for the period and the balance sheets at the exchange rates at the balance sheet date. The exchange differences arising as a result of translating income statements at average rates and restating opening net assets at closing rates are taken to the translation reserve.



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

1. **Accounting policies** (continued)

d) **Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

e) **Revenue recognition**

Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

***Principal source of income***

The Group's principal source of income is from customers in respect of the provision of water and water recycling services within Anglian Water, the Group's regulated water and sewerage company, at a price determined annually by its regulatory tariffs.

The majority of Anglian Water's household customers have meters, but there are a significant number who are not metered. This is relevant to how the Group recognises the income over the year, since the unmeasured customers are billed at a flat rate based on the rateable value of the property, which reflects their right to an ongoing supply of water, while measured customers are billed in line with their usage, which tends to be seasonal.

Under IFRS 15, the performance obligation for measured customers has been assessed as the provision of water and sewerage services, and the performance obligation is met as water is supplied to the property. Accordingly, for the variable element, revenue is recognised as water is supplied, based on volumes supplied at the relevant reporting date.

Related non-volumetric, or standing, charges reflect our obligation to stand-ready to deliver water, as is the case with unmeasured supply (see below), and is accounted for accordingly.

In respect of unmeasured customers, the performance obligation has been assessed as standing ready to provide water and sewerage services when required by our customers, and accordingly revenue is recognised under IFRS 15 as the stand-ready obligation is fulfilled over time. Accordingly, revenue from unmeasured customers is recognised on an overtime basis under IFRS 15.

Non-household revenue is charged and recognised on the basis of volumes supplied, based on data submitted by the market operator.

***Secondary source of income***

A secondary source of income for Anglian Water is from grants and contributions in respect of new connections for water and/or sewerage services. Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question. Please see note 2 for further details.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

1. **Accounting policies** (continued)

e) **Revenue recognition** (continued)

The significant components of grants and contributions, and their treatment, are as follows:

i *New connection charges*

The Group considers the performance obligation to be satisfied on making the connection. Income for new connection charges is therefore recognised as the connection is completed.

ii *Self-lay, requisitions and adoption fees*

Revenue recognition is consistent with new connection charges (see (i) above).

iii *Fair value of assets adopted for £nil consideration*

These are principally sewers and pumping stations that a developer has constructed and then contributed to the Group, on a £nil consideration basis, in exchange for being relieved of any future liability. Income is recognised on adoption based on the fair value of the asset adopted.

iv *Infrastructure charges*

Infrastructure charges are a developer's contribution to fund network reinforcement by the Group. While these charges are a contribution to reinforcement of the network, they have to be paid by the developer as a condition of obtaining connection to the network and, as such, the Group's performance obligation is satisfied by making the connection. As such, the income is recognised as the connection is made.

v *Diversions*

Diversions arise where a highways agency, or other authority, reimburses the Group for the majority of the costs incurred in diverting assets that represent an obstruction to the construction or upgrade of roads and railway lines. There is no performance obligation to the agency/authority beyond completing the diversion, therefore income is recognised immediately on completion.

**Non-appointed activities**

The Group also provides additional services which are not categorised as a regulatory appointed activity. These relate to non-water / wastewater services and for use of land for water supply beyond duties imposed by regulation. Activities largely relate to the provision of property searches, referrals for connecting customers to insurance providers, processing of septic tank waste from households not connected to main sewers and from the use of our reservoirs for recreational activity. Revenue is recognised in line with the delivery of each performance obligation which is at a point in time as there is no ongoing obligation past the transaction date.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies** (continued)

**e) Revenue recognition** (continued)

***Other sources of revenue***

*i Other operating income*

The principal sources of other operating income are from the generation of power, the sale of biosolids to farms, rents received and other minor income associated with operating activities.

*ii Service contracts*

Revenue from service contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed.

*iii Property development*

Revenue from sale of development properties, which are not held for the long-term, is recorded when a legally binding contract for the sale of the development has been entered into and legal completion has taken place before the period-end. Revenue includes sales of directly held work in progress and interests in special purpose subsidiaries and joint ventures if the substance of the transaction is the sale of the underlying property.

**f) Research and development**

Research expenditure is charged to profit and loss in the period in which it is incurred. Expenditure relating to development projects is capitalised as equipment or intangible assets and is written off over the expected useful life of the asset.

**g) Exceptional items**

Exceptional items are one-off items that individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or nature to enable a reader of the financial statements to understand the results for a particular period.

**h) Operating profit**

Operating profit is stated after charging operational expenses but before finance income and finance costs.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**i) Taxation**

Current income tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates enacted or substantially enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**j) Dividends**

Dividends are recognised as a liability in the period in which they are approved or committed. A corresponding amount is recognised directly in equity.

**k) Intangible assets**

**i Goodwill**

On the acquisition of a subsidiary undertaking, or business combination, fair values are attributed to the net identifiable assets or liabilities acquired. Goodwill represents the difference between the fair value of the purchase consideration and the fair value of the net assets acquired. Goodwill is tested annually for impairment.

**ii Other intangible assets**

Other intangible assets represent computer software and internally generated assets which mainly comprise capitalised development expenditure.

Other intangible assets are shown at cost less subsequent amortisation and any impairment. Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives, which are primarily three to 10 years.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**k) Intangible assets (continued)**

**Software-as-a-service (SaaS) arrangements**

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

**l) Property, plant and equipment**

Property, plant and equipment comprises:

- Land and buildings – comprising land and non-operational buildings;
- Infrastructure assets – comprising a network of systems consisting of mains and sewers, impounding and pumped raw water storage reservoirs, sludge pipelines and sea outfall;
- Operational assets – comprising structures at sites used for water and wastewater treatment, pumping or storage, where not classed as infrastructure, along with associated fixed plant;
- Vehicles, mobile plant and equipment;
- Assets under construction.

All property, plant and equipment is shown at cost less subsequent depreciation and any impairment. Cost includes expenditure directly attributable to the acquisition or construction of the items.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement as incurred.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**l) Property, plant and equipment (continued)**

Freehold land is not depreciated, nor are assets in the course of construction until commissioned. Depreciation of other assets is calculated at rates expected to write off the cost less the estimated residual value of the relevant assets on a straight-line basis over their estimated useful lives, which are primarily as follows:

Non-operational buildings	15 – 80 years
Infrastructure assets – water	50 – 120 years
Infrastructure assets – water recycling	50 – 160 years
Operational assets	30 – 80 years
Fixed plant, including meters	12 – 40 years
Vehicles, mobile plant and equipment	3 – 10 years

Items of property, plant and equipment that have no further operational use are treated as having been decommissioned and are written off immediately to profit or loss. In addition, property, plant and equipment is assessed for impairment, in accordance with IAS 36 'Impairment of Assets', if events or changes in circumstances indicate that the carrying value may not be recoverable.

**m) Investment properties**

Investment properties are initially recognised at cost. Subsequently, buildings are depreciated over their useful life and land is held at cost and not depreciated.

**n) Leased assets**

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases for individual assets with a value of less than £5,000).

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies** (continued)

**n) Leased assets** (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the probability in exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

**o) Investments**

***Subsidiaries***

Investments in subsidiaries are held at cost less, where appropriate, provisions for impairment, if there are any indications that the carrying value may not be recoverable. Investments in subsidiaries are eliminated on consolidation for the Group financial statements.

***Joint ventures***

Joint ventures are those entities over whose activities the Group has the ability to exercise joint control, established by contractual agreement. The Group's interests in jointly controlled enterprises are accounted for by the equity method of accounting and are initially recognised at cost.

The consolidated financial statements include the Group's share of the total recognised income and expense of the jointly controlled enterprises on an equity accounting basis, from the date that joint control commences until the date that joint control ceases.

To the extent that joint ventures have net liabilities and a contractual commitment exists for the Group to settle those net liabilities, the aggregate amount is added back to investments and offset firstly against loans and trading balances with the joint venture, with any excess transferred to provisions.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**o) Investments (continued)**

***Investments – cash deposits***

After initial recognition at fair value, financial investments are held at amortised cost. This is based on the business' practice of acquiring financial assets to collect their contractual cash flows and the simple nature of the investments made, which consist solely of principle payments and interest on the principle outstanding.

**p) Inventories**

Raw materials are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**q) Financial assets and liabilities**

Financial assets and liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified as at fair value through profit and loss; fair value through other comprehensive income or amortised cost depending on the Group's intention in regard to the collection of contractual cash flows (or sale) and whether the financial assets cash flows relate solely to the payment of principal and interest on principal outstanding.

The Expected Credit Loss (ECL) model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets; therefore, this is no longer dependent on the Group first identifying a credit loss event. This requires consideration of a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- where credit risk is low or has not increased significantly since recognition ('Stage 1');
- where it has increased significantly since initial recognition ('Stage 2'); and
- where the financial asset is credit impaired (Stage 3).

'12-month expected credit losses' are recognised for Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2.

Expected credit losses are defined as the weighted average of credit losses with the respective risk of default occurring as the weights.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group manages credit risk exposures through a comprehensive counterparty credit risk policy. See the financial instruments disclosures for further details.



Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**r) Trade receivables**

Trade receivables are initially recognised at their transaction price.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the trade receivable.

In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

The Group assesses impairment of trade receivables on a collective basis and where they possess shared credit risk characteristics they have been Grouped; these Groups are residential measured, residential unmeasured, non-household measured and developer services, and other customers.

In particular, existing or forecast adverse changes in financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations is taken into account when assessing whether credit risk has increased significantly since initial recognition.

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable or is subject to a settlement agreement or forgiveness scheme. This may be because it is, unrealistic, impractical, inefficient or uneconomic to collect the debt.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded and attempts to trace the customers whereabouts prove unsuccessful;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the debt is subject to insolvency proceedings and there are insufficient funds to settle the debt;
- Where the value and/or age of debt make it uneconomic to pursue;
- Where debt becomes statute barred.

We also write off debts following a settlement arrangement on an outstanding balance and for eligible customers on our debt forgiveness scheme (Back on Track) as part of payment matching.

Debt that is still subject to enforcement activity is not written off unless it becomes uneconomic to pursue.

**s) Cash and cash equivalents**

In the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less, and outstanding bank overdrafts.

Other short-term deposits with a tenor of more than three months are classified as investments – cash deposits.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**t) Trade and other payables**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are normally settled at the end of the following month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**u) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**v) Derivative financial instruments**

Derivative instruments are used for hedging purposes in line with the Group's risk management policy and no speculative trading in financial instruments is undertaken.

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in note 21. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as either a fair value or cash flow hedge in accordance with IFRS 9 'Financial Instruments'. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with how the hedge aligns with the Group's risk management strategy.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies** (continued)

**v) Derivative financial instruments** (continued)

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

In some hedge relationships, the Group excludes, from the designation, the currency basis spread of cross currency hedging instruments. In such cases, the fair value change of the currency basis element of the cross currency interest rate swap is recognised in other comprehensive income and accumulated in the cost of hedging reserve, and reclassified from equity to profit or loss on a straight-line basis over the term of the hedging relationship. The treatment for the currency basis element is optional and the option is applied on an individual hedge basis.

*Embedded derivatives*

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL).

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

1. **Accounting policies** (continued)

v) **Derivative financial instruments** (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

i *Fair value hedge*

Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement within 'fair value gains/(losses) on derivative financial instruments', together with changes in the fair value of the hedged asset or liability attributable to the hedged risk.

If a fair value hedge is discontinued, the hedged item is not adjusted for any subsequent movements in the hedged risk. The cumulative amount of fair value adjustment on the hedge item at the point of discontinuation is then amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

ii *Cash flow hedge*

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value gains/(losses) on derivative financial instruments'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, in the periods when interest income or expense is recognised, or when the forecast hedged cost takes place).

When a cash flow hedge is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

iii *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting. Such derivatives are classified at fair value through profit and loss, and changes in fair value are recognised immediately in the income statement.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**1. Accounting policies (continued)**

**w) Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

Regarding onerous lease costs, a provision is made for the expected future costs associated to property and other leases, not included in the calculation of the ROU asset, to the extent that these costs are not expected to be of future benefit to the business, net of any recoveries from sub-leases.

**x) Retirement benefit obligations**

*i Defined benefit schemes*

For defined benefit schemes, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The current service cost, which is the increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period, is charged to operating costs.

The net interest on the schemes' net assets/(liabilities) is included in other finance charges. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

*ii Defined contribution schemes*

The cost of defined contribution schemes is charged to the income statement in the period in which the contributions become payable.

**2. Key sources of estimation uncertainty and critical accounting judgments**

In preparing these consolidated financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 1, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

**Climate change**

The Group is continually assessing and responding to the impact that climate change has on its assets and liabilities. In assessing the impact of climate change we have considered not just the impact on our asset base as a result of no action but the impact of our 2030 net zero route map has also been incorporated into our normal assessment of asset UEL. Nothing has been identified within our net zero plan which has the potential to impact on our existing assets base or their net book values.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**2. Key sources of estimation uncertainty and critical accounting judgments (continued)**

Infrastructure assets within property plant and equipment, specifically in relation to the water mains network have a net book value of £3,188.9 million and an associated annual depreciation charge of £34.4 million (£3,126.9 million, £33.9 million 31 March 2024). The impact of climate change on these assets is dependent on several factors, including but not limited to, the geology of the region these assets go through and the material they are made from. As part of our PR24 submission we have put forward an investment to renew 668km of climate vulnerable mains in AMP8 as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable main by 2060. The Group's intention is to replace these assets which would lead to an acceleration of depreciation on these assets, however that judgement cannot be made until there is certainty over funding following the CMA appeal. Therefore, no adjustment has been made in the current year financial statements as our current funding arrangements would be to repair rather than replace the assets, recording such costs within the income statement as incurred. This will be kept continuously under review to ensure appropriate treatment of network assets.

As weather events become more severe there is a risk of impairment to our assets. There have been no such impairments in the current financial year.

We have also set out the risks posed by climate change and how we will address them in our latest Climate Change Adaptation Report.

**a) Critical accounting judgments**

The areas where the most critical judgements have been applied are as follows:

*i Capitalised expenditure*

Additions to intangible assets, and to property, plant and equipment, include £186.7 million (2024: £158.6 million) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefit will flow to the Group.

*ii Asset lives*

The property, plant and equipment used in the Group is primarily the infrastructure and operational assets of the regulated water business. Infrastructure and operational assets have estimated useful lives of between 30 and 160 years and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset.

Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**2. Key sources of estimation uncertainty and critical accounting judgments (continued)**

**a) Critical accounting judgements (continued)**

iii *Recognition of grants and contributions*

a) *Income from connections to the water and wastewater network*

The Group receives income from developers for new connections to the water and wastewater networks either in the form of cash or infrastructure assets. The significant components are as follows:

- 1) New connection charges £14.9 million (2024: £13.4 million) – developer request for the provision of new connections to the network;
- 2) Infrastructure charges £12.6 million (2024: £11.4 million) – developers' contribution to offsite network reinforcement as permitted by the Water Industry Act;
- 3) Self-lay, requisitions and adoption fees £12.7 million (2024: £10.9 million) – providing the developer with assistance in the construction of assets which enable the development to be connected to the network;
- 4) Adopted assets at nil consideration £34.0 million (2024: £48.2 million) – developer contributes assets on a nil consideration basis that have been installed on a new development.

Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question.

For 1 and 2 above, all communication is between ourselves and the developer/site owner and the agreement is signed by said developer/site owner. The agreements set out components of the charge and what is to be delivered. Our conclusion is therefore that the developer is the customer and our obligation to the developer is met when properties are connected to the network, and therefore this is considered the relevant trigger for income recognition. We believe the ongoing obligation to maintain the connection to the property is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer.

For 3 and 4 it is the developer who constructs and transfers the asset, and therefore similar to the above, the agreement is between ourselves and the developer. The occupants of the properties served are unaware of the transaction and indifferent to who is maintaining the asset, they receive no benefit from the transaction.

Our obligation is to inspect and adopt the assets. As such, the Group considers that the ongoing obligation to maintain the assets is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer. Therefore, revenue from these streams should be recognised at a point in time when the contract with the developer is fulfilled; on connection, completion, or adoption.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**2. Key sources of estimation uncertainty and critical accounting judgments (continued)**

**a) Critical accounting judgements (continued)**

Our obligations to maintain and reinforce our infrastructure do not constitute performance obligations as these are imposed on us by the regulator. A performance obligation involves a transfer of control of benefit from the seller to the customer; however, maintenance and reinforcement of the infrastructure does not transfer any benefit outside of Anglian Water, because the assets being maintained or reinforced are Anglian Water's own assets. The promise to the customer is to provide water/sewerage services, the promise to the developer is to provide a connection and there is no performance obligation in respect of upkeep of the assets.

*b) Diversions*

The Group also receives income from various authorities which is reimbursing the cost of diverting assets due to them presenting an obstruction to the construction or upgrade of infrastructure such as roads or rail. Diversion income within the year amounted to £15.0 million (2024: £13.9 million).

A similar revenue recognition approach is taken with diversions. The obligation here is that we divert the sewer or water main at the request of the relevant authority or agency, and our obligation is fully met once the diversion is completed, and therefore the contribution is fully recognised as revenue at that point in time.

**b) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key areas involving estimation are discussed below.

*i Retirement benefit actuarial assumptions*

The Group operates a number of defined benefit schemes (which are closed to new members and future accruals), as well as a defined contribution scheme and an unfunded arrangement for former employees. Under IAS 19 'Employee Benefits', the Group has recognised an actuarial gain of £30.5 million (2024: loss of £28.5 million) in respect of the defined benefit schemes which affects other comprehensive income and net assets. The actuarial valuation of the scheme liabilities is reliant on key assumptions which include: the discount rate, salary inflation and life expectancy. The main assumptions and associated sensitivities are set out in note 21 of the financial statements.



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**2. Key sources of estimation uncertainty and critical accounting judgments (continued)**

**b) Key sources of estimation uncertainty (continued)**

*ii Level 3 derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. Level 3 derivative financial instruments comprise CPI-linked inflation swaps and RPI-CPI basis swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 can be found in note 19.

*iii Depreciation backlog*

IAS 16 requires depreciation of an asset to begin when it is available for use, where there are delays between this and the asset being commissioned in the system management have to record an overlay adjustment to depreciation. Management have estimated the depreciation adjustment using a methodology based on historic average time before commissioning and depreciation charge calculated average life per actual commissioning in prior years. At 31 March 2025, the cumulative adjustment required to depreciation (excluding capitalised interest) amounts to £10.6 million (31 March 2024: £10.8 million). The average period schemes are assessed as being overdue has remained broadly consistent through the year (2025: 1.09 years, 2024: 0.97 years).

**c) Other area involving estimation**

*i Expected credit loss on trade receivables*

IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

Management apply judgement when determining impact of the wider economy on future cash collection (macro-economic).

The extent to which future cash collections will be impacted by macro-economic trends is uncertain. Management have estimated the potential impact through scenario analysis considering the correlation between cash collection rates against a combination of unemployment rates and real household disposable income (RHDI). Office for Budget Responsibility, Office of National Statistics and Bank of England forecasts for these measures have then been utilised to forecast changes in future cash collection rates.

The Bank of England forecast at February 2025 now predicts unemployment to peak at 4.8%, and The Office for Budget Responsibility forecast for RHDI predicts a peak of £24.7k per person in the medium term. Based on management's calculations, this is consistent with predictions at March 2024 and the additional provision required against bills raised to the balance sheet date has remained broadly the same, at £3.1m.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**2. Key sources of estimation uncertainty and critical accounting judgments (continued)**

**b) Key sources of estimation uncertainty (continued)**

Sensitivity of +/- 1% for employment and £1k per person for RHDl has been modelled to assess the impact on the figure. +/- 1 has been used as this reflects a reasonable market movement based on historical and forecast data. Unemployment shows a range of +/-11.5 million and RHDl shows a range of -£8.8 million to +£9.4 million when applying the sensitivity. This therefore gives a range from a low of -£11.5 million to a high of £11.5 million.

**ii Measured income accrual**

For Anglian Water the measured income accrual is an estimation of the amount of water and wastewater main charges unbilled at the year end. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon smart meter usage data and historical billing information. The calculation is sensitive to estimated consumption for measured domestic customers. For 2024/25 the average consumption for measured household customers was 99 cubic meters. A fall or rise of two cubic metres (2%) in average annual consumption will reduce or increase revenue by approximately £15.6 million respectively.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**3. Segmental information**

**By class of business for the year ended 31 March 2025**

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'.

At 31 March 2025 the Group was organised into the following main businesses:

- Anglian Water – regulated water and water recycling services provider to customers in the east of England and Hartlepool.
- Head Office and Other – comprises head office and other Group functions, including Property.

There has been no change in the basis of segmentation or in the measurement of segmental profit or loss in the year.

No operating segments have been aggregated to form the above reportable operating segments.

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'. Segmental performance is evaluated based on both profit and loss and cash flows (see table below). Segmental assets and liabilities do not form part of the Board's performance assessment and, as such, are not included in the segmental information.

Inter-segment revenues and profits are fully eliminated on consolidation and are shown separately in the following tables. The segment result represents operating profit.

**By class of business for the year ended 31 March 2025**

	Anglian Water £m	Head Office and Other £m	Total £m
<b>Revenue</b>			
External	1,749.3	13.0	<b>1,762.3</b>
	<b>1,749.3</b>	<b>13.0</b>	<b>1,762.3</b>
<b>Segment result</b>			
EBITDA	920.0	(18.6)	<b>901.4</b>
Depreciation and amortisation	(423.1)	-	<b>(423.1)</b>
	<b>496.9</b>	<b>(18.6)</b>	<b>478.3</b>
<b>Cash flows</b>			
Operating cash flow	811.3	(11.6)	<b>799.7</b>
Capital expenditure	(1,068.2)	(0.8)	<b>(1,069.0)</b>
Net debt excluding derivative financial instruments	(7,721.1)	(1,735.0)	<b>(9,456.1)</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**3. Segmental information** (continued)

**By class of business for the year ended 31 March 2024**

	Anglian Water £m	Head Office and Other £m	<b>Total £m</b>
Revenue			
External	1,626.6	2.1	1,628.7
	1,626.6	2.1	1,628.7
Segment result			
EBITDA	819.5	(20.7)	798.8
Depreciation and amortisation	(388.6)	(0.1)	(388.7)
	430.9	(20.8)	410.1
Cash flows			
Operating cash flow	767.1	(27.1)	740.0
Capital expenditure	(992.3)	0.2	(992.1)
Net debt excluding derivative financial instruments	(6,976.9)	(1,727.1)	(8,704.0)

**By geographical segment**

The Group's revenue, segment result and non-current assets are all derived from the United Kingdom.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**3. Segmental information (continued)**

**Reconciliation of segmental information**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Segment result</b>	<b>478.3</b>	410.1
Finance costs	(521.5)	(645.7)
Finance income	128.5	268.4
<b>Profit before tax from continuing operations</b>	<b>85.3</b>	32.8
 <b>Total operating cash flow by segment</b>	 <b>799.7</b>	 740.0
Income taxes received	1.1	1.2
<b>Net cash flows from operating activities</b>	<b>800.8</b>	741.2
 Purchase of property, plant and equipment	 (960.9)	(942.7)
Purchase of intangible assets	(109.6)	(51.4)
Proceeds from disposal of property, plant and equipment	1.5	2.0
<b>Capital expenditure spend by segment</b>	<b>(1,069.0)</b>	(992.1)
 Cash and cash equivalents	 695.1	574.9
Cash deposits	452.9	552.1
Borrowings due within one year	(1,006.6)	(555.8)
Borrowings due after more than one year	(9,597.5)	(9,275.2)
<b>Net debt by segment</b>	<b>(9,456.1)</b>	(8,704.0)
Derivative financial instruments <sup>(1)</sup>	(620.0)	(633.9)
<b>Net debt</b>	<b>(10,076.1)</b>	(9,337.9)

<sup>(1)</sup> Derivative financial instruments exclude the net liability of £0.7 million (2024: net liabilities of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**4. Revenue**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Water and water recycling services:		
Anglian Water		
Household - measured	1,046.7	961.0
Household - unmeasured	248.8	239.8
Non-household - measured	315.0	290.8
Grants and contributions	89.2	97.8
Other	49.6	37.2
	1,749.3	1,626.6
Property revenue	13.0	2.1
	1,762.3	1,628.7

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the year, see our accounting policy in note 1 for further details.

Included in Grants and contributions are adopted assets of £34.0 million (2024: £48.2 million) which are non-cash.

Other includes £28.2 million (2024: £25.6 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income, see note 6.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**4. Revenue (continued)**

Revenue recognised which exceeds the amounts billed is recorded as a contract asset while payments received prior to delivering the service is recorded as a contract liability. Refer below for the movement in contract assets and liabilities:

	<b>Group and Company</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
<b>Contract liability</b>		
At 1 April	<b>(330.3)</b>	(345.5)
Revenue recognised	<b>1,295.5</b>	1,200.8
Cash received in advance	<b>(1,296.7)</b>	(1,185.6)
<b>At 31 March</b>	<b>(331.5)</b>	(330.3)
<b>Contract asset</b>		
At 1 April	<b>406.5</b>	331.5
Revenue recognised	<b>1,361.7</b>	1,251.8
Amounts billed	<b>(1,346.9)</b>	(1,176.8)
<b>At 31 March</b>	<b>421.3</b>	406.5

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**5. Operating costs**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Raw materials and consumables	50.3	37.3
Staff costs	357.9	322.7
Research and development	8.7	7.5
Contribution to Anglian Water Assistance Fund	0.7	0.8
Short-term lease costs	5.7	2.9
Hired and contracted services	289.3	279.2
Rates	76.4	69.5
Power	144.6	165.4
Regulatory fees	34.4	29.7
Insurance	15.8	10.8
Vehicles and fuel	21.5	17.7
Other operating expenses	22.9	23.6
Own work capitalised	(186.7)	(158.6)
Profit on disposal of property, plant and equipment <sup>(1)</sup>	-	(1.5)
<b>Operating costs before depreciation, amortisation and loss allowance for expected credit losses</b>	<b>841.5</b>	<b>807.0</b>
Depreciation of property, plant and equipment	366.7	333.1
Amortisation of intangible assets	56.4	55.5
Depreciation of investment properties	-	0.1
<b>Depreciation and amortisation</b>	<b>423.1</b>	<b>388.7</b>
<b>Loss allowance for expected credit losses</b>	<b>36.2</b>	<b>38.7</b>
<b>Operating costs</b>	<b>1,300.8</b>	<b>1,234.4</b>

<sup>(1)</sup> The profit on disposal of property, plant and equipment relates to various sales of surplus land and assets.

During the year the Group obtained the following services from the Company's Auditor:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Fees payable to the Company's Auditor for the audit of the consolidated financial statements	0.1	0.1
Fees payable to the Company's Auditor for the audit of the subsidiaries	0.6	0.5
Fees payable to the Company's Auditor for other services	0.3	0.4
Audit-related assurance services	1.0	1.0



Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**5. Operating Costs (continued)**

The Company's Auditor for the year ended 31 March 2024 and 31 March 2025 was Deloitte LLP. Audit related assurance services predominantly relate to regulatory reporting to Ofwat, review of the Group's half-year results, and other agreed-upon procedures throughout the year.

**6. Net finance costs**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Finance costs</b>		
Interest expense on bank loans and overdrafts	(49.6)	(45.0)
Interest expense on other loans including financing expenses	(348.5)	(302.8)
Indexation <sup>(1)</sup>	(197.1)	(359.9)
Amortisation of debt issue costs	(9.4)	(7.9)
Interest on leases	(1.0)	(1.2)
Total finance costs	(605.6)	(716.8)
Less: amounts capitalised on qualifying assets	84.1	71.1
	(521.5)	(645.7)
<b>Finance income</b>		
Interest income on short-term bank deposits	54.1	49.8
Amortisation of fair value adjustments	9.3	11.1
Defined benefit pension scheme interest	2.2	2.6
	65.6	63.5
<b>Fair value gains on derivative financial instruments</b>		
Hedge ineffectiveness on fair value hedges <sup>(2)</sup>	1.2	1.9
Derivative financial instruments not designated as hedges	64.2	207.8
Recycling of de-designated cash flow hedge relationship <sup>(3)</sup>	(2.5)	(4.8)
	62.9	204.9
<b>Finance income, including fair value gains on derivative financial instruments</b>	128.5	268.4
<b>Net finance costs</b>	<b>(393.0)</b>	<b>(377.3)</b>

<sup>(1)</sup> Indexation comprise of £123.9 million in borrowings (2024: £229.9 million) and £73.2 million in derivatives (2024: £130.0 million).

<sup>(2)</sup> Hedge ineffectiveness on fair value hedges comprises fair value gains on hedging instruments of £14.1 million (2024: loss of £22.5 million), offset by fair value losses of £12.8 million on hedged risks (2024: gains of £24.4 million).

<sup>(3)</sup> Please refer to note 23 for breakdown of hedging reserve.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**7. Taxation**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Current tax:</b>		
In respect of the current period	(0.2)	(1.0)
<b>Total current tax credit</b>	<b>(0.2)</b>	<b>(1.0)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	22.5	11.2
Adjustments in respect of previous periods	12.1	(3.8)
<b>Total deferred tax charge</b>	<b>34.6</b>	<b>7.4</b>
<b>Total tax charge on profit from continuing operations</b>	<b>34.4</b>	<b>6.4</b>

The current tax credit for both years reflects receipts from other Group companies for losses surrendered to those Group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest.

The deferred tax charge for both years mainly reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years.

The deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations.

The amounts included for tax liabilities in the financial statements include estimates and judgements. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a legislative framework, followed by detailed guidance sets, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom enacted the tax legislation related to the top-up tax in July 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 'International Tax Reform– Pillar Two Model Rules' were endorsed by the UK Endorsement Board on 19 July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a significant impact on the financial statements.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**7. Taxation (continued)**

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (2024: 25%) to the profit before tax from continuing operations as follows:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Profit before tax from continuing operations	<b>85.3</b>	32.8
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (2024: 25%)	<b>21.3</b>	8.2
Effects of recurring items:		
Items not deductible for tax purposes		
- Depreciation and losses on assets not eligible for tax relief	<b>0.7</b>	0.7
- Disallowable expenditure	<b>0.6</b>	1.3
Items not taxable	<b>(0.3)</b>	-
	<b>22.3</b>	10.2
Effects of non-recurring items:		
Adjustments in respect of prior periods	<b>12.1</b>	(3.8)
<b>Tax charge for the year</b>	<b>34.4</b>	6.4

In addition to the tax charged to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Deferred tax:</b>		
Defined benefit pension schemes	<b>7.7</b>	(7.1)
Cash flow hedges	<b>9.4</b>	(1.9)
<b>Total deferred tax charge/(credit)</b>	<b>17.1</b>	(9.0)
<b>Total tax charge/(credit) recognised in other comprehensive income</b>	<b>17.1</b>	(9.0)

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**8. Employee information and Directors' emoluments**

**a) Employee information**

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Staff costs</b>		
Wages and salaries	299.3	271.4
Social security costs	31.7	27.5
Pension costs - defined contribution	26.9	23.7
Pension costs - defined benefit	-	0.1
	<b>357.9</b>	<b>322.7</b>

Staff costs for the year ended 31 March 2025 in the table above are shown inclusive of £110.7 million (2024: £75.9 million) of costs that have been capitalised, as shown within 'own work capitalised' in note 5.

Average monthly number of full-time equivalent persons (including Executive Directors) employed by the Group:

	Year ended 31 March 2025	Year ended 31 March 2024
Anglian Water	5,874	5,531
Other	72	72
	<b>5,946</b>	<b>5,603</b>

**The Company**

The Company has no employees (2024: none).

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**8. Employee information and Directors' emoluments (continued)**

**b) Directors' emoluments**

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Aggregate emoluments	<b>1,470</b>	1,890

Aggregate emoluments of the Directors comprise salaries, taxable benefits, cash payments in lieu of company pension contributions and amounts payable under annual bonus schemes. No retirement benefits are accrued for Directors (2024: no Directors) under a defined benefit pension scheme. Retirement benefits are accruing to two Directors (2024: two Directors) under a defined contribution pension scheme. In addition to the aggregate emoluments above, certain Directors receive emoluments from other Anglian Water Group Limited Group undertakings.

**c) Highest paid director**

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Aggregate emoluments	<b>574</b>	1,304

**9. Profit of the parent company**

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss for the year of the Company was £11.7 million (2024: loss of £31.7 million).

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**10. Goodwill**

		<b>Group</b>
	<b>2025</b>	2024
	<b>£m</b>	£m
<b>Cost</b>		
At 1 April and 31 March	<b>935.4</b>	935.4
<b>Accumulated impairment</b>		
At 1 April and 31 March	<b>(489.6)</b>	(489.6)
<b>Net book amount</b>		
At 31 March	<b>445.8</b>	445.8

**Allocation of goodwill**

All goodwill is allocated to the Anglian Water business segment, the Group's UK regulated water and water recycling services provider.

**Impairment testing of goodwill allocated to Anglian Water**

The recoverable amount of the Anglian Water segment is determined based on a fair value less cost to sell methodology.

This calculation uses a multiple of Regulatory Capital Value (RCV) with reference to the recent transactions that have taken place in the sector and the market value of the listed companies in the sector. The basis applied has been deemed appropriate as it is consistent with the economic value as assessed by management and other market participants.

The current comparable transactions in the sector indicate that current multiples are 1.10x, although these have been between 1.2x and 1.7x RCV in recent years. The implied multiples for the listed water companies are also around 1.12x to 1.25x on a non-controlling basis, based on current market capitalisation.

Adopting a current market average RCV multiple of 1.10x at 31 March 2025 results in headroom of £1,118.1 million (2024: 1.16x, £2,001.8 million). The headroom at 31 March 2025 is eliminated at an RCV multiple of 1.00x (2024: 0.97x).

Goodwill is also assessed using forecast discounted cashflows which also demonstrates that there is headroom above the carrying value.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**11. Other intangible assets**

	Group			
	Computer	Other	Intangible assets	
	Software	intangibles	under	Total
	£m	£m	construction	£m
<b>Cost</b>				
At 1 April 2024	436.6	53.7	138.4	<b>628.7</b>
Additions	-	-	117.0	<b>117.0</b>
Transfers on commissioning	41.2	42.5	(83.7)	-
Disposals	(0.6)	(16.5)	-	<b>(17.1)</b>
At 31 March 2025	<b>477.2</b>	<b>79.7</b>	<b>171.7</b>	<b>728.6</b>
At 1 April 2023	417.4	146.6	121.6	685.6
Additions	-	0.1	58.2	58.3
Transfers on commissioning	19.2	22.2	(41.4)	-
Disposals	-	(115.2)	-	(115.2)
At 31 March 2024	436.6	53.7	138.4	628.7
<b>Accumulated amortisation</b>				
At 1 April 2024	(345.8)	(26.2)	-	<b>(372.0)</b>
Charge for the year	(36.5)	(19.9)	-	<b>(56.4)</b>
Disposals	0.6	16.5	-	<b>17.1</b>
At 31 March 2025	<b>(381.7)</b>	<b>(29.6)</b>	-	<b>(411.3)</b>
At 1 April 2023	(301.2)	(130.5)	-	(431.7)
Charge for the year	(44.6)	(10.9)	-	(55.5)
Disposals	-	115.2	-	115.2
At 31 March 2024	(345.8)	(26.2)	-	(372.0)
<b>Net book amount</b>				
At 31 March 2025	<b>95.5</b>	<b>50.1</b>	<b>171.7</b>	<b>317.3</b>
At 31 March 2024	90.8	27.5	138.4	256.7

Of those intangible assets under construction, £111.2 million (2024: £98.7 million) relates to software systems under development and £60.9 million (2024: £39.7 million) to internally generated assets.

Included in this intangible asset under construction balance is £95.0 million (2024: £74.0 million) in relation to our SAP replacement project which is now expected to go live in 2025.

Other intangible assets mainly comprise capitalised development expenditure.

Included within additions above is £8.7 million (2024: £6.8 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.6% (2024: 9.5%).

Intangible assets with a cost of £17.1 million and a net book value of £nil were disposed during the year (2024: £115.2 million, nil net book value).

**The Company**

The Company has no intangible assets (2024: none).

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**12. Property, plant and equipment**

	Group					
	Land and buildings £m	Infra- structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Assets under construction £m	Total £m
<b>Cost</b>						
At 1 April 2024	98.8	7,701.8	6,969.5	1,234.2	1,225.6	<b>17,229.9</b>
Additions	-	-	-	-	1,067.5	<b>1,067.5</b>
Transfers on commissioning	9.0	158.2	203.2	231.1	(601.5)	-
Disposals	(1.7)	(0.3)	(46.7)	(65.8)	-	<b>(114.5)</b>
At 31 March 2025	<b>106.1</b>	<b>7,859.7</b>	<b>7,126.0</b>	<b>1,399.5</b>	<b>1,691.6</b>	<b>18,182.9</b>
At 1 April 2023	97.6	7,446.5	6,728.3	1,128.4	854.8	16,255.6
Additions	-	-	-	-	1,043.9	1,043.9
Transfers on commissioning	1.5	255.3	275.7	140.6	(673.1)	-
Disposals	(0.3)	-	(34.5)	(34.8)	-	(69.6)
At 31 March 2024	98.8	7,701.8	6,969.5	1,234.2	1,225.6	17,229.9
<b>Accumulated depreciation</b>						
At 1 April 2024	(27.4)	(1,025.0)	(4,031.3)	(731.3)	-	<b>(5,815.0)</b>
Charge for the year	(4.6)	(62.5)	(209.2)	(90.4)	-	<b>(366.7)</b>
Disposals	1.7	0.3	46.2	65.6	-	<b>113.8</b>
At 31 March 2025	<b>(30.3)</b>	<b>(1,087.2)</b>	<b>(4,194.3)</b>	<b>(756.1)</b>	-	<b>(6,067.9)</b>
At 1 April 2023	(23.7)	(963.0)	(3,864.9)	(699.5)	-	(5,551.1)
Charge for the year	(4.0)	(62.0)	(200.8)	(66.3)	-	(333.1)
Disposals	0.3	-	34.4	34.5	-	69.2
At 31 March 2024	(27.4)	(1,025.0)	(4,031.3)	(731.3)	-	(5,815.0)
<b>Net book amount</b>						
At 31 March 2025	<b>75.8</b>	<b>6,772.5</b>	<b>2,931.7</b>	<b>643.4</b>	<b>1,691.6</b>	<b>12,115.0</b>
At 31 March 2024	71.4	6,676.8	2,938.2	502.9	1,225.6	11,414.9

Property, plant and equipment at 31 March 2025 includes land of £31.4 million (2024: £31.4 million), which is not subject to depreciation. Included within additions above is £76.3 million (2024: £64.3 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.6% (2024: 9.5%).



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**12. Property, plant and equipment (continued)**

**Right-of-use assets held under leases**

Included within the amounts shown above are the following amounts in relation to right-of-use assets held under leases:

					Group
	Land and buildings £m	Infra- structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Total £m
<b>At 31 March 2025</b>					
Opening net book value	21.8	4.9	34.4	9.6	<b>70.7</b>
Additions	6.3	0.1	-	0.2	<b>6.6</b>
Disposals	(1.7)	-	-	(0.4)	<b>(2.1)</b>
Depreciation charge	(3.6)	-	(1.2)	(2.9)	<b>(7.7)</b>
Depreciation on disposals	1.6	-	-	0.4	<b>2.0</b>
Net book value	<b>24.4</b>	<b>5.0</b>	<b>33.2</b>	<b>6.9</b>	<b>69.5</b>
<b>At 31 March 2024</b>					
Opening net book value	24.9	5.0	35.6	9.2	74.7
Additions	-	-	-	3.6	3.6
Disposals	(0.1)	-	-	(3.7)	(3.8)
Depreciation charge	(3.1)	(0.1)	(1.2)	(3.1)	(7.5)
Depreciation on disposals	0.1	-	-	3.7	3.8
Net book value	21.8	4.9	34.4	9.7	70.8

**The Company**

The Company has no property, plant and equipment (2024: none).

## Notes to the financial statements (continued)

for the year ended 31 March 2025

**13. Investment properties**

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
<b>Cost</b>		
At 1 April	<b>0.4</b>	<b>0.4</b>
At 31 March	<b>0.4</b>	<b>0.4</b>
<b>Accumulated depreciation</b>		
At 1 April	<b>(0.2)</b>	<b>(0.1)</b>
Charge for the year	<b>-</b>	<b>(0.1)</b>
At 31 March	<b>(0.2)</b>	<b>(0.2)</b>
<b>Net book amount</b>		
At 31 March	<b>0.2</b>	<b>0.2</b>

Investment properties are accounted for using the cost model, in line with the accounting policy for property, plant and equipment.

The fair value of investment properties is not materially different from their book value.

**The Company**

The Company has no investment properties (2024: none).

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**14. Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Non-current</b>				
Subsidiary undertakings	-	-	<b>1,796.4</b>	1,796.4
	-	-	<b>1,796.4</b>	1,796.4
<b>Current</b>				
Cash deposits	<b>452.9</b>	552.1	-	-
	<b>452.9</b>	552.1	-	-

Cash deposits disclosed within investments represent short-term bank deposits with maturities at the point of deposit of three to six months.

	<b>Company</b>		
	<b>Loans to subsidiary undertakings</b>	<b>Shares in subsidiary undertakings</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost</b>			
At 1 April 2024	-	1,796.4	1,796.4
Other movements in year	-	-	-
At 31 March 2025	-	<b>1,796.4</b>	<b>1,796.4</b>
At 1 April 2023	10.0	1,796.4	1,806.4
Other movements in year	(10.0)	-	(10.0)
At 31 March 2024	-	1,796.4	1,796.4
<b>Net book amount</b>			
At 31 March 2025			
Non-current asset investments	-	1,796.4	<b>1,796.4</b>
	-	<b>1,796.4</b>	<b>1,796.4</b>
At 1 April 2023 and at 31 March 2024			
Non-current asset investments	-	1,796.4	1,796.4
	-	1,796.4	1,796.4

**a) Joint ventures**

A full listing of Group's joint ventures can be found in note 31, none of which are material to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed.

**b) Subsidiary undertakings**

The Directors are of the opinion that the value of the investments is supported by the underlying assets. Subsidiary undertakings are listed in note 31.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**15. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Trade receivables	<b>428.5</b>	384.6	-	-
Loss allowance for expected credit losses	<b>(238.9)</b>	(212.1)	-	-
Net trade receivables	<b>189.6</b>	172.5	-	-
Amounts receivable from Group undertakings	<b>6.0</b>	5.9	<b>29.7</b>	25.1
Other amounts receivable	<b>33.9</b>	32.1	-	-
Prepayments	<b>13.6</b>	12.3	-	-
Accrued income	<b>421.3</b>	406.5	-	-
	<b>664.4</b>	629.3	<b>29.7</b>	25.1

Accrued income as at 31 March 2025 includes water and water recycling income not yet billed of £421.3 million (2024: £405.0 million).

Of the trade receivables, £416.4 million (2024: £376.2 million) relates to Anglian Water Services residential customers, £2.7 million (2024: £1.4 million) relates to Anglian Water Services non-household retailer balances and the remaining balance relates to developer services and other receivables. The majority of non-household customers are billed in arrears and are therefore included within accrued income above.

Other amounts receivable includes £22.1 million VAT debtor (2024: £22.1 million) and various other sundry debtors.

There is no fixed payment date for amounts owed by Group undertakings from the Company and no interest is applied. Amounts are payable on demand.

The Group manages its risk from trading through the effective management of customer relationships. By far the most significant business unit of the Group is Anglian Water, which represents 99.9% of the Group's revenue and 99.6% of its net trade receivables. Concentrations of credit risk with respect to household trade receivables are limited due to the Anglian Water customer base consisting of a large number of unrelated households. The Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises including domestic dwellings. However, allowance is made by the water regulator in the price limits at each price review for a proportion of debt deemed to be irrecoverable. The Directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables.

Following the introduction of market reform on 1 April 2017, the provision of water and wastewater services to non-household customers was transferred to a relatively small number of licenced retailers. Anglian Water bills the retailers on a monthly basis, and they are contractually obliged to pay in full within one month and therefore the credit risk is limited to one month's revenue relating to non-household customers.

Aigrette Financing Limited

Notes to the financial statements (continued)

for the year ended 31 March 2025

15. Trade and other receivables (continued)

The principal retailer that Anglian Water transacts with is Wave Ltd, with £nil receivables (2024: £nil) and £14.9 million of income accrued at 31 March 2025 (2024: £13.4 million).

The movement on the expected credit loss provision, all of which relates to trade receivables, was as follows:

	Group	
	2025	2024
	£m	£m
At 1 April	212.1	258.1
Loss allowance for expected credit losses	36.2	38.7
Amounts written off during the year	(9.4)	(84.9)
Amounts recovered during the year	-	0.2
At 31 March	238.9	212.1

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**15. Trade and other receivables (continued)**

The following table details the risk profile of trade receivables and accrued income based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments. The majority of non-household customers are billed in arrears and are therefore included within accrued income.

Group and company				
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
At 31 March 2025	%	£m	£m	£m
Not past due	1.5%	458.3	(6.9)	451.4
Up to 1 year past due	34.2%	117.1	(40.1)	77.0
Up to 2 years past due	53.2%	62.4	(33.2)	29.2
Up to 3 years past due	63.9%	47.6	(30.4)	17.2
Up to 4 years past due	66.2%	41.4	(27.4)	14.0
Up to 5 years past due	79.7%	36.0	(28.6)	7.4
Up to 6 years past due	77.7%	31.0	(24.1)	6.9
More than 7 years past due	100.0%	56.0	(56.0)	-
Miscellaneous loss allowance adjustments	-	-	7.8	7.8
		<b>849.8</b>	<b>(238.9)</b>	<b>610.9</b>

Group and company				
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
At 31 March 2024	%	£m	£m	£m
Not past due	1.4%	445.3	(6.2)	439.1
Up to 1 year past due	34.8%	99.9	(34.8)	65.1
Up to 2 years past due	53.9%	57.0	(30.7)	26.3
Up to 3 years past due	58.9%	47.5	(28.0)	19.5
Up to 4 years past due	72.8%	39.7	(28.9)	10.8
Up to 5 years past due	71.5%	35.8	(25.6)	10.2
Up to 6 years past due	81.8%	30.2	(24.7)	5.5
More than 7 years past due	100.0%	35.7	(35.7)	-
Miscellaneous loss allowance adjustments	-	-	2.5	2.5
		<b>791.1</b>	<b>(212.1)</b>	<b>579.0</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**16. Analysis of net debt**

	Group				
	Current asset		Liabilities from financing activities		
	Net cash and cash equivalents <sup>(1)</sup>	investments - cash deposits	Borrowings	Derivative financial instruments <sup>(2)</sup>	Total liabilities from financing activities
	£m	£m	£m	£m	£m
At 1 April 2024	574.9	552.1	(9,831.0)	(633.9)	(10,464.9)
Cash flows					
Interest paid	(330.6)	-	-	-	(330.6)
Issue costs paid	(25.6)	-	24.7	-	24.7
Interest on leases	(1.0)	-	-	-	-
Increase in amounts borrowed	1,036.0	-	(1,036.0)	-	(1,036.0)
Repayment of amounts borrowed	(419.3)	-	419.3	-	419.3
Repayment of principal on derivatives	(85.0)	-	-	85.0	85.0
Receipt of principal on derivatives	67.1	-	-	(67.1)	(67.1)
Repayment of principal on leases	(6.4)	-	6.4	-	6.4
Non-financing cash flows <sup>(3)</sup>	(115.0)	(99.2)	-	-	-
	<b>120.2</b>	<b>(99.2)</b>	<b>(585.6)</b>	<b>17.9</b>	<b>(567.7)</b>
Movement in interest accrual on debt	-	-	(62.3)	-	(62.3)
New lease agreements	-	-	(6.6)	-	(6.6)
Amortisation of issue costs	-	-	(9.4)	-	(9.4)
Amortisation of fair value adjustments	-	-	9.3	-	9.3
Indexation of borrowings and inflation swaps	-	-	(123.9)	(73.2)	(197.1)
Foreign exchange gains and (losses)	-	-	22.4	(22.4)	-
Fair value gains and (losses)	-	-	(17.0)	91.6	74.6
<b>At 31 March 2025</b>	<b>695.1</b>	<b>452.9</b>	<b>(10,604.1)</b>	<b>(620.0)</b>	<b>(11,224.1)</b>
Net debt at 31 March 2025 comprises:					
Non-current assets	-	-	-	167.0	167.0
Current assets	695.1	452.9	-	-	-
Current liabilities	-	-	(1,006.6)	(7.5)	(1,014.1)
Non-current liabilities	-	-	(9,597.5)	(779.5)	(10,377.0)
	<b>695.1</b>	<b>452.9</b>	<b>(10,604.1)</b>	<b>(620.0)</b>	<b>(11,224.1)</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**16. Analysis of net debt (continued)**

	Group				
	Current asset		Liabilities from financing activities		
	Net cash and cash equivalents <sup>(1)</sup>	investments - cash deposits	Borrowings	Derivative financial instruments <sup>(2)</sup>	Total liabilities from financing activities
	£m	£m	£m	£m	£m
At 1 April 2023	465.2	316.7	(8,736.2)	(697.7)	(9,433.9)
					<b>Net debt</b>
					<b>Total</b>
					<b>£m</b>
Cash flows					
Interest paid	(314.8)	-	-	-	-
Issue costs paid	(16.8)	-	17.3	-	17.3
Interest on leases	(1.2)	-	-	-	-
Increase in amounts borrowed	1,421.0	-	(1,421.0)	-	(1,421.0)
Repayment of amounts borrowed	(527.6)	-	527.6	-	527.6
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5
Repayment of principal on leases	(7.2)	-	7.2	-	7.2
Non-financing cash flows <sup>(3)</sup>	(468.2)	235.4	-	-	-
Share Issue	36.0	-	-	-	-
	109.7	235.4	(868.9)	11.5	(857.4)
Movement in interest accrual on debt	-	-	(33.1)	-	(33.1)
New lease agreements	-	-	(4.0)	-	(4.0)
Amortisation of issue costs	-	-	(7.9)	-	(7.9)
Amortisation of fair value adjustments	-	-	11.1	-	11.1
Indexation of borrowings and inflation swaps	-	-	(229.9)	(130.0)	(359.9)
Foreign exchange gains and (losses)	-	-	49.0	(49.0)	-
Fair value gains and (losses)	-	-	(11.1)	231.3	220.2
<b>At 31 March 2024</b>	<b>574.9</b>	<b>552.1</b>	<b>(9,831.0)</b>	<b>(633.9)</b>	<b>(10,464.9)</b>

<sup>(1)</sup> Included within cash and cash equivalents is £7.3 million (2024: £6.5 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.

<sup>(2)</sup> Derivative financial instruments exclude the net liability of £0.7 million (2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

<sup>(3)</sup> Non-financing cash flows comprise: net cash flows from operating activities of £800.8 million (2024: £741.2 million), less net cash used in investing activities of £915.8 million (2024: £1,177.6 million) and dividends paid of £nil (2024: £31.8 million).



Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**16. Analysis of net debt** (continued)

Energy hedges, excluded from net debt, are included within derivative financial instruments as follows:

	<b>2025</b>	2024
	<b>£m</b>	£m
Non-current assets	<b>1.3</b>	1.5
Current assets	<b>0.9</b>	0.9
Current liabilities	<b>(0.8)</b>	(13.2)
Non-current liabilities	<b>(2.1)</b>	(10.6)
	<b>(0.7)</b>	(21.4)

Current asset investments above comprise £452.9 million (2024: £552.1 million) of short-term cash deposits with an original maturity of more than three months.

At 31 March 2025, £589.0 million (2024: £474.1 million) of the Group's cash and cash equivalents and £430.0 million (2024: £530.0 million) of the short-term deposits were held by Anglian Water and its financing subsidiary. In order for these amounts to be made available to the rest of the Group, Anglian Water Services Limited must satisfy certain covenants, which were put in place on 30 July 2002 following a financial restructuring, prior to declaring dividends. A further £0.2 million (2024: £0.2 million) of the Group's cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £2.1 million (2024: £2.2 million) of the Group's cash and cash equivalents and £2.7 million (2024: £2.1 million) of the short-term deposits were held by Rutland Insurance Limited (the Group's captive insurance company) in order to maintain its required solvency ratio.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**16. Analysis of net debt (continued)**

	Company		
	Net cash and cash equivalents £m	Borrowings £m	Total £m
At 1 April 2024	42.2	(733.7)	(691.5)
Cash flows			
Interest paid	(50.7)	-	(50.7)
Non-financing cash flows <sup>(2)</sup>	38.6	-	38.6
	(12.1)	-	(12.1)
Movement in interest accrual on debt	-	(2.2)	(2.2)
Amortisation of issue costs	-	(2.0)	(2.0)
<b>At 31 March 2025</b>	<b>30.1</b>	<b>(737.9)</b>	<b>(707.8)</b>
Net debt at 31 March 2025 comprises:			
Current assets	30.1	-	30.1
Current liabilities	-	(18.4)	(18.4)
Non-current liabilities	-	(719.5)	(719.5)
	<b>30.1</b>	<b>(737.9)</b>	<b>(707.8)</b>
	Company		
	Net cash and cash equivalents £m	Borrowings £m	Total £m
At 1 April 2023	66.8	(730.2)	(663.4)
Cash flows			
Interest paid	(48.7)	-	(48.7)
Non-financing cash flows <sup>(2)</sup>	24.1	-	24.1
	(24.6)	-	(24.6)
Movement in interest accrual on debt	-	(1.6)	(1.6)
Amortisation of issue costs	-	(1.9)	(1.9)
<b>At 31 March 2024</b>	<b>42.2</b>	<b>(733.7)</b>	<b>(691.5)</b>

- <sup>(1)</sup> Included within cash and cash equivalents is £7.3 million (2024: £6.5 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.
- <sup>(2)</sup> Derivative financial instruments exclude the net liability of £0.7 million (2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;
- <sup>(3)</sup> Non-financing cash flows comprise: net cash flows used in operating activities of £4.6 million (2024: £nil), less net cash from investing activities of £2.2 million (2024: £20.5 million) and dividends received of £41.0 million (2024: paid of £31.8 million).

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**17. Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Trade payables	<b>53.2</b>	45.8	-	-
Capital creditors	<b>145.0</b>	157.1	-	-
Receipts in advance	<b>375.7</b>	371.0	-	-
Amounts owed to Group undertakings	<b>4.7</b>	5.2	-	-
Other taxes and social security	<b>7.5</b>	-	-	-
Accruals and deferred income	<b>126.1</b>	138.6	-	-
Other payables	<b>7.4</b>	15.6	-	-
	<b>719.6</b>	733.4	-	-

Receipts in advance includes £331.5 million (2024: £330.3 million) relating to amounts received from customers for water and sewerage charges in respect of bills that fall due in the following year.

Accruals and deferred income is made up of £120.3 million accruals (2024: £131.5 million) with the remainder attributable to the deferred income.

Amounts relating to capital creditors and accruals have been separately presented in the above table to aid consistency with the presentation required by Ofwat in the Annual Performance Report of Anglian Water Services Limited.

The Directors consider that the carrying values of trade and other payables are not materially different from their fair values.

There is no fixed payment date for amounts owed to Group undertakings and no interest is applied. Amounts are payable on demand.

There is no fixed payment date for amounts owed to Group undertakings and no interest is applied. Amounts are payable on demand.

**The Company**

The Company has no trade and other payables (2024: none).

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**18. Loans and other borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
£75 million 3.666% RPI index-linked 2024	-	163.8	-	-
£100 million 1.588% fixed rate 2024	-	100.4	-	-
£250 million 1.625% fixed rate 2025	<b>249.4</b>	240.2	-	-
£200 million 4.5% fixed rate 2026	<b>198.9</b>	196.3	-	-
£55 million 2.93% fixed rate fixed rate 2026	<b>55.6</b>	55.5	-	-
US\$150 million 3.29% fixed rate 2026	<b>115.7</b>	115.6	-	-
£20 million 2.93% fixed rate 2026	<b>20.2</b>	20.1	-	-
US\$35 million 1.16% fixed rate 2026	<b>25.9</b>	25.3	-	-
£75 million EIB amortising 0.53% RPI index-linked 2027	<b>24.8</b>	35.8	-	-
£75 million EIB amortising 0.79% RPI index-linked 2027	<b>24.8</b>	35.8	-	-
£200 million 2.6225% fixed rate 2027	<b>196.0</b>	193.5	-	-
£250 million 4.5% fixed rate 2027	<b>254.3</b>	253.9	-	-
£150 million EIB amortising 0% RPI index-linked 2028	<b>72.3</b>	92.8	-	-
£73.3 million 4.394% fixed rate 2028	<b>69.0</b>	67.4	-	-
£200 million 6.625% fixed rate 2029	<b>207.6</b>	208.9	-	-
£85 million 2.88% fixed rate 2029	<b>85.1</b>	85.0	-	-
US\$53 million 4.27% fixed rate 2029	<b>41.1</b>	42.1	-	-
£65 million EIB amortising 0.41% RPI index-linked 2029	<b>40.5</b>	48.8	-	-
£65 million 2.87% fixed rate 2029	<b>65.6</b>	65.6	-	-
£125 million EIB amortising 0.1% RPI index-linked 2029	<b>86.6</b>	102.0	-	-
£300 million 2.75% fixed rate 2029	<b>301.6</b>	301.2	-	-
£75 million floating rate 2029	<b>76.0</b>	76.1	-	-
£60 million EIB amortising 0.01% RPI index-linked 2030	<b>46.0</b>	53.2	-	-
£246 million 6.293% fixed rate 2030	<b>261.5</b>	261.6	-	-
£25 million 3.0% fixed rate 2031	<b>25.0</b>	25.0	-	-
£35 million floating rate fixed rate 2031	<b>34.8</b>	34.8	-	-
£300 million 5.875% fixed rate 2031	<b>311.7</b>	311.4	-	-
£200 million wrapped 3.07% RPI index-linked 2032	<b>469.0</b>	458.0	-	-
£60 million wrapped 3.07% RPI index-linked 2032	<b>127.7</b>	124.2	-	-
C\$ 350 million 4.525% fixed rate 2032	<b>187.7</b>	204.1	-	-
£75 million floating rate 2032	<b>75.7</b>	75.8	-	-
£50 million 2.05% RPI index-linked 2033	<b>81.6</b>	78.4	-	-
£25 million 6.875% fixed rate 2034	<b>25.1</b>	25.1	-	-
JPY 8.5 billion 1.917% fixed rate 2034	<b>43.6</b>	44.2	-	-
£402 million 2.4% RPI index-linked 2035	<b>576.6</b>	549.4	-	-
£50 million 1.76% fixed rate 2035	<b>50.0</b>	50.0	-	-
£26.1 million 0.01% CPI index-linked 2035 - 1	<b>35.4</b>	34.7	-	-
£26.1 million 0.01% CPI index-linked 2035 - 2	<b>35.2</b>	34.5	-	-
£35 million 2.14% fixed rate 2036	<b>25.0</b>	25.8	-	-
£40 million 2.14% fixed rate 2036	<b>28.6</b>	29.5	-	-
£242 million 6.07% fixed rate 2037	<b>247.8</b>	247.8	-	-
£24 million 6.07% fixed rate 2037	<b>24.6</b>	24.6	-	-
JPY 7 billion 0.855% fixed rate 2039	<b>36.1</b>	36.6	-	-
£560 million 6.0% fixed rate 2039	<b>578.9</b>	578.6	-	-
£50 million 6.05% fixed rate 2039	<b>50.8</b>	-	-	-
£65 million amortising 0.835% CPI index-linked 2040	<b>81.0</b>	78.9	-	-
£100 million 2.427% CPI index-linked 2040	<b>105.0</b>	99.6	-	-
£100 million amortising 3.017% CPIH index-linked 2040	<b>111.2</b>	107.3	-	-
Sub-total carried forward	<b>5,886.6</b>	6,119.2	-	-

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**18. Loans and other borrowings (continued)**

	2025 £m	2024 £m	2025 £m	2024 £m
<b>Sub-total brought forward</b>	<b>5,886.6</b>	<b>6,119.2</b>	-	-
JPY 7 billion 0.85% fixed rate 2040	23.9	25.8	-	-
£35 million 1.141% RPI index-linked 2042	55.8	53.7	-	-
£110 million floating rate 2043	110.4	110.5	-	-
£575 million 5.75% fixed rate 2043	592.9	372.6	-	-
£700 million 6.25% fixed rate 2044	714.3	-	-	-
£130 million 2.262% RPI index-linked 2045	232.6	223.7	-	-
£50 million 1.7% RPI index-linked 2046 - 1	105.7	102.9	-	-
£50 million 1.7% RPI index-linked 2046 - 2	105.7	102.0	-	-
£60 million 1.7903% RPI index-linked 2049	129.7	126.2	-	-
£50 million 1.52% RPI index-linked 2055	94.8	90.4	-	-
£40 million 1.7164% RPI index-linked 2056	87.4	85.0	-	-
£50 million 1.6777% RPI index-linked 2056	108.8	105.8	-	-
£50 million 1.3825% RPI index-linked 2056	100.1	96.2	-	-
£100 million wrapped floating rate 2057	100.7	100.9	-	-
£100 million 1.3784% RPI index-linked 2057	200.3	192.5	-	-
£75 million 1.449% RPI index-linked 2062	142.2	135.5	-	-
IFRS 16 leases	33.9	33.6	-	-
Liquidity & Emergency facilities	(1.8)	(2.0)	-	-
£240 million 4.0% fixed rate bond 2026	240.4	240.1	-	-
£100 million floating term facility 2027	100.9	100.6	-	-
£30 million floating term facility 2027 - 1	30.9	-	-	-
£30 million floating term facility 2027 - 2	29.9	-	-	-
£300 million 2.0% fixed rate bond 2028	300.9	300.1	-	-
£105 million 2.2% private placements 2028	105.3	105.2	-	-
£100 million 2.37% private placements 2031	100.6	100.5	-	-
£100 million 6.96% private placement 2033	100.3	100.2	-	-
Liquidity Facilities OAL	31.5	74.3	-	-
Loan notes	0.2	0.2	-	-
Other loans	1.3	1.6	-	-
£125 million floating term facility 2026	126.3	125.8	126.3	125.8
£75 million floating term facility 2026	75.8	75.5	75.8	75.5
£10.5 million fixed to floating rate notes 2027	10.8	10.7	10.8	10.7
£95 million floating rate private placements 2027	96.7	96.7	96.7	96.7
£145 million fixed to floating rate notes 2028	149.8	147.7	149.8	147.7
£75 million private placement 2030	77.4	77.3	77.4	77.3
£120 million 4.82% fixed rate 2030	119.5	118.9	119.5	118.9
£30 million floating rate notes 2030	31.0	31.1	31.0	31.1
£50 million fixed to floating rate notes 2030	50.6	50.0	50.6	50.0
<b>Total loans and other borrowings</b>	<b>10,604.1</b>	<b>9,831.0</b>	<b>737.9</b>	<b>733.7</b>
<b>Included in:</b>				
Current liabilities	1,006.6	555.8	18.4	16.2
Non-current liabilities	9,597.5	9,275.2	719.5	717.5
<b>Of which are leases:</b>				
Current liabilities	7.2	5.4	-	-
Non-current liabilities	26.7	28.2	-	-

## Notes to the financial statements (continued)

for the year ended 31 March 2025

### 18. Loans and other borrowings (continued)

The value of the capital and interest elements of the index-linked loans is linked to movements in inflation. The increase in the capital value of index-linked loans during the year of £123.9 million (2024: £229.9 million) has been taken to the income statement as part of interest payable.

These loans are shown net of issue costs, discount and premium on issue of loans of £59.9 million (2024: £44.6 million). The issue costs, discount and premium are amortised at the effective interest rate based on the carrying amount of debt over the life of the underlying instruments.

A security agreement dated 30 July 2002 between Anglian Water Services Financing Plc, Anglian Water Services Limited, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Holdings Limited and Deutsche Trustee Company Limited (as Agent and Trustee for itself and each of the Finance Parties to the Global Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water Services Limited to the extent permissible under the Water Industry Act 1991. In addition there is a fixed charge over the issued share capital of Anglian Water Services Financing Plc, Anglian Water Services Limited and Anglian Water Services UK Parent Limited. At 31 March 2025, this charge applies to £8,740.1 million (2024: £7,947.7 million) of the debt listed above.

A security agreement dated 31 January 2011 between Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and Deutsche Trustee Company Limited (as agent and trustee for itself and each of the Finance Parties to the Guaranteed Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water (Osprey) Financing Plc and Osprey Acquisitions Limited. In addition there is a fixed charge over the issued share capital of Anglian Water (Osprey) Financing Plc and AWG Parent Co Limited. At 31 March 2025, this charge applies to £1,037.0 million (2024: £1,021.1 million) of the debt listed above.

Loans and other borrowing liabilities disclosed within borrowings on the balance sheet are the only instruments designated as fair value hedge items by the Group.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**18. Loans and other borrowings (continued)**

The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

			Group
	Carrying value £m	Proportion hedged %	Accumulated hedge adjustment <sup>(2)</sup> £m
<b>At 31 March 2025</b>			
£250 million 1.625% fixed rate 2025	249.4	100	3.0
£200 million 4.5% fixed rate 2026	198.9	50	1.8
US\$150 million 3.29% fixed rate 2026	115.7	76	1.9
US\$35 million 1.16% fixed rate 2026	25.9	100	1.2
£200 million 2.6225% fixed rate 2027	196.0	41	5.1
£73.3 million 4.394% fixed rate 2028	69.0	100	5.8
£246 million 6.293% fixed rate 2030	253.0	20	2.4
£35 million 2.14% fixed rate 2036	25.0	100	10.1
£40 million 2.14% fixed rate 2036	28.6	100	11.6
JPY 7 billion 0.85% fixed rate 2040	25.8	100	12.0
	<b>1,187.3</b>		<b>54.9</b>
<b>At 31 March 2024</b>			
£250 million 1.625% fixed rate 2025	240.2	100	11.8
£200 million 4.5% fixed rate 2026	196.3	50	4.1
US\$150 million 3.29% fixed rate 2026	115.6	76	4.5
US\$35 million 1.16% fixed rate 2026	25.3	100	2.3
£200 million 2.6225% fixed rate 2027	193.5	41	7.3
£73.3 million 4.394% fixed rate 2028	67.4	100	7.4
£246 million 6.293% fixed rate 2030	251.4	20	3.9
£35 million 2.14% fixed rate 2036	25.8	100	9.3
£40 million 2.14% fixed rate 2036	29.5	100	10.6
JPY 7 billion 0.85% fixed rate 2040	25.8	100	10.6
	<b>1,170.8</b>		<b>71.8</b>

- <sup>(1)</sup> The accumulated hedge adjustment noted above is included within the carrying value of each instrument. The movement in the accumulated hedge adjustment is shown within fair value losses on derivative financial instruments in the income statement.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments**

**Financial assets by category**

	<b>Group</b>				
	<b>Assets at fair value through profit and loss £m</b>	<b>Derivatives used for hedging £m</b>	<b>Assets at amortised cost and cash equivalents £m</b>	<b>Investments at amortised cost £m</b>	<b>Total £m</b>
<b>At 31 March 2025</b>					
Investments					
Current - cash deposits	-	-	-	452.9	<b>452.9</b>
Cash and cash equivalents					
Current	-	-	695.1	-	<b>695.1</b>
Trade and other receivables					
Current	-	-	628.7	-	<b>628.7</b>
Derivative financial instruments					
Current	-	0.9	-	-	<b>0.9</b>
Non-current	152.2	16.1	-	-	<b>168.3</b>
	<b>152.2</b>	<b>17.0</b>	<b>1,323.8</b>	<b>452.9</b>	<b>1,945.9</b>
<b>At 31 March 2024</b>					
Investments					
Current - cash deposits	-	-	-	552.1	552.1
Cash and cash equivalents					
Current	-	-	574.9	-	574.9
Trade and other receivables					
Current	-	-	594.9	-	594.9
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	216.9	16.2	-	-	233.1
	<b>216.9</b>	<b>17.1</b>	<b>1,169.8</b>	<b>552.1</b>	<b>1,955.9</b>

Trade and other receivables above exclude prepayments and VAT.



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Financial assets by category (continued)**

	Company		
	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	Total £m
<b>At 31 March 2025</b>			
Investments			
Non-current	-	1,796.4	<b>1,796.4</b>
Cash and cash equivalents			
Current	30.1	-	<b>30.1</b>
Trade and other receivables			
Current	29.7		<b>29.7</b>
	<b>59.8</b>	<b>1,796.4</b>	<b>1,856.2</b>
<b>At 31 March 2024</b>			
Investments			
Non-current	-	1,796.4	1,796.4
Cash and cash equivalents			
Current	42.2	-	42.2
Trade and other receivables			
Current	25.1	-	25.1
	67.3	1,796.4	1,863.7

Trade and other receivables above exclude prepayments and VAT.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Financial liabilities by category (continued)**

	<b>Group</b>		
	<b>Liabilities at fair value through profit and loss £m</b>	<b>Derivatives used for hedging £m</b>	<b>Other liabilities held at amortised cost £m</b>
			<b>Total £m</b>
<b>At 31 March 2025</b>			
Borrowings			
Current	-	-	1,006.6
Non-current	-	-	9,597.5
Trade and other payables			
Current	-	-	330.7
Derivative financial instruments			
Current	2.4	5.9	-
Non-current	697.1	84.5	-
	<b>699.5</b>	<b>90.4</b>	<b>10,934.8</b>
			<b>11,724.7</b>
<b>At 31 March 2024</b>			
Borrowings			
Current	-	-	555.8
Non-current	-	-	9,275.2
Trade and other payables			
Current	-	-	355.3
Derivative financial instruments			
Current	79.6	13.2	-
Non-current	689.9	106.6	-
	<b>769.5</b>	<b>119.8</b>	<b>10,186.3</b>
			<b>11,075.6</b>

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Financial liabilities by category**

	Other liabilities held at amortised cost £m	Total £m
<b>At 31 March 2025</b>		
Borrowings		
Current	18.4	<b>18.4</b>
Non-current	719.5	<b>719.5</b>
	<b>737.9</b>	<b>737.9</b>
<b>At 31 March 2024</b>		
Borrowings		
Current	16.2	16.2
Non-current	717.5	717.5
	733.7	733.7

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Derivative financial instruments**

	<b>2025</b>		<b>Group 2024</b>	
	<b>Assets £m</b>	<b>Liabilities £m</b>	<b>Assets £m</b>	<b>Liabilities £m</b>
<b>Designated as cash flow hedges</b>				
Interest rate swaps	-	(0.4)	-	(0.2)
Cross currency interest rate swaps	6.2	(24.7)	7.1	(19.4)
Energy swaps	2.2	(2.9)	2.4	(23.8)
	<b>8.4</b>	<b>(28.0)</b>	<b>9.5</b>	<b>(43.4)</b>
<b>Designated as fair value hedges</b>				
Interest rate swaps	-	(39.2)	-	(54.8)
Cross currency interest rate swaps	8.6	(23.2)	7.6	(21.6)
	<b>8.6</b>	<b>(62.4)</b>	<b>7.6</b>	<b>(76.4)</b>
<b>Derivative financial instruments designated as hedges</b>	<b>17.0</b>	<b>(90.4)</b>	<b>17.1</b>	<b>(119.8)</b>
<b>Derivative financial instruments not designated as hedges</b>				
Interest rate swaps	51.1	(91.0)	69.1	(80.2)
RPI swaps	69.8	(390.7)	129.3	(484.3)
CPI swaps	31.3	(202.9)	18.5	(205.0)
Basis swaps	-	(14.9)	-	-
<b>Total derivative financial instruments</b>	<b>169.2</b>	<b>(789.9)</b>	<b>234.0</b>	<b>(889.3)</b>
Derivative financial instruments can be analysed as follows:				
Current	0.9	(8.3)	0.9	(92.8)
Non-current	168.3	(781.6)	233.1	(796.5)
	<b>169.2</b>	<b>(789.9)</b>	<b>234.0</b>	<b>(889.3)</b>

**Derivative financial instruments (continued)**

At 31 March 2025, the fixed interest rates vary from 1.70% to 5.88%, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 bps, RPI-linked interest rates vary from 1.27% to 2.12% plus RPI and CPI-linked interest rates vary from negative 1.21% plus CPI to 3.35% plus CPI. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

**The Company**

The Company has no derivative financial instruments (2024: none).

Aigrette Financing Limited

# Notes to the financial statements (continued)

for the year ended 31 March 2025

**19. Financial instruments** (continued)

In accordance with IFRS 9, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no amounts recorded in the income statement for gains or losses on embedded derivatives for the year ended 31 March 2025 (2024: £nil).

**Leases**

The minimum lease payments in respect of all leases fall due as follows:

	<b>Group</b>	
	<b>2025</b>	2024
	<b>£m</b>	£m
Within one year	<b>7.3</b>	6.4
Between two and five years	<b>17.9</b>	20.0
After five years	<b>16.2</b>	14.9
	<b>41.4</b>	41.3
Future finance charges on leases	<b>(7.5)</b>	(7.7)
Present value of lease liabilities	<b>33.9</b>	33.6

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Fair value of financial assets and liabilities**

			<b>Group</b>	
	<b>2025</b>		<b>2024</b>	
	<b>Carrying value £m</b>	<b>Fair value £m</b>	<b>Carrying value £m</b>	<b>Fair value £m</b>
Cash and cash equivalents	<b>695.1</b>	<b>695.1</b>	574.9	574.9
Current asset investments - cash deposits	<b>452.9</b>	<b>452.9</b>	552.1	552.1
Borrowings				
Current	<b>(1,006.6)</b>	<b>(1,006.8)</b>	(555.8)	(553.5)
Non-current	<b>(9,597.5)</b>	<b>(8,972.7)</b>	(9,275.2)	(9,300.0)
Interest and cross currency interest rate swaps - assets				
Non-current	<b>65.9</b>	<b>65.9</b>	83.8	83.8
Interest and cross currency interest rate swaps - liabilities				
Current	<b>(7.5)</b>	<b>(7.5)</b>	(1.1)	(1.1)
Non-current	<b>(171.0)</b>	<b>(171.0)</b>	(175.1)	(175.1)
RPI swaps - assets				
Non-current	<b>69.8</b>	<b>69.8</b>	129.3	129.3
RPI swaps - liabilities				
Current	-	-	(78.5)	(78.5)
Non-current	<b>(390.7)</b>	<b>(390.7)</b>	(405.8)	(405.8)
CPI swaps - assets				
Non-current	<b>31.3</b>	<b>31.3</b>	18.5	18.5
CPI swaps - liabilities				
Non-current	<b>(202.9)</b>	<b>(202.9)</b>	(205.0)	(205.0)
Basis swaps - liabilities				
Non-current	<b>(14.9)</b>	<b>(14.9)</b>	-	-
Net debt	<b>(10,076.1)</b>	<b>(9,451.5)</b>	(9,337.9)	(9,360.4)
Energy derivatives - assets				
Current	<b>0.9</b>	<b>0.9</b>	0.9	0.9
Non-current	<b>1.3</b>	<b>1.3</b>	1.5	1.5
Energy derivatives - liabilities				
Current	<b>(0.8)</b>	<b>(0.8)</b>	(13.2)	(13.2)
Non-current	<b>(2.1)</b>	<b>(2.1)</b>	(10.6)	(10.6)
	<b>(10,076.8)</b>	<b>(9,452.2)</b>	(9,359.3)	(9,381.8)

## Notes to the financial statements (continued)

for the year ended 31 March 2025

**19. Financial instruments** (continued)**Fair value of financial assets and liabilities** (continued)

	<b>2025</b>		<b>Company</b>	
	<b>2024</b>			
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>value</b>	<b>value</b>	<b>value</b>	<b>value</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	<b>30.1</b>	<b>30.1</b>	42.2	42.2
Borrowings				
Current	<b>(18.4)</b>	<b>(18.4)</b>	(16.2)	(16.2)
Non-current	<b>(719.5)</b>	<b>(772.5)</b>	(717.5)	(816.4)
Net debt	<b>(707.8)</b>	<b>(760.8)</b>	(691.5)	(790.4)

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Fair value of financial assets and liabilities (continued)**

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the Group would incur if it elected to transfer these borrowings, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined using discounted cash flow methodology with reference to discounted estimated future cash flows using observable yield curves. The fair value of cross-currency interest rate derivatives is determined using discounted cash flow methodology, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the foreign exchange rate as at 31 March. The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market energy prices at 31 March.

Fair values of other non-current investments, non-current trade and other receivables and non-current trade and other payables have been estimated as being materially equal to carrying value.

Derivative transactions expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The Group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. Level 2 instruments are all instruments not linked to CPI and were valued using discounted cash flow method based on observable inputs. The fair value is then adjusted for credit risk. The level 3 instrument valuation relates to CPI-linked transactions where inputs are obtained from a less liquid market. In both cases, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the year. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

**Level 3 derivative financial instruments**

Level 3 derivative financial instruments comprise CPI-linked inflation swaps and RPI-CPI basis swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments.



Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

Movements in the year to 31 March for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	2025 £m	2024 £m
At 1 April	<b>(186.6)</b>	(207.7)
Net gains for the period	<b>19.9</b>	45.7
Settlements	<b>(19.8)</b>	(24.6)
<b>At 31 March</b>	<b>(186.5)</b>	(186.6)

Gains and losses in the period are recognised in the income statement.

The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

	2025 £m	2024 £m
<b>Gain/(loss)</b>		
1% increase in inflation rates	<b>(116.9)</b>	(124.9)
1% decrease in inflation rates	<b>103.2</b>	108.7

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

**Control of treasury**

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the Group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the Group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;
- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources;
- monitor counterparty credit exposure.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Financing structure**

Every five years the Group, along with all other Water and Sewage Companies, submits its business plan to the regulator Ofwat setting out what it believes it needs to run the business for the next 5 year period, known as an AMP. Ofwat then assesses these plans in order to determine the revenue it will allow companies to charge customers.

In setting the allowed revenue Ofwat determines the efficient operating costs of the business. In order to fund the significant capital investment of the business it would be unfair to expect the current customers to fund the costs of assets that will deliver services for many years, especially as these costs can fluctuate year on year. Therefore, alongside increased cashflows from higher bills, companies raise money from both debt and equity investors to fund this investment. The investment set out in the business plan forms what is known as the Regulatory Capital Value (RCV) of the Group, Ofwat allows companies to recover the value of RCV through revenues via a depreciation charge. To enable long term investment, Ofwat also allows a fair return on the investment to be included in those revenues.

In determining that fair return Ofwat has a duty under the Water Industry Act to ensure that the sector is financeable in the long term and is able to attract that investment. In order to do that Ofwat uses a “notional” company concept to determine a weighted average cost of capital (WACC) which is then applied across the sector. Actual companies have an opportunity to outperform or underperform against the determination, actual companies also have differing capital structures.

Through this regulatory regime the Group generates operating cash flow to service the day to day operations of the business, including capital maintenance and servicing of debt and equity. The Group seeks external investment from both debt and equity markets to fund growth (capital enhancement) and refinance existing debt in order to maintain a desired net debt to capital value ratio. Given the structure of the funding arrangement and relatively stable customer base, which includes a level of inflation protection, the business generates stable operating cash flows.

The Group’s regulated water and water recycling business, Anglian Water Services Limited, is funded predominately by debt in the form of long-term bonds and other debt instruments through its financing subsidiary Anglian Water Services Financing Plc. Raising large amounts of debt in advance is not cost efficient and would not enable the Group to operate within the notional cost of capital included in the business plan. The Group therefore raises debt multiple times a year in the form of new debt or the refinancing of maturing debt. Given this financing structure it is not unusual to have net current liabilities as this debt becomes due and the Group uses bank facilities to manage this position.

The weighted average length to maturity of the Group’s debt is 12.3 years (31 March 2024: 11.8 years). At 31 March 2025, Anglian Water’s net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water’s regulated capital value was 71.1% (2024: 68.8%).

The Group has also raised finance within Osprey Holdco Limited, and Osprey Acquisitions Limited through its financing subsidiary Anglian Water (Osprey) Financing Plc.

The Group has also raised finance within the Company through its financing subsidiary Anglian Water (Osprey) Financing Plc.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**Borrowing covenants**

The Group's borrowings are raised by the company, Anglian Water (Osprey) Financing Plc and Anglian Water Services Financing Plc. The Treasury function monitors compliance against all financial obligations and it is the Group's policy to manage the balance sheet so as to ensure operation within covenant restrictions. There were no covenant breaches in the year. Please refer to compliance certificate sent to security trustee and uploaded on our website for detailed covenants.

**Management of financial risk**

Financial risks faced by the Group include funding, interest rate, contractual, currency, liquidity and credit risks. The Group regularly reviews these risks and has approved written policies covering treasury strategy and the use of financial instruments to manage risks.

A Finance, Treasury and Energy Policy Group, including the Chief Financial Officer and the Group Treasurer, meets regularly with the specific remit of reviewing treasury matters. Relevant treasury matters are reported to the board.

The Group aims to meet its funding requirements primarily through accessing a range of financial markets such as public bond markets, private placements, bank loans and finance leases. Surplus cash is invested in short-term bank deposits, commercial paper, certificates of deposit, treasury bills and AAA rated money funds.

The Group also enters into derivative transactions (comprising currency, index-linked, interest rate and energy swaps) to economically manage the interest, currency and commodity risks to which the Group is exposed.

The Group operates with debt/RCV gearing around the low 70%s, with a shareholder supported plan to deleverage the Group to a level of c65% by the end of AMP8, with the balance from equity. This reflects the focus on seeking to maintain strong investment grade credit ratings at the Group, and the shareholders' long-term strategy was most recently evidenced through an equity investment of £500 million.

**a) Market risk**

**i) Foreign currency**

The Group has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The Group's foreign exchange policy allows for a range of hedge instruments, including forward foreign exchange, swaps and options, to hedge such exposures.

All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The Group has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the particular operation and has no material net exposure to movements in currency rates.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments** (continued)

**a) Market risk** (continued)

**i) Foreign currency** (continued)

Where exposures arise out of debt issuances in currencies other than sterling, this risk is hedged using cross currency interest rate swaps on the date the debt issuance is contracted. The Group assesses the economic relationship by comparing the currency cash flows on the underlying debt item with the currency cash flows on the hedge instrument to ensure an exact offset of the specific foreign currency flows of the debt is achieved. This results in a notional hedge ratio of one for all foreign currency hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied to manage foreign currency risks as appropriate and detailed below.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**i) Foreign currency (continued)**

	Group			
	Within one year m	Between one and five years m	Between five and 25 years m	Total m
<b>At 31 March 2025</b>				
<b>Foreign currency borrowings - hedged item</b>				
JPY	-	-	22,500.0	<b>22,500.0</b>
USD	-	238.0	-	<b>238.0</b>
CAD	-	-	350.0	<b>350.0</b>
<b>Cross currency interest rate swap - cashflow hedge</b>				
JPY	-	-	(15,500.0)	<b>(15,500.0)</b>
USD	-	(89.0)	-	<b>(89.0)</b>
CAD	-	-	(350.0)	<b>(350.0)</b>
<b>Cross currency interest rate swap - fair value hedge</b>				
JPY	-	-	(7,000.0)	<b>(7,000.0)</b>
USD	-	(149.0)	-	<b>(149.0)</b>
CAD	-	-	-	-
<b>Net currency exposure</b>	-	-	-	-
<b>Weighted average spot rate</b>				
JPY	-	-	154.4	-
USD	-	1.4	-	-
CAD	-	-	1.6	-
<b>At 31 March 2024</b>				
<b>Foreign currency borrowings - hedged item</b>				
JPY	-	-	22,500.0	22,500.0
USD	-	238.0	-	238.0
CAD	-	-	350.0	350.0
<b>Cross currency interest rate swap - cashflow hedge</b>				
JPY	-	-	(15,500.0)	(15,500.0)
USD	-	(89.0)	-	(89.0)
CAD	-	-	(350.0)	(350.0)
<b>Cross currency interest rate swap - fair value hedge</b>				
JPY	-	-	(7,000.0)	(7,000.0)
USD	-	(149.0)	-	(149.0)
CAD	-	-	-	-
<b>Net currency exposure</b>	-	-	-	-
<b>Weighted average spot rate</b>				
JPY	-	-	154.4	-
USD	-	1.4	-	-
CAD	-	-	1.6	-

**20. Financial instruments (continued)**

**a) Market risk (continued)**

**i) Foreign currency (continued)**

Hedge ineffectiveness on currency hedging primarily results from situations where we have taken the economic decision (in line with Treasury policy) to change our fixed and floating portfolio mix. Where this has required existing hedged positions to be changed, the existing hedge is de-designated and the replacement hedge will generate effectiveness. This ineffectiveness represents the difference between the amortisation of the effective balance of the hedge on the date of de-designation (released on a straight line basis) and the dynamic change in the value of the derivative as it trends to zero. In addition, ineffectiveness can result from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk).

Fair valuation movements related to foreign currency basis which forms part of the pricing of cross currency interest rate swaps, are treated as a cost of hedging for all foreign currency hedge designations within the Group. As such, it is excluded from hedge relationships and is only a source of ineffectiveness where hedge accounting has been interrupted.

The changes in fair value of foreign currency basis spread, accumulated in the cash flow hedge reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

**ii) Interest rate and inflation rate risk**

The Group's policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI or CPI), fixed and floating rates of interest. To guard against the adverse movements in interest rates having a detrimental impact on the business and to enable covenanted obligations and credit ratings to be met, the overall underlying debt portfolio is maintained at between 43% and 55% of RCV for index-linked debt and between 5% and 15% for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the Group endeavours to obtain the finest rates (lowest borrowing and finest depositing rates) consistent with ensuring that the relevant treasury objectives are met in full, i.e. the provision of adequate finance for Anglian Water Services Group at all times and maintaining security of principal on investments.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. Treasury manages its interest rate risk by monitoring market rates in relation to the debt (and investment) portfolios, analysing the effect of likely movements in interest rates and taking action as deemed appropriate, within the hedging limits outlined above.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**ii) Interest rate and inflation rate risk (continued)**

The table below summarises the impact of derivatives on interest rate and inflation risks within the debt portfolio:

	Debt position £m	Swap impact £m	Post swap position £m	Group Effective interest rate %
<b>At 31 March 2025</b>				
Fixed	(6,110.7)	2,246.5	(3,864.2)	5.4
Floating	(1,157.5)	(711.8)	(1,869.3)	7.2
Index-linked	(3,193.9)	(1,834.9)	(5,028.8)	5.5
Leases	(33.9)	-	(33.9)	3.0
	<b>(10,496.0)</b>	<b>(300.2)</b>	<b>(10,796.2)</b>	
<b>At 31 March 2024</b>				
Fixed	(5,475.9)	1,921.6	(3,554.3)	5.3
Floating	(937.7)	(539.3)	(1,477.0)	7.5
Index-linked	(3,319.3)	(1,735.9)	(5,055.2)	8.8
Leases	(24.1)	-	(24.1)	2.7
	<b>(9,757.0)</b>	<b>(353.6)</b>	<b>(10,110.6)</b>	

Where exposures arising out of debt issuances are swapped this risk is hedged using cross currency interest rate swaps, interest rate swaps or inflation swaps. The Group assesses the economic relationship by comparing the cash flows on the underlying debt instrument with the offsetting cash flows on the hedge to ensure an exact offset of the specified notional value of the debt is achieved. This results in a notional hedge ratio of one for all interest rate hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied as appropriate.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**ii) Interest rate and inflation rate risk (continued)**

Derivatives that do not qualify for hedge accounting primarily consist of those relationships which swap debt into inflation. The table below outlines the Group's exposures to interest rates from derivative swaps in isolation (excluding offsetting debt instrument cashflows).

	Group						
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	Interest rate (weighted average) payable    receivable	
At 31 March 2025							
Interest rate swaps							
Floating to fixed	25.0	-	350.0	-	(6.5)	5.2	5.7
Fixed to floating	525.0	204.5	845.0	-	(83.0)	6.1	3.8
Fixed to fixed	-	581.3	250.0	-	10.0	3.0	2.5
Inflation swaps							
Fixed to CPI	-	315.0	550.9	-	(167.7)	4.2	4.6
Floating to CPI	-	-	250.4	-	(3.9)	2.6	5.3
Fixed to RPI	-	-	100.0	-	3.0	5.4	6.0
Floating to RPI	-	-	225.0	190.9	(306.5)	4.9	5.4
RPI to Floating	-	-	97.4	-	(18.6)	6.4	5.0
RPI to CPI	-	-	1,750.0	-	(14.9)	3.5	3.3
Floating to fixed	74.0	-	-	-	1.2	1.5	5.0
Cross currency swaps							
JPY	-	-	145.8	-	(36.5)	4.9	1.3
USD	-	169.8	-	-	14.8	5.0	3.2
CAD	-	-	224.8	-	(11.4)	3.8	4.5
Total	624.0	1,270.6	4,789.3	190.9	(620.0)		
At 31 March 2024							
Interest rate swaps							
Floating to fixed	-	99.0	250.0	-	(22.3)	4.2	5.3
Fixed to floating	75.0	729.5	645.0	-	(46.5)	6.0	3.4
Fixed to fixed	-	316.2	515.1	-	6.2	3.0	2.5
Inflation swaps							
Floating to RPI	150.0	-	225.0	190.9	(358.4)	3.2	5.7
Fixed to CPI	-	-	565.9	100.0	(157.5)	1.0	3.6
Floating to CPI	-	-	150.4	-	(29.1)	1.0	5.5
Cross currency swaps							
JPY	-	-	145.8	-	(30.4)	4.9	1.3
USD	-	169.8	-	-	14.3	5.0	3.2
CAD	-	-	224.8	-	(10.1)	3.8	4.5
Total	225.0	1,314.5	2,722.0	290.9	(633.8)		



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**ii) Interest rate and inflation rate risk (continued)**

We follow critical terms match approach for assessing hedge effectiveness. Hedge ineffectiveness can result from counterparty credit risk (which is present in the derivative but not in the hedged risk).

The maturity profile of interest rate swaps in a cash flow hedge or fair value hedge relationship are given below.

	Group and Company						
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	Interest rate (weighted average)	
						payable	receivable
<b>At 31 March 2025</b>							
<b>Interest rate swaps</b>							
Floating to fixed – Cash flow hedge	25.0	-	-	-	(0.4)	4.1	5.2
Fixed to floating – Fair value hedge	350.0	204.5	75.0	-	(39.2)	5.5	1.8
<b>At 31 March 2024</b>							
<b>Interest rate swaps</b>							
Floating to fixed – Cash flow hedge	-	25.0	-	-	(0.2)	4.1	5.2
Fixed to floating – Fair value hedge	-	554.5	75.0	-	(54.8)	5.6	1.8

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging derivatives. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The sensitivity of the Group's profits and equity, including the impact on derivative financial instruments, to potential changes in interest rates at 31 March is as follows:

	Group	
	2025	2024
	£m	£m
<b>Increase/(decrease) in equity</b>		
1% increase in interest rates	0.2	0.3
1% decrease in interest rates	(0.1)	(0.2)
<b>Increase/(decrease) in profit before tax</b>		
1% increase in interest rates	37.3	71.8
1% decrease in interest rates	(39.5)	(90.3)

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**ii) Interest rate and inflation rate risk (continued)**

The following assumptions were made in calculating the interest rate sensitivity analysis:

- cash flow and fair value hedge relationships remain effective;
- the main fair value sensitivity to interest rates is in relation to inflation-linked derivatives;
- cash flow sensitivity is calculated on floating interest rate net debt; and
- all other factors are held constant.

**Debt instruments**

The following analysis shows the impact of a 1% change in RPI and a 1% change in CPI over the 12-month period to the reporting date on index-linked debt instruments.

The finance cost of the Group's index-linked debt instruments and derivatives varies with changes in inflation rather than interest rates. These instruments form an economic hedge with the Group's revenues and regulatory assets, which are linked to RPI and CPI-H inflation.

Inflation risk is reported monthly to the Finance, Treasury and Energy Policy Group, which manages inflation risk by identifying opportunities to amend the economic hedge currently in place where deemed necessary.

The sensitivity at 31 March of the Group's profit before tax to changes in RPI and CPI on debt and derivative instruments is set out in the following tables:

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
<b>Increase/(decrease) in profit before tax</b>		
1% increase in inflation	<b>(28.4)</b>	(28.1)
1% decrease in inflation	<b>28.3</b>	28.1

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

**RPI-linked derivatives**

The fair values of the Group's RPI-linked derivatives are based on estimated future cash flows, discounted to the reporting date, and these will be impacted by an increase or decrease in RPI rates as shown in the following table. The sensitivity to CPI rates has been included in the level 3 disclosure and as such has not been repeated.

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
<b>Increase/(decrease) in profit before tax</b>		
1% increase in RPI	<b>(96.2)</b>	(137.1)
1% decrease in RPI	<b>89.9</b>	112.5

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**a) Market risk (continued)**

**iii) Commodity price risk (continued)**

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

The Group recovers its electricity costs through revenue, set in real terms by Ofwat, to cover costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the Group to volatility in its operating cash flow.

The Group's policy is to manage this risk either through forward purchases to fix the cost of future blocks of electricity with the contracted energy supplier, through the purchase of wholesale electricity swaps with financial counterparties, or through direct generation. Where swap contracts are utilised, the Group designates all the swaps in cash flow hedge relationships.

				Group
	Within one year MW	Between one and five years MW	Between five and 25 years MW	Mark to market £m
<b>At 31 March 2025</b>				
Electricity swap	<b>105.5</b>	<b>78.0</b>	-	<b>(0.7)</b>
<b>At 31 March 2024</b>				
Electricity swap	77.2	51.0	-	(21.4)

Hedge ineffectiveness primarily results from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk). There is no hedge ineffectiveness on any of our swap contracts.

Assuming all energy hedges were in effective hedging relationships, a 10% increase/decrease in commodity prices would have the following impact:

	Group	
	2025	2024
	£m	£m
<b>Increase/(decrease) in equity</b>		
10% increase in original prices	<b>6.1</b>	3.7
10% decrease in original prices	<b>(6.1)</b>	(3.7)

10% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**b) Credit risk**

Credit risk arises principally from trading and treasury activities. From a trading perspective, the Group has no significant concentrations of credit risk due to minimising the risk through the effective management of customer relationships and through the collateralisation inherent in the licensing of business retail activities. The Group's largest trade receivable balance is in Anglian Water Services Limited, whose operating licence prevents the disconnection of water supply to domestic customers even where bills are unpaid. Irrecoverable debt is taken into consideration as part of the price review process by Ofwat, and therefore no additional provision is considered necessary in excess of the provision for expected credit loss allowance included in note 15.

Placements of cash on deposit expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements that provide protection in the event of counterparty rating downgrade or default. The Group only places cash deposits with banks of upper investment grade (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided. The credit rating applied to all counterparties is reviewed monthly and on an ongoing basis.

The Group's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme. There have been a recent downgrades across the sector reflecting the regulatory landscape, but these are not company specific.

All cash and cash deposits are held with institutions with a minimum of two short-term ratings of P1/A1/F1 or higher, or in the case of money market funds with a minimum of two ratings of Aaam MR1+/AAAm/AAAmmf or higher.

In the case of derivatives, the following table sets out the Group's financial assets and liabilities and the impact of any enforceable master netting arrangements. Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis. Amounts that do not meet the criteria for offsetting on the balance sheet but could be settled net in the event of default of either party have been reflected in the offsetting column below. Group policy requires that transactions are only executed with counterparties which are both (a) from the lending Group and (b) rated at least A- (long-term) or A1 (short-term) by Standard & Poor's, Moody's or Fitch.

	<b>Group</b>		
	<b>Gross carrying amounts</b>	<b>Net amount presented in the balance sheet</b>	<b>Offsetting not presented in the balance sheet</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>At 31 March 2025</b>			<b>Net amount</b>
Derivative financial assets	169.2	<b>169.2</b>	17.8
Derivative financial liabilities	(789.9)	<b>(789.9)</b>	<b>(17.8)</b>
			<b>(807.7)</b>
<b>At 31 March 2024</b>			
Derivative financial assets	234.0	234.0	(12.4)
Derivative financial liabilities	(889.3)	(889.3)	12.4
			(876.9)

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**b) Credit risk (continued)**

Gross amounts offset represent equal and opposite transactions with the same counterparties and same terms on which no settlements are paid. Offsetting not presented in the balance sheet reflects the extent to which derivative assets and liabilities could be offset with the same counterparty in the event of counterparty default.

At 31 March, the maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset in the Group balance sheet:

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	<b>695.1</b>	574.9
Trade and other receivables	<b>664.4</b>	629.3
Investments - cash deposits	<b>452.9</b>	552.1
Derivative financial assets	<b>169.2</b>	234.0

	<b>Company</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Cash and cash equivalents	<b>30.1</b>	42.2
Trade and other receivables	<b>29.7</b>	25.1

Note 2c(i) details the assessment made for the expected credit losses for trade and other receivables. None of the other financial assets are credit impaired.

The Company, as part of the Anglian Water Services Financing Group, guarantees unconditionally and irrevocably all the borrowings and derivatives of Anglian Water Services Financing Plc, which at 31 March 2025 amounted to £9,595.3 million (2024: £8,911.9 million). The borrowings of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are also guaranteed unconditionally and irrevocably by the Company. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited had no outstanding indebtedness at 31 March 2025 (2024: £nil).

During the period to 31 March 2025, there has been no change to the Group's position from that disclosed in the 31 March 2024 consolidated financial statements.

**c) Capital risk management**

The prime responsibility of the Group's treasury function is the efficient and effective management of financial resources within the Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures. The Group does not have externally imposed capital requirements.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**c) Capital risk management (continued)**

It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets. The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings. Anglian Water's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme.

**d) Liquidity risk**

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis.

As noted in the Financing Structure section, the business generates operating cash flows to finance the day-to-day operations of the Group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long term viability of the Group (see our Long term viability statement). In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient to enable it to be able to access the necessary debt and equity to deliver its business plan both over the current 5 year regulatory period but also into the future taking consideration the long term planning cycle, as well as to be able to maintain a strong investment grade credit rating throughout. This is in part why we have asked Ofwat to refer the PR24 Final Determination to the CMA as we do not believe this financeability requirement has been met for the notional company.

The Group's borrowing facilities of £1,720.5 million (2024: £1,804.0 million), as set out below. On 16 June 2025, the Group received formal commitment from lenders for the facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 in the form of a new 3-year facility totalling £1 billion.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**19. Financial instruments (continued)**

**d) Liquidity risk (continued)**

The Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Expires:		
Within one year	<b>557.5</b>	630.0
Between one and two years	<b>863.0</b>	-
Between two and five years	<b>300.0</b>	1,174.0
	<b>1,720.5</b>	1,804.0

Anglian Water Services has undrawn borrowing facilities of £1,720.5 million (2024: £1,804.0 million) comprise Class A debt service reserve facilities totalling £294.0 million provided by HSBC Bank Plc, Sumitomo Mitsui Banking Corporation and Assured Guaranty; a £138.5 million operating and capital maintenance expenditure reserve facility provided by Barclays Bank Plc, BNP Paribas Plc, Lloyds TSB Bank Plc and Bank of Nova Scotia; two syndicated loan facilities totalling £850.0 million for working capital and capital expenditure requirements managed by Barclays Bank Plc in the role of facility agent and syndicated to a pool of relationship banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £50.0 million with Bank of China Limited for general corporate purposes.

In addition, Osprey Acquisitions Limited Group's undrawn borrowing facilities, additionally, consists of a syndicated £208.0 million revolving loan facility for general corporate requirements provided by National Westminster Bank Plc and syndicated to certain other banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £40.0 million with HSBC Bank Plc for general corporate purposes.

Borrowing facilities at Aigrette Financing Limited Group comprises an additional £30.0 million revolving loan facility provided by National Westminster Bank Plc.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payable:

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

19. Financial instruments (continued)

d) Liquidity risk (continued)

	Group				
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
<b>At 31 March 2025</b>					
Trade and other payables	(330.8)	-	-	-	<b>(330.8)</b>
Borrowings	(1,234.8)	(4,158.5)	(10,060.3)	(2,279.3)	<b>(17,732.9)</b>
Derivative financial instruments (net settled)	(98.8)	(198.0)	(809.0)	(280.7)	<b>(1,386.5)</b>
Derivative financial instruments (gross settled outflow)	(26.1)	(237.1)	(452.3)	-	<b>(715.5)</b>
Derivative financial instruments (gross settled inflow)	15.9	231.5	335.4	-	<b>582.8</b>
Leases	(7.3)	(17.9)	(12.7)	(3.5)	<b>(41.4)</b>
	<b>(1,681.9)</b>	<b>(4,380.0)</b>	<b>(10,998.9)</b>	<b>(2,563.5)</b>	<b>(19,624.3)</b>
<b>At 31 March 2024</b>					
Trade and other payables	(355.3)	-	-	-	(355.3)
Borrowings	(717.3)	(4,352.5)	(8,791.0)	(2,665.8)	(16,526.6)
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	(1,389.9)
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	(744.5)
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	628.1
Leases	(6.4)	(20.0)	(11.3)	(3.6)	(41.3)
	<b>(1,161.7)</b>	<b>(4,595.5)</b>	<b>(9,762.7)</b>	<b>(2,909.6)</b>	<b>(18,429.5)</b>
	Company				
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
<b>At 31 March 2025</b>					
Borrowings	(55.6)	(586.9)	(294.4)	-	(936.9)
	<b>(55.6)</b>	<b>(586.9)</b>	<b>(294.4)</b>	<b>-</b>	<b>(936.9)</b>
<b>At 31 March 2024</b>					
Borrowings	(50.7)	(635.4)	(315.7)	-	(1,001.8)
	<b>(50.7)</b>	<b>(635.4)</b>	<b>(315.7)</b>	<b>-</b>	<b>(1,001.8)</b>

We have used spot FX rates and forward interest rates to calculate undiscounted cashflows.



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**20. Deferred tax**

	<b>Group</b>					
	<b>Accelerated tax depreciation £m</b>	<b>Financial instruments £m</b>	<b>Retirement benefit obligation £m</b>	<b>Tax losses carried forward £m</b>	<b>Other £m</b>	<b>Total £m</b>
At 1 April 2024	1,998.9	(42.2)	8.3	(553.2)	(7.2)	<b>1,404.6</b>
Charged/(credited) directly to income statement	124.7	18.1	7.3	(112.9)	(2.6)	<b>34.6</b>
Charged directly to other comprehensive income	-	9.4	7.7	-	-	<b>17.1</b>
<b>At 31 March 2025</b>	<b>2,123.6</b>	<b>(14.7)</b>	<b>23.3</b>	<b>(666.1)</b>	<b>(9.8)</b>	<b>1,456.3</b>
At 1 April 2023	1,860.0	(94.3)	14.0	(366.9)	(6.6)	1,406.2
Charged/(credited) directly to income statement	138.9	54.0	1.4	(186.3)	(0.6)	7.4
Charged/(credited) directly to other comprehensive income	-	(1.9)	(7.1)	-	-	(9.0)
At 31 March 2024	1,998.9	(42.2)	8.3	(553.2)	(7.2)	1,404.6

Financial modelling of future income streams indicate that there will be taxable profits available in future years against which these deferred tax assets can be recognized.

Deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The Group has the following deferred tax assets that are not recognised in the financial statements:

	<b>Group</b>	
	<b>2025</b>	2024
	<b>£m</b>	£m
Corporate interest restrictions	<b>25.5</b>	24.5

New legislation was introduced from April 2017, restricting the amount of interest that a Group can offset against its tax liabilities in any year. Any amounts restricted are available to carry forward against future tax liabilities, so long as the company has the capacity to do so. The Directors believe it is uncertain that the Group will have the capacity to utilise this disallowed interest and therefore the Group has not recognised a deferred tax asset in respect of these restrictions.

**The Company**

The Company has the following deferred tax assets that are not recognised in the financial statements:

	<b>Company</b>	
	<b>2025</b>	2024
	<b>£m</b>	£m
Losses carried forward	<b>40.4</b>	27.2

The Company has losses available to carry forward against future tax liabilities. However, we believe it is uncertain that the company will have the capacity to do so.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus**

Pension arrangements for the majority of the Group's UK employees are of the funded defined benefit type through the AWG Pension Scheme ("AWGPS") Main section and Hartlepool section (a defined benefit scheme for the employees of the former Hartlepool Water Limited, where the pension scheme was transferred on 1 April 2000 which is now a section of the AWGPS). The defined benefit pension arrangements are closed to new pension accrual with effect from 31 March 2018.

The Group also manages an unfunded pension arrangement which has been valued by independent actuaries to take account of the requirements of IAS19 as at 31 March 2025. The provision for unfunded pension obligations relates to the cost of enhancements of former employees, over and above their entitlement in the Group's pension schemes. The majority of these employees ceased their employment following redundancy programmes principally between 10 and 20 years ago. These pension enhancements are payable until the death of these former employees (or their dependants) and payments are expected to be made over approximately 25 years.

The assets and liabilities relating to the defined benefit scheme for the employees of the former Hartlepool Water Limited are held in a segregated section of the AWGPS. Hartlepool Water Limited was acquired in July 1997, with trade and assets transferred to Anglian Water on 1 April 2000. However, as the Trustees assess the funding requirements of the Hartlepool section separately from the rest of AWGPS, the Hartlepool section has been separately disclosed in the tables below.

On 14 September 2022, the Scheme completed a full buy-in of the MPLAP section, with the result that pensions payable in the MPLAP section are matched by annuity policies.

Within these schemes, employees are entitled to retirement benefits based on their final salary and length of service at the time of leaving, or closure of, the schemes, payable on attainment of retirement age (or earlier death).

On 31 March 2018, following a period of consultation with representatives of all employees, the defined benefit sections of the AWGPS (including the Hartlepool section) were closed for future accruals. From 1 April 2018 all employees now have the option to participate in a new high quality defined contribution scheme which offers an equitable scheme with more flexible benefits.

The Group also has pension obligations to former employees through the Morrison Pension & Life Assurance Plan ('MPLAP'). In addition, pensions in payment to a number of former employees are unfunded. The administration and investment of the pension funds are maintained separately from the finances of the Group.

Full valuations as at 31 March 2023 have been completed for the AWGPS (including the Hartlepool section) scheme, and for MPLAP, the results of which have been used as a basis for the IAS 19 'Employee Benefits' disclosures as at 31 March 2025.

The Group has a plan in place with the scheme's trustees to address the funding deficit for the Main Section of the AWGPS by 2026, through a series of annual deficit recovery contributions.

During the year, the Group contributed £24.5 million (2024: nil) deficit reduction payments. There were no deficit reduction payments (2024: none) for the Hartlepool Section due to the buy out.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**22. Net retirement benefit surplus (continued)**

Contributions to MPLAP, including an allowance for expenses, were £nil (2024: £nil) during the year.

In the year to 31 March 2026 employers' contributions are expected to be £23.2 million.

The approximate weighted average duration of all defined benefit obligations for AWGPS is 13 years.

The Group also operates a number of defined contribution schemes in the UK, and contributions to these schemes amounted to £25.5 million (2024: £22.9 million). There is £nil outstanding balance on the defined contribution scheme at year end (2024: £nil).

**The Virgin Media Ltd v NTL Pension Trustees II Court ruling**

On 16 June 2023, the High Court handed down its decision in *The Virgin Media Ltd v NTL Pension Trustees II* which concerned the correct interpretation of section 37 of the Pension Schemes Act 1993. Subsequently Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024, it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that a section 37 confirmation was required where an alteration to a scheme's rules affected pension benefits attributable to past or future service benefits related to section 9(2B) rights between 6 April 1997 until the end of contracting-out on 5 April 2016. The Trustee with its advisers, and the Scheme Actuary are considering the possible implications for the Scheme. An initial review by the Trustee and scheme lawyers has been undertaken and a letter was sent by the Trustee to the Group in April 2025 setting out the work done and advice from the scheme lawyers. The advice is that it would be reasonable and proportionate, and in line with common market practice, for the Trustee to note the output of that review and then adopt a 'wait and see' approach, pending further developments and noting there is no suggestion that the Scheme was not being governed in accordance with relevant legal requirements at the time. Based on this the Group does not believe it appropriate to record a provision in the accounts.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**22. Net retirement benefit surplus (continued)**

**a) Principal actuarial assumptions**

The liabilities of the Group's pension schemes have been valued using the projected unit method and using the following assumptions:

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>% pa</b>	<b>% pa</b>
Discount rate	<b>5.8</b>	<b>4.8</b>
Inflation rate		
RPI	<b>3.3</b>	<b>3.3</b>
CPI	<b>2.9<sup>(1)</sup>/2.5<sup>(2)</sup></b>	<b>2.9<sup>(1)</sup>/2.7<sup>(2)</sup></b>
Increases to deferred benefits during deferment		
RPI	<b>3.3</b>	<b>3.3</b>
CPI	<b>2.9<sup>(1)</sup>/2.5<sup>(2)</sup></b>	<b>2.9<sup>(1)</sup>/2.7<sup>(2)</sup></b>
Increases to inflation related pensions in payment <sup>(1)</sup>		
RPI	<b>3.2</b>	<b>3.2</b>
CPI	<b>2.8<sup>(1)</sup>/N/A<sup>(2)</sup></b>	<b>2.9<sup>(1)</sup>/N/A<sup>(2)</sup></b>
	<b>years</b>	<b>years</b>
Longevity at age 65 for current pensioners (years)		
Men	<b>21.6<sup>(1)</sup>/21.5<sup>(2)</sup></b>	<b>21.5<sup>(1)</sup>/21.4<sup>(2)</sup></b>
Women	<b>24.2<sup>(1)</sup>/24.0<sup>(2)</sup></b>	<b>24.1<sup>(1)</sup>/23.8<sup>(2)</sup></b>
Longevity at age 65 for future pensioners (years)		
Men	<b>22.9<sup>(1)</sup>/22.7<sup>(2)</sup></b>	<b>22.8<sup>(1)</sup>/22.7<sup>(2)</sup></b>
Women	<b>25.6<sup>(1)</sup>/25.3<sup>(2)</sup></b>	<b>25.7<sup>(1)</sup>/25.2<sup>(2)</sup></b>

<sup>(1)</sup> For RPI pension increases capped at 5% per annum;

<sup>(2)</sup> The life expectancy shown for future pensioners is for those reaching 65 in 2045;

<sup>(3)</sup> Life expectancies for 'AWGPS', 'Hartlepool' and 'Unfunded pensioners';

<sup>(4)</sup> Life expectancies for 'MPLAP';

<sup>(5)</sup> Inflation related assumptions for MPLAP.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**b) Sensitivity analysis**

The following table sets out the sensitivity of the liabilities within the schemes to changes in the financial and demographic assumptions.

	Group and company				
	Change in assumption	AWGPS £m	MPLAP £m	Unfunded pensions £m	Total £m
At 31 March 2025					
Discount rate	+/- 0.5 % pa	-50/55	-7/8	-1/1	-58/64
Rate of RPI inflation	+/- 0.5 % pa	49/-45	4/-4	1/-1	53/-50
Life expectancy	+/- 1 year	27/-27	5/-5	1/-1	33/-34
At 31 March 2024					
Discount rate	+/- 0.5 % pa	-65/73	-9/10	-1/2	-76/85
Rate of RPI inflation	+/- 0.5 % pa	66/-60	5/-5	2/-1	73/-66
Life expectancy	+/- 1 year	34/-31	6/-6	1/-1	41/-38

<sup>(1)</sup> Due to rounding, some rows may not add up to the total.

Changes to market conditions that influence the assumptions above may also have an impact on the value of the schemes' investment holdings. The extent to which these are managed is discussed in section (c) below. The sensitivities in the table above have been calculated by changing the key assumption and leaving all others fixed, with the exception of the RPI inflation assumption, which has a corresponding impact on Consumer Prices Index ('CPI') inflation, pension increases and salary increases due to the way the assumptions are derived. These changes in assumptions represent a reasonable alternative range, as well as a useful benchmark change.

**c) Risk and risk management**

The Group's defined benefit pension schemes, in common with the majority of such schemes in the UK, have a number of areas of risk. These areas of risk, and the ways in which the Group manages them, are set out below.

The risks are considered below from both a funding perspective (which drives the cash commitments of the Group) and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

**Asset volatility**

For the purpose of setting the contribution requirements, the calculation of the value of the liabilities uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. Under IAS 19, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields.

The schemes hold a proportion of their assets in return-seeking funds. The return on these assets may be volatile and are not correlated to the value of the liabilities. This means that the deficit may be volatile in the shorter term, which may lead to an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the balance sheet.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**c) Risk and risk management (continued)**

***Asset volatility (continued)***

The Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. The schemes' other assets are well diversified by investing in a range of asset classes including government bonds and corporate bonds. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

***Change in bond yields***

A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds and liability-driven investments is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

***Price inflation***

The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). A significant proportion of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature (corporate bonds and government bonds), or have an indirect link to inflation (equities).

***Life expectancy***

The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**d) Amounts recognised in comprehensive income**

	<b>Group</b>			
	<b>AWGPS</b>	<b>Hartlepool</b>	<b>MPLAP</b>	<b>Unfunded</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>pensions</b>
				<b>£m</b>
				<b>Total</b>
				<b>£m</b>
<b>2025</b>				
<b>Amounts credited/(charged) to finance costs</b>				
Interest income on scheme assets	50.2	-	6.8	-
Interest cost on scheme liabilities	(46.6)	-	(6.8)	(1.4)
<b>Net interest income/(expense)</b>	<b>3.6</b>	<b>-</b>	<b>-</b>	<b>(1.4)</b>
<b>Amounts credited/(charged) to the income statement</b>	<b>3.6</b>	<b>-</b>	<b>-</b>	<b>(1.4)</b>
<b>Amounts (charged)/credited to other comprehensive income</b>				
Return on plan assets (excluding amounts included in net interest)	(96.3)	-	(11.6)	-
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	122.0	-	19.0	2.8
Experience adjustments	2.1	-	(7.5)	-
<b>Net charge/(credited) to other comprehensive income</b>	<b>27.8</b>	<b>-</b>	<b>(0.1)</b>	<b>2.8</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**d) Amounts recognised in comprehensive income (continued)**

	AWGPS £m	Hartlepool £m	MPLAP £m	Unfunded pensions £m	Total £m
2024					
Amounts credited/(charged) to finance costs:					
Interest income on scheme assets	51.3	-	6.8	-	58.1
Interest cost on scheme liabilities	(47.2)	-	(6.8)	(1.5)	(55.5)
Net interest income/(expense)	4.1	-	-	(1.5)	2.6
Amounts credited/(charged) to the income statement	4.1	-	-	(1.5)	2.6
Amounts credited/(charged) to other comprehensive income:					
Return on plan assets (excluding amounts included in net interest)	(56.0)	0.5	(1.9)	-	(57.4)
Actuarial gains/(losses) arising from:				-	
Changes in financial assumptions	35.1	-	2.4	0.9	38.4
Experience adjustments	(8.8)	-	(0.5)	(0.2)	(9.5)
Net (charge)/credit to other comprehensive income	(29.7)	0.5	-	0.7	(28.5)



Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**e) Amounts recognised in the balance sheet**

	Group			
	AWGPS	Hartlepool	MPLAP	Unfunded
	£m	£m	£m	pensions
	£m	£m	£m	£m
<b>2025</b>				
Equities	-	-	-	-
Corporate bonds	443.9	-	-	-
Government bonds	489.3	-	-	-
Property	-	-	-	-
Alternatives	98.5	0.7	0.7	-
Pooled LDI investments (with def of LDI)	76.0	-	-	-
Derivatives	(11.3)	-	-	-
Repurchases	(262.8)	-	-	-
Insurance contract	-	-	132.9	-
Cash and cash equivalents	149.8	0.4	1.1	-
<b>Total assets</b>	<b>983.4</b>	<b>1.1</b>	<b>134.7</b>	<b>-</b>
Present value of scheme liabilities	(866.5)	-	(132.9)	(26.6)
<b>Net pension surplus/(deficit)</b>	<b>116.9</b>	<b>1.1</b>	<b>1.8</b>	<b>(26.6)</b>
<b>Comprising:</b>				
Pension schemes with a net surplus, included in non-current assets	116.9	1.1	1.8	-
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(26.6)
	<b>116.9</b>	<b>1.1</b>	<b>1.8</b>	<b>(26.6)</b>
<b>2024</b>				
Equities	88.3	-	-	-
Corporate bonds	326.0	-	-	-
Government bonds	799.7	-	-	-
Property	33.3	-	-	-
Alternatives	73.1	0.7	-	-
Pooled LDI investments (with def of LDI)	75.2	-	-	-
Derivatives	(26.5)	-	-	-
Repurchases	(425.1)	-	-	-
Insurance contract	-	-	145.6	-
Cash and cash equivalents	117.5	0.4	0.4	-
<b>Total assets</b>	<b>1,061.5</b>	<b>1.1</b>	<b>146.0</b>	<b>-</b>
Present value of scheme liabilities	(999.1)	-	(145.6)	(30.9)
<b>Net pension surplus</b>	<b>62.4</b>	<b>1.1</b>	<b>0.4</b>	<b>(30.9)</b>
<b>Comprising:</b>				
Pension schemes with a net surplus, included in non-current assets	62.4	1.1	0.4	-
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(30.9)
	<b>62.4</b>	<b>1.1</b>	<b>0.4</b>	<b>(30.9)</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**21. Net retirement benefit surplus (continued)**

**e) Amounts recognised in the balance sheet (continued)**

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. Most of the assets have quoted prices in active markets, but there are corporate bonds, alternative investments and insurance contracts, which are unquoted amounting to £8.3 million (2024: £98.8 million).

**f) Reconciliation of fair value of scheme assets**

	<b>Group</b>			
	<b>AWGPS</b>	<b>Hartlepool</b>	<b>MPLAP</b>	<b>Unfunded pensions</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2024	1,061.5	1.1	146.0	-
Interest income on scheme assets	50.2	-	6.8	-
Employers' contributions	24.5	-	-	2.8
Benefits paid	(56.5)	-	(6.5)	(2.8)
Return on plan assets (excluding interest income)	(96.3)	-	(11.6)	-
<b>At 31 March 2025</b>	<b>983.4</b>	<b>1.1</b>	<b>134.7</b>	<b>-</b>
At 1 April 2023	1,117.9	0.6	149.4	-
Interest income on scheme assets	51.3	-	6.8	-
Employers' contributions	-	-	-	2.9
Benefits paid	(51.7)	-	(8.3)	(2.9)
Return on plan assets (excluding interest income)	(56.0)	0.5	(1.9)	-
<b>At 31 March 2024</b>	<b>1,061.5</b>	<b>1.1</b>	<b>146.0</b>	<b>-</b>

**g) Reconciliation of scheme liabilities**

	<b>Group</b>			
	<b>AWGPS</b>	<b>Hartlepool</b>	<b>MPLAP</b>	<b>Unfunded pensions</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2024	(999.1)	-	(145.6)	(30.9)
Interest cost on scheme liabilities	(46.6)	-	(6.8)	(1.4)
Benefits paid	56.5	-	6.6	2.9
Actuarial gains	122.7	-	12.9	2.8
<b>At 31 March 2025</b>	<b>(866.5)</b>	<b>-</b>	<b>(132.9)</b>	<b>(26.6)</b>
At 1 April 2023	(1,029.9)	-	(149.0)	(33.0)
Interest cost on scheme liabilities	(47.2)	-	(6.8)	(1.5)
Benefits paid	51.7	-	8.3	2.9
Actuarial gains	26.3	-	1.9	0.7
<b>At 31 March 2024</b>	<b>(999.1)</b>	<b>-</b>	<b>(145.6)</b>	<b>(30.9)</b>

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**22. Share capital**

	<b>Group and Company</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
<b>Authorised, issued and fully paid</b>		
1,199,800,002 ordinary shares 2025: 55 pence each (2024: 55 pence each)	<b>659.9</b>	659.9
	<b>659.9</b>	659.9

There were no movements in the number of shares allotted, issued and fully paid in either the current or preceding year.

**23. Hedging reserve**

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
At 1 April	<b>14.9</b>	17.8
Gains/(losses) on energy cash flow hedges	<b>6.5</b>	(50.2)
Losses on other cash flow hedges	<b>(2.4)</b>	(0.9)
Amounts transferred to the income statement relating to existing cash flow hedges	<b>15.7</b>	27.5
Amounts transferred to the income statement from discontinued cash flow hedges	<b>2.5</b>	4.8
Exchange movement on hedging instruments related to debt in cash flow hedges	<b>19.2</b>	14.6
Deferred tax movement on cash flow hedges	<b>(10.4)</b>	1.3
<b>At 31 March</b>	<b>46.0</b>	14.9

**Cost of hedging reserve**

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
At 1 April	<b>(0.4)</b>	1.7
Losses on cash hedge relationships	<b>(3.9)</b>	(2.7)
Deferred tax movement on hedge relationships	<b>1.0</b>	0.6
<b>At 31 March</b>	<b>(3.3)</b>	(0.4)

The hedging reserve represents the cumulative effective portion of gains and losses arising on the change in fair value of hedging instruments, excluding those fair value movements identified as costs of hedging within the specific hedge relationship. The cost of hedging reserve captures the movement in the fair value of the cost of hedging component.

**The Company**

The Company has no hedging reserve (2024: none).

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**23. Hedging reserve (continued)**

The table below provides additional information in relation to the annual movements and cumulative closing positions on the cash flow hedge reserves.

	Annual movements		Cumulative reserves			Group
	Hedged item gain/(loss) £m	Hedge ineffectiveness gain/(loss) £m	Total hedge reserves continuing £m	Total hedge reserves discontinued £m	Deferred tax on hedge reserves £m	Total hedge reserves £m
<b>At 31 March 2025</b>						
Cash flow hedge of interest rate risk	<b>14.3</b>	-	<b>38.0</b>	<b>18.9</b>	<b>(14.2)</b>	<b>42.7</b>
<b>At 31 March 2024</b>						
Cash flow hedge of interest rate risk	(75.2)	-	3.1	16.0	(4.6)	14.5

**24. Capital commitments**

The Group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the value outstanding of orders placed at 31 March.

	Group	
	2025	2024
	£m	£m
Property, plant and equipment	<b>354.8</b>	305.8
Intangible assets	<b>54.9</b>	58.6
	<b>409.7</b>	364.4

There were no capital commitments relating to the Group's share of joint ventures.

**The Company**

The Company has no such commitments (2024: none).

**25. Lease arrangements**

The Group leases various items of property, plant and equipment. Right-of-use assets are included within property, plant and equipment on the balance sheet, further details can be found in note 12. Lease liabilities are included within borrowings on the balance sheet, further details can be found in note 18.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**25. Lease arrangements (continued)**

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Additions to right-of-use assets	<b>6.6</b>	3.6
Depreciation charge for right-of-use assets	<b>(7.7)</b>	(7.5)
Carrying amount of right-of-use assets	<b>69.6</b>	70.8
Interest expense on lease liabilities	<b>(1.0)</b>	(1.2)
Expense relating to short-term leases	<b>5.7</b>	2.9
Total cash outflow for leases comprising interest and capital payments	<b>(7.4)</b>	(8.4)
<b>Reconciliation of lease liability</b>		
Contractual undiscounted cash flows	<b>41.4</b>	41.3
Effect of discounting	<b>(7.5)</b>	(7.7)
Lease liability	<b>33.9</b>	33.6

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

A maturity analysis of lease liabilities is included within note 19.

Leases recognised as debt under IFRS 16 can be analysed as follows:

	<b>Group</b>	
	<b>Interest</b>	<b>IFRS debt</b>
	<b>£m</b>	<b>£m</b>
<b>At 31 March 2025</b>		
CTA leases	<b>0.3</b>	<b>6.9</b>
Non-CTA leases (Permitted indebtedness)	<b>0.7</b>	<b>27.0</b>
<b>At 31 March 2024</b>		
CTA leases	0.4	9.6
Non-CTA leases (Permitted indebtedness)	0.6	24.0

Permitted indebtedness is a category of debt (defined in the CTA) within the Group which captures leases previously considered as operating leases prior to IFRS 16 which do not qualify as secured creditors. All interest has been paid/(received) in the year. There are no material lease payments with variable payment features.

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

**Leases as lessor**

The Group leases out its investment properties. During the year to 31 March 2025, rental income of £2.2 million (2024: £1.9 million) was included within revenue.

## 26. Contingencies

### Flow to Full Treatment investigations

As previously disclosed, in November 2021 Ofwat and the Environment Agency (“EA”) launched separate industry-wide investigations focusing on spills to the environment. Ofwat’s focus is potential non-compliance with the Water Industry Act and the Urban Wastewater Treatment Regulations (referred to as the Flow to Full Treatment investigation) whilst the EA is focusing on permit compliance.

By June 2022 Ofwat opened enforcement cases against six water and wastewater companies (“WaSCs”) including Anglian Water.

In July 2024, Ofwat announced the opening of enforcement cases into the remaining four WaSCs.

In August 2024, Ofwat issued draft enforcement notices following the conclusion of its investigation into three of the companies (Northumbrian Water, Thames Water and Yorkshire Water). In these draft enforcement notices Ofwat states that it has concluded that each company has failed to meet certain duties and obligations arising as a result of the Urban Wastewater Treatment (England and Wales) Regulations 1994, Section 94 of the Water Industry Act 1991 (WIA91) and Licence Condition P.

Ofwat is continuing to progress the enforcement cases in relation to the other seven WaSCs (including the case against Anglian Water).

Ofwat has the power to fine a Regulated Company up to 10%. (for each respective breach) of the relevant regulated turnover in the preceding 12 months if it fails to comply with certain of its statutory duties or the terms of its licence or fails to meet standards of performance. The proposed financial penalties announced in August range from 5% to 9% of turnover in respect of the Water Recycling Price controls. Assuming it were in line with those penalties issued to date any potential financial penalty issued to Anglian Water would be in the range: £43.6 million (assuming 5%.) to £78.5 million (assuming 9%). There is no certainty that Ofwat would propose a financial penalty within this range.

In March 2025, Ofwat announced that it had concluded its investigation into Yorkshire water on the basis of binding undertakings. The undertakings include commitments to a proposed redress package valued at £40 million in lieu of the financial penalty that would otherwise have been imposed (£36.9 million or 5.5% of its relevant turnover) following consideration of the new evidence provided by Yorkshire Water. In the annex to its decision notice, Ofwat sets out factors which will lead it conclude that the scale and seriousness of the breaches is Minor (up to 3%), Serious (up to 6%) and Significant (up to 10%). However, Ofwat then goes on to say that, once allocated to one of these 3 categories it will re-consider the full set of case evidence in the round, to determine the appropriate penalty level. Under WIA s19, Ofwat can accept undertakings in lieu of a financial penalty. In addition, on the 4 June 2025 Ofwat also announced it had concluded its investigation into Northumbrian Water which has resulted in a similar commitment to binding undertakings worth £15.7 million.

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**26. Contingencies** (continued)

Based on the fact that Ofwat has accepted undertakings from Yorkshire and Northumbrian it is considered likely that Ofwat would also accept appropriate undertakings from Anglian Water in lieu of a financial penalty. Such undertakings would most likely primarily take the form of a commitment to future capital works which would be accounted for under IAS 16.

The EA's separate investigation (referred to as Operation Standard) is also ongoing. The Group has provided comprehensive information to both regulators and continues to engage positively with them.

**Competition Act**

As previously disclosed, in December 2023, Professor Carolyn Roberts (acting as the Proposed Class Representative or "PCR") issued proceedings against Anglian Water alleging that the company had abused (and continues to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings were issued against five other WASCs. Professor Roberts alleged that the WASCs had provided misleading information to the EA and to Ofwat with the result that Ofwat had allowed companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it is proposed to progress the claim as a class action in the Competition Appeal Tribunal ("CAT") on behalf of all relevant customers, the claim needed to be certificated before it could proceed to a substantive trial. A certification hearing took place before the CAT in September 2024. In March 2025, the CAT confirmed that it did not propose to allow the claim to proceed on the basis that Section 18(8) of the Water Industry Act 1991 provides that the correct avenue for any remedy in respect of the matters alleged by way of a regulatory process. The PCR is now seeking leave to appeal the CAT's decision.

Whilst there is a reasonable prospect of leave to appeal being granted, the CAT's reasoning is considered to be robust and therefore the chances of a successful appeal by the PCR of the certification decision are not considered to be high. Even if the appeal in respect of certification decision is successful, the Directors consider that this application of the Competition Act is extremely novel and that there are a number of significant hurdles which must be overcome by the Claimant in connection with this litigation. There is also material overlap between this claim and Ofwat's and the EA's investigations (referred to above).

As is normal for a group of this size and nature, it is subject to a number of other claims, disputes and litigation, these will be recognised as a provision if the required thresholds for recognition are met. The directors consider an appropriate position has been taken in reflecting such items in these financial statements at this time.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**27. Ultimate parent undertaking and controlling party**

Aigrette Financing Limited is a limited liability company incorporated and domiciled in England and Wales.

At the balance sheet date, the company's immediate parent undertaking was Osprey Holdco Limited, a company registered in England and Wales.

The Directors consider Anglian Water Group Limited to be the ultimate parent undertaking and controlling party. Anglian Water Group Ltd is itself owned by a consortium of investors consisting of: CPP Investment Board Private Holdings (6) Inc., Global InfraCo (HK) E. Limited, First Sentier Investors (Luxembourg) Infrastructure (B) GP S.a.r.l. as managing general partner of Infrastructure Lux (B) SCSp, Camulodunum Investments Ltd, and Infinity Investments S.A.

Osprey Holdco Limited is the parent company of the smallest Group to consolidate the financial statements of the company, and Anglian Water Group Limited is the parent company of the largest Group to consolidate the financial statements of the company. Copies of the Anglian Water Group Limited financial statements can be obtained from the Company Secretary, at the registered office, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

**28. Related party transactions**

**a) Transactions with shareholders**

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the company as they each have the ability to influence the financial and operating policies of both the company and the Group.

During the year to 31 March 2025 there were no other transactions with the shareholders of the ultimate parent undertaking.

**b) Transactions with key management personnel**

Key management personnel comprise all the Directors and members of the Executive Committee during the year. In prior years a scheme was in place to encourage investment in the Group by key management on equivalent basis as the consortium of shareholders. However, individuals were not invited to participate during the year (2024: £0.1 million was invested). No repayment was made in the year as part of this scheme.

**Remuneration of key management personnel**

	<b>Group</b>	
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Short-term employee benefits	<b>7.1</b>	6.4
Post-employment benefits	<b>0.6</b>	0.4
	<b>7.7</b>	6.8



Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**28. Related party transactions (continued)**

**c) Transactions with joint ventures**

During the year the Group did not trade with its joint ventures (2024: £nil). At 31 March 2025, there were no balances due from joint ventures (2024: £nil).

**d) Parent company**

The Company's related party transactions are summarised below:

	2025 £m	2024 £m
Interest charged by Subsidiaries	(52.9)	(50.3)
Dividends received from Subsidiaries	41.0	18.7
Dividends paid to Parent company	-	31.8
	<b>Group</b>	
	2025 £m	2024 £m
Loans and other borrowings due to Subsidiaries	737.9	733.7

**29. Alternative performance measures**

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each year presented in these financial statements.

**a) EBITDA**

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the company's overall financial performance. Each element of this APM is shown on the face of the income statement.

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>EBITDA</b>	<b>901.4</b>	798.8
Net finance costs	(393.0)	(377.3)
Tax charge	(34.4)	(6.4)
Depreciation & amortisation	(423.1)	(388.7)
Profit for the period	<b>50.9</b>	26.4

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**29. Alternative performance measures** (continued)

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains on derivative financial instruments. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Adjusted finance costs</b>	<b>(455.9)</b>	<b>(582.2)</b>
Fair value gains on derivative financial instruments	<b>62.9</b>	<b>204.9</b>
Net Finance costs, including fair value gains on derivative financial instruments	<b>(393.0)</b>	<b>(377.3)</b>

c) Adjusted loss before tax/Loss before fair value gains

Calculated as loss before tax excluding fair value gains on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
<b>Adjusted loss before tax/loss before fair value gains</b>	<b>22.4</b>	<b>(172.1)</b>
Tax charge	<b>(34.4)</b>	<b>(6.4)</b>
Fair value gains on derivative financial instruments	<b>62.9</b>	<b>204.9</b>
Loss for the period	<b>50.9</b>	<b>26.4</b>

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**29. Alternative performance measures** (continued)

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business.

See note 16 and below.

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Net cash and cash equivalents	695.1	574.9
Current asset investments	452.9	552.1
Borrowings	(10,604.1)	(9,831.0)
Net debt excluding derivatives	(9,456.1)	(8,704.0)
Derivatives	(620.7)	(655.3)
Less: energy derivatives	0.7	21.4
Adjusted net debt	(10,076.1)	(9,337.9)

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR). As such, the alternative performance measures referenced below refer to Anglian Water Services Limited.

e) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. The table below shows the operating cash value less RCV depreciation, compared to the net interest paid during the year to show the interest cover.

	Year ended 31 March 2025 £m	Group Year ended 31 March 2024 £m
Operating cash	811.3	767.1
RCV run off	(501.5)	(475.2)
	309.8	291.9
Interest cash	(180.2)	(181.8)
Interest cover	1.7	1.6

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**29. Alternative performance measures** (continued)

f) Capital investment

Capital investment is the total property, plant, and equipment, and intangibles additions less capitalized interest, adopted assets, and capital additions in the non-appointed business. This is used as a measure to help us monitor how we are achieving our Business Plan commitments.

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Property, plant and equipment additions	<b>1,067.5</b>	1,044.0
Intangible assets addition	<b>117.5</b>	58.2
Capitalised interest	<b>(84.1)</b>	(71.0)
Adopted assets	<b>(34.0)</b>	(48.2)
Non-appointed business	<b>(1.0)</b>	(1.3)
Items shown as stock	<b>14.7</b>	(18.3)
<b>Capital investment</b>	<b>1,080.6</b>	963.4

g) Free cash flow

Free cash flow is used in determining cash conversion and is calculated as cash from operating activities, less net interest of cash deposits, less capital maintenance.

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2025</b>	<b>2024</b>
	<b>£m</b>	<b>£m</b>
Operating cash	<b>811.3</b>	767.1
Interest on cash	<b>(180.2)</b>	(181.8)
Less: net interest income excluded under CTA	<b>(13.5)</b>	(17.6)
Capital maintenance	<b>(424.0)</b>	(341.0)
<b>Free cash flow</b>	<b>193.6</b>	226.7

**30. Events after the balance sheet date**

The Directors have recommended not to pay a final dividend in relation to 2024/25. Whilst there was capacity to pay a dividend after taking account commitments to customers and other stakeholders and ensuring that it is able to finance its Appointed Business, the Directors felt it appropriate to defer this capacity at this time.

On 23 May 2025, the ultimate shareholders of the Anglian Water Group provided unconditional and legally binding commitments to inject £500m into the Anglian Water Group, pro-rata to their current shareholdings. £300m will be provided by early September 2025 and paid down the group structure to Anglian Water (Osprey) Financing plc (the borrowing entity at Midco which also includes Osprey Acquisitions Limited), where it will be used to repay a £240m bond which matures in March 2026, as well as repayment of drawn bank revolving credit facilities. The remaining £200m balance of shareholder funding will be provided to the Group by early June 2026, when we plan to cycle the funds down the group structure to Aigrette Financing (Issuer) plc, the unrated Topco borrowing entity, where it will be used to repay £200m of bank loans maturing in mid-June 2026.

Included within the £1,720.5 million of facilities at 31 March 2025 are facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 which is within the 12-month period assessed for going concern purposes. On 16 June 2025, the Group received formal commitment from lenders for the refinancing of these expiring facilities in the form of a new 3-year facility totalling £1 billion. The Group has sufficient liquidity within the assessment period.

Other than the above there have been no events between the balance sheet date, and the date on which the financial statements were approved by the Board, which would require adjustment to the financial statements or any additional disclosures.

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**31. Group undertakings**

The Group's subsidiary undertakings at 31 March 2025 are shown below. Unless otherwise disclosed, all subsidiary undertakings are incorporated in the UK, are 100% owned, and (except for the Limited Liability Partnerships (designated LLP)) with a share class of ordinary shares.

	Registered office	Percentage holding
<b>Owned directly by Aigrette Financing Limited</b>		
Aigrette Financing (Issuer) Plc	a	
Osprey Investco Limited	a	
<b>All subsidiary undertakings</b>		
Aigrette Financing (Issuer) Plc	a	
Alexander Morrison Limited	b	
Ambury Developments Limited	a	
Anglian Water (Osprey) Financing Plc	a	
Anglian Water Direct Limited	a	
Anglian Water International Holdings Limited	a	
Anglian Water Services Financing Plc	a	
Anglian Water Services Holdings Limited	a	
Anglian Water Services Limited	a	
Anglian Water Services UK Parent Co Limited	a	
AWG Business Centres Limited	a	
AWG Central Services Limited	a	
AWG Corporate Services Limited	a	
AWG Group Limited	a	
AWG Land Holdings Limited	a	
AWG Outlet Centers Limited	b	
AWG Parent Co Limited	a	
AWG Property Director Limited	a	
AWG Property Limited	b	
AWG Residential Limited	b	

Aigrette Financing Limited  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2025

**31. Group undertakings (continued)**

	Registered office	Percentage holding
<b>All subsidiary undertakings (continued)</b>		
AWG Shelf 11 Limited	b	
Cambuslang Retail Portfolio Limited	b	
Chester (1995) Limited	a	97%
CS Amenities Limited	a	
DMWS 819 Limited	b	
DMWS 822 Limited	b	
DMWS 823 Limited	b	
DMWS 824 LLP <sup>(1)</sup>	b	
Edmund Homes Limited	a	
Graham Street Airdrie Retail Portfolio Limited	b	
Macrocom (743) Limited	b	
Morrison (Oldco) Limited	b	
Morrison Gloscha Limited	b	
Morrison International Limited	b	
Morrison Property Investments Limited	b	
Osprey Acquisitions Limited	a	
Osprey Investco Limited	a	
Rutland Insurance Limited	e	
Valuetype Limited	a	
Wave Holdings Limited	b	
Wave Water Limited	a	

	Registered office	Percentage holding
<b>Joint ventures</b>		
City Road Properties (Chester) Limited	a	50%
Crowwood Grange Estates Limited	b	50%
Hollowstone Limited	a	50%
Kings Waterfront Properties Limited	a	50%
Morrison Gwent Limited	a	50%
Morrison Properties Limited	b	50%
Morrison Residential Properties Limited	b	50%

**Registered offices**

- a) Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU, United Kingdom.
- b) c/o Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh EH3 8BP.
- c) Suite 8, Northwood House, Northwood Business Campus, Santry, Dublin 9, Ireland.
- d) 6th Floor, Southbank House, Barrow Street, Dublin 4, Ireland.
- e) PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey, Channel Islands.

For all companies, the registered office is located in the country of incorporation

Aigrette Financing Limited  
Notes to the financial statements (continued)  
for the year ended 31 March 2025

**31. Group undertakings (continued)**

**Dissolved companies**

During the year ended 31 March 2025, the following Group subsidiaries were dissolved:

<b>Company Name</b>	<b>Date of Dissolution</b>
Wave Environmental Limited	18 June 2024
AWG Property Developments (Ireland) Limited	15 July 2024
NVB (Rathdowney) Limited	29 July 2024
AWG Outlets (Rathdowney) Limited	6 August 2024
Rathdowney Shopping Centre Management Company Limited	30 September 2024
Morrison Lema Homes Limited (was Wave Utilities Limited)	11 February 2025
Morrison Leneghan IRL Limited	10 March 2025



# Independent auditor's report to the members of Aigrette Financing Limited

## Independent auditor's report to the members of Aigrette Financing Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- the financial statements of Aigrette Financing Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group and company cash flow statement;
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other 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.

# Independent auditor's report to the members of Aigrette Financing Limited (continued)

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtained an understanding of the relevant controls over the cashflow forecasting and going concern assessment;
- understood the group's process to model the impact of going concern and agreed relevant data points in the model to supporting documentation;
- understood and challenged the sufficiency of the period the Directors' have assessed for the purposes of going concern and whether that was appropriate;
- assessed the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by the group;
- tested the assumptions used in establishing the group's base case, including comparison of key assumptions to plans for Asset Management Period ("AMP") 8, including reconciling to the Final Determination and independent data sources where relevant;
- considered the impact of the referral of the Final Determination to the CMA on the Director's going concern conclusions by assessing the likely timing of any changes in cashflows arising from that referral and considering whether the referral provided contradictory evidence to any aspects of the group's cashflow forecasts or disclosures;
- evaluated liquidity, including the ability of the group to raise future financing and inspected the commitment to renew banking facilities which are required within the going concern period. In considering the ability of the group to raise debt we have considered a number of factors including the group's credit ratings, past history of debt raises by the group and others across the water sector, and challenged management to calculate the impact of sensitivities associated with debt being raised at higher costs;
- read the external financing agreements to establish and assess the covenant requirements attached to the borrowings;
- recalculated and assessed the amount of headroom in the forecasts (liquidity and covenants) and recalculated compliance with covenants during the year ended 31 March 2025 and throughout the going concern assessment period;
- challenged the sensitivity analysis including downside risks prepared by the group in the context of operational performance challenges, requirements to raise debt in the period, increased spend on capital projects, cyber risk and the broader socio-economic conditions; and
- assessed the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

# Independent auditor's report to the members of Aigrette Financing Limited (continued)

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent auditor's report to the members of Aigrette Financing Limited (continued)

## **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of Management, Internal Audit, the Audit Committee, and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and the licence conditions imposed by The Water Services Regulation Authority (OFWAT); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included Environmental Agency Regulations.

We discussed among the audit engagement team, and relevant internal specialists such as tax, financial instrument valuations, pensions, environmental, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

In addressing the risk of fraud through bad debt provisioning, we did the following:

- obtained an understanding of the relevant controls within the bad debt provision estimation process;
- utilised data analytics to perform a recalculation of debtor ageing to verify the accuracy of information within the aged debt report in order to assess whether customers are accurately categorised based on information within Management's financial reporting system;
- challenged the base bad debt provision by agreeing the recoverability assumptions to cash collection rates and tested the mechanical accuracy of the calculation;
- assessed whether any discrepancies exist between the provision recognised and that supported by other macro-economic indicators that may impact the ability of customers to make payments;
- assessed whether the provision has been calculated in line with the policy of the group and with IFRS 9 'Financial Instruments'; and
- assessed the accuracy and completeness of the cash collection trends used in the provision rate calculation by reconciling billing and SAP data and tested a sample of cash collections both during the year and post period end.

# Independent auditor's report to the members of Aigrette Financing Limited (continued)

In addressing the risk of fraud in respect of the inappropriate capitalisation of costs, we:

- obtained an understanding of, and tested, relevant controls around the classification of costs as capital expenditure;
- reviewed the capitalisation policy to understand any changes and to determine compliance with relevant accounting standards;
- tested a sample of capital projects by agreeing the costs incurred to third-party documentation and assessing the appropriateness of the classification in accordance with the capitalisation policy;
- performed recalculations of expected capitalised borrowing costs to assess if Management's figure was reasonable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of Management, Internal Audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

# Independent auditor's report to the members of Aigrette Financing Limited (continued)

## Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Hadley (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, United Kingdom  
25 June 2025