Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the year ended 31 March 2023

Prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise indicated

Investor Report

Contents

Basis of Preparation

All financial information in this report is audited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 31 March 2023.

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

Disclaimer

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

General Overview and Business Update

1.0 Financial Performance for the year ended 31 March 2023

Summary Underlying Results for the Anglian Water Services Limited group ("Anglian Water") are summarised below:

	2023 Total £m	2022 Total £m
Revenue (excl. grants and contributions)	**1,388.9**	1,299.7
Grants and contributions	**106.0**	100.1
Other operating income	**16.0**	12.3
Operating costs	**(708.1)**	(623.6)
EBITDA	**802.8**	788.5
Depreciation and amortisation	**(379.1)**	(347.7)
Operating profit	**423.7**	440.8
Finance income	**20.6**	1.8
Finance costs[2]	**(731.1)**	(460.1)
Adjusted loss before tax[1]	**(286.8)**	(17.5)
Finance costs – fair value gains/(losses) on financial derivatives[2]	**645.3**	(115.1)
Profit/(loss) before tax on a statutory basis	**358.5**	(132.6)
Tax	**(90.2)**	(310.2)
Profit/(loss) after tax	**268.3**	(442.8)

[1] 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.
[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.

Revenue

Revenue, excluding grants and contributions, for the year was £1,388.9 million (2022: £1,299.7 million), an increase of £89.2 million (6.9%) on last year. The increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, £87.7 million increase.
- A net decrease in demand of £13.4 million. Household consumption is down £21.8 million and non-household consumption up £8.4 million as we move back towards pre-Covid 19 levels of consumption.
- Increase in revenue of £8.4m as a result of increase in customer numbers.
- Other increases in revenue of £6.5 million.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. Over the year, these have increased by £5.9 million to £106.0 million. This is driven by the strong housing market and construction sector in our region.

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

Other operating income

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

Operating costs (including charge for bad and doubtful debts)

Operating costs including charges for bad and doubtful debt for the year increased by £84.5 million (13.6%) to £708.1 million. This increase is explained in the table below:

	Total £m
Prior period	623.6
Funded by FD	
Inflation	53.2
Capitalisation of replacement infrastructure assets	(9.1)
Weather related	
Investment in leakage to recover from hot weather and freeze-thaw	13.9
Bad debt provision	
Increase in base bad debt charge	6.3
Prior year reassessment of provision	6.0
Prior year change in macroeconomic outlook	6.6
Power	
Benefit of proactive hedging	(4.2)
Other significant items	
Fuel in excess of inflation	3.7
Chemicals in excess of inflation	9.4
Business rates	(10.1)
Other	8.8
Total increase	84.5
March 2023	708.1

Inflation

The inflationary increases in Anglian Water's cost base formed part of the Final Determination and are therefore funded through the inflationary increases in revenues.

Capitalisation of replacement infrastructure assets

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

Weather related

The impacts of climate change are fundamental to our business and our climate-related financial disclosures can be found as an appendix to the paper presented to the Committee. Immediately after the hot summer, the Board committed to invest £13.9 million to ensure we maintained our industry leading leakage position as we sought to recover from a number of weather-related events throughout the year.

The first six months of the year saw very little rainfall and as a result we saw exceptionally dry ground conditions. This was then compounded by two extremely cold spells in winter both followed by a rapid rise in temperatures. These conditions create ground movements that interfere with our infrastructure resulting in additional costs to repair.

Bad debt provision

The increase in bad debt charge is primarily a result of three factors set out below but we continue to see exceptionally strong cash collection with our base bad debt charge over the long term reducing as a percentage of revenue.

- An increase in our base bad debt charge of £6.3 million, partly a result of the increase in our revenue and partly due to a return to more typical levels after an exceptionally strong performance in the prior year.

- The prior year reassessment of provision in our debt over 48 months old, which resulted in a one off £6.0 million provision release in the prior year, as a result of continued positive collection in combination with a change to our write-off policy in April 2020.

- In addition, we estimate the impact of future macro-economic factors on our collection performance as required by IFRS 9. In March 2022 we released £6.6 million of this provision as the projected impact of Covid-19 on unemployment subsided, thus reducing the charge in that year. The latest forecasts for unemployment are broadly the same as that at Mar An increase in our base bad debt charge of £6.3 million, partly a result of the increase in our revenue and partly due to a return to more typical levels after an exceptionally strong performance in the prior year.

Power

Our waterfall chart splits out the impact of inflation and as we operate a robust hedging strategy our energy costs rose slower than inflation in the year thus presenting as a real terms' reduction. This strategy meant that we had locked in our energy prices prior to the start of the year and the war in Ukraine. As such our weighted average hedged price for the year was £58/MWh compared to an average day ahead price for the year of £187/MWh.

Other significant items

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

In addition, following a rates review we received a refund of £10.1 million in the year.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined as the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 1.8% to £802.8 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 9.0% to £379.1 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 decreased by 3.9% to £423.7 million. Whilst there have been significant inflationary costs pressures due to the mismatch in timing with revenue, our proactive energy hedging policy protected the business. In addition the Board committed to invest £13.9 million to ensure we maintained our industry leading leakage position as we sought to recover from a number of weather related events throughout the year.

Financing costs and profit before tax

Adjusted net finance costs, which are finance income net of finance costs before fair value gains and losses on financial instruments, increased from £458.3 million in 2022 to £710.5 million in 2023. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £306.4 million to £561.4 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 5.8% to 12.8% and year-on-year average Consumer Price Index (CPI) from 4.0% to 10.0%. We have both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV). Finance income was £16.0 million, up £14.6 million as we benefited from these higher interest rates on our cash balances.

There was a fair value gain of £645.3 million on derivative financial instruments in 2023, compared to a loss of £115.1 million in 2022. The fair value gains in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the gain in 2023 were primarily due to decreases in the average levels of forward inflation expectations, in combination with the rise in forward interest rates (decreasing the discounted present value of derivatives). During the period, forward inflation decreased by circa 90 basis points and forward interest rates increased by 200 basis points across the curves.

Taxation

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

Total tax paid or collected in the year to 31 March 2023, other than corporation tax, amounted to £234 million (2022: £231 million), of which £100 million was collected on behalf of the authorities for value added tax (VAT) and employee payroll taxes. All of our taxes are paid as they become due.

The current tax credit for the year was £24.7 million (2022: £18.6 million). The deferred tax charge has decreased by £214.0 million from £328.9 million in 2022 to £114.9 million this year.

	Year Ended 31 March 2023	Year Ended 31 March 2022
	£m	£m
Current tax:		
In respect of the current period	**(25.4)**	(13.6)
Adjustments in respect of prior periods	**0.7**	(5.1)
Total current tax credit	**(24.7)**	(18.7)
Deferred tax:		
Origination and reversal of temporary differences	**113.0**	(25.9)
Adjustments in respect of previous periods	**1.9**	1.2
Increase in corporation tax rate	**-**	353.6
Total deferred tax charge	**114.9**	328.9
Total tax charge on profit on continuing operations	**90.2**	310.2

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. In the prior year there is also a one-off credit arising on a change of accounting treatment.

The deferred tax charge for this year 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 prior year charge mainly reflects the effect of a corporation tax rate from 19% to 25% that comes into effect on 1 April 2023 but was legislated for in Finance Bill 2021, capital allowances claimed in excess of the depreciation charge in the accounts offset by a credit on losses carried forward to future years.

The Finance Bill 2021 also introduced increased tax relief for capital expenditure incurred in the period up to 1 April 2023. This has increased the deferred tax charge in this year.

The current and 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.

In addition to the £90.2 million tax charge on the income statement, there is a credit of £35.5 million (2022: charge of £40.7 million) in the statement of other comprehensive income in relation to tax on actuarial losses/(gains) on pension schemes and fair value gains on cash flow hedges.

Cash Flow

Anglian Water Services
Cash flow on a statutory basis

Year ended 31 March	2023 £m	2022 £m
Cash generated from operations	**710.9**	**749.9**
Income taxes paid	-	-
Net cash flows from operating activities	**710.9**	**749.9**
Net interest paid, including issue costs paid	(201.3)	(223.8)
Borrowings premiums received	-	-
Decrease/(increase) in short-term deposits	94.0	(312.0)
Repayment of amounts borrowed	(668.8)	(656.4)
Settlement of principal on derivatives	-	75.9
Interest element of finance lease rental payments	(0.9)	(1.2)
Increase in amounts borrowed	740.8	100.5
Capital element of finance lease rental payments	(5.3)	(12.0)
Proceeds from issue of share capital	-	1,165.0
Dividends paid	(169.0)	(96.3)
Net cash (used in)/from financing activities	**(210.5)**	**39.7**
Purchase of fixed assets net of disposal proceeds	(584.2)	(459.4)
Purchase of intangible assets	(75.8)	(58.8)
Interest received on deposits	16.0	1.4
Net cash used in investing activities	**(644.0)**	**(516.8)**
Net (decrease)/increase in cash and cash equivalents	**(143.6)**	**272.8**
Cash and cash equivalents at the beginning of the period	478.7	205.9
Cash and cash equivalents at the end of the period	**335.1**	**478.7**

The business generated cash from operations of £710.9 million in the year (2022: £749.9 million). Operating cash was impacted by the rate of increase in operating costs exceeding the rate of increase in revenue due to the timing of inflationary increases in revenue. In addition, we saw short term timing differences on working capital as we managed covenant headrooms going into year 4.

Distributions available to the ultimate investors

In line with the approved dividend policy, the Board have proposed to pay a final dividend amounting to £79.9 million payable on 15 June 2023. The dividend has been adjusted with a £26 million deduction to reflect aspects of underperformance against ODIs, including the ODI penalty incurred. A £169.0 million prior year final dividend was paid in the period (2022: £96.3 million in relation to financial year 2021), reflecting the Company's dividend policy. A deduction was made to the base dividend of £9 million to reflect performance in 2021/22.

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

Financial needs and resources

During the year to March 2023, Anglian Water raised new debt of £740.8 million. This was comprised of the following new issuances:

- 10-year Canadian Maple Bond amounting to C$350.0 million which was swapped to a sterling equivalent of £224.8 million;
- £100m 18-year CPIH linked bond. This was the first CPIH linked issuance by Anglian Water;
- £150m drawdown on NatWest facility; and
- £266m US private placement

Repayments of £668.7million were made in respect of maturing debt, which consisted of a £250 million 5.837% fixed rate debt, £15 million 1.37% index-linked private placement, £31.9 million 4% private placement, £22.3 million 4% private placement, amortising payments on EIB index-linked debt and £266.5m early settlement of accretion due on 2.4% ILLS 2035 note.

The Group's borrowing facilities of £1,350.0 million (2022: £975.0 million) comprise Class A debt service reserve facilities totalling £244.0 million provided by Barclays Bank Plc, HSBC Bank Plc, Sumitomo Mitsui Banking Corporation, JP Morgan Chase N.A. and Lloyds TSB Bank Plc; a £131.0 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 £875.0 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.

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

Net Debt

At 31 March 2023, excluding derivatives, Anglian Water had borrowings net of cash of £6,247.9 million, an increase of £626.6 million over the prior year. Net borrowings comprised a mixture of fixed, index-linked and variable-rate debt of £6,845.1 million, leases of £35.9 million and cash and deposits of £633.1 million. Net debt increased as a result of indexation on debt as described above combined with our continuing capital investment programme.

At 31 March 2023, Anglian Water had a derivative financial instrument liability of £697.7 million (excluding energy derivative assets of £0.7 million), down from £1,162.0 million in 2022 (excluding energy derivative assets of £73.4 million).

Annual Performance Report

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

2.0 Regulatory Update

Final PR24 methodology

Ofwat published its Final Methodology for the PR24 price review in December 2022.

The previous four stated ambitions for PR24 are retained. The methodology highlights the continued and increased focus on the sector since the Draft Methodology and notes that the sector is at a critical point given the significant loss in public confidence; the drought and water restrictions in parts of the country were contrasted with company performance on leakage; and concerns about the use of storm overflows remain a prominent issue.

There is a focus on performance in the headline narrative expecting ambition and long-term improvements to rebuild trust in the sector.

This focus on managing water demand is reflected in Ofwat's new proposal to introduce a new £100m water efficiency fund which will be run in a similar way to the innovation fund (which they also propose to increase by £100m to c£300m in PR24). They will also be setting separate performance commitments for different components of water demand, including leakage, PCC and business demand.

Ofwat expect improved customer service, with C-MeX and D-MeX retained, C-MeX increasing in scale from ± 12% revenue to 18%. Introducing Business and Retailer measure of experience (BR-MeX). Customer experience PCs will be reviewed and consulted on further in 2023 and 2024.

On growth, Ofwat have removed the Developer Services Revenue adjustment mechanism, network reinforcement remains in base cost models and the network plus controls. WRC growth is to be modelled as a standalone model. Ofwat have continued the position to remove the onsite developer service activities from the network plus control and have accepted our representation on the removal of the 25 plot demarcation.

A number of other changes introduced include the revised criteria for enhanced incentives which are expected on leakage and PCC and the introduction of some collars on specific measures (interruptions to supply and the Compliance Risk Index).

The four categories of assessment for plans remain with more insight provided on how quality will be assessed, including a specific requirement to provide Board Assurance on the practical deliverability of plans. The IAP and DD will be merged into a single Draft Determination to be published in May/June 2024.

Instead of promoting nature-based solutions by adding these investments to companies' RCVs, they have opted to provide a 10-year allowance.

Ofwat has published their initial view of appointee WACC of 3.29% (real CPIH basis) to be used (PR19 FD 2.96%, CMA FD 3.20%). Ofwat recognise recent market volatility and keep open the option of indexing cost of equity (via the risk-free rate component).

As signposted previously, Ofwat propose to implement the reduction in notional gearing down to 55% (from 60% PR19) in addition to the full transition of RCV to CPIH.

Change to Licence

Following its July 2022 consultation, in March 2023 Ofwat announced changes to Company Licences in relation to the payment of dividends which, in their view, will help strengthen financial health, protect customers and attract investment.

These changes involve a modification to Licence Condition P (which is to take effect from 17 May 2023). As far as dividends are concerned, the new Licence Condition mandates that companies may only declare or pay dividends in accordance with a dividend policy which has been approved by the Board and which complies with the following principles:

- Dividends declared or paid must not impair the ability of the company to finance its regulated business, taking account of current and future investment needs and financial resilience over the longer term;

- Dividends declared or paid take must account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
- Dividends declared or paid must reward efficiency and the effective management of risks to the regulated business.

Reviews of Economic Regulation

The BEIS review of economic regulation continues. The review is looking into the economic regulation of the energy, water and telecoms sectors, including regulators' duties, how regulators can enhance competition and innovation and how respective regulatory appeals processes work. Anglian Water engaged with BEIS on this over summer 2022 and have been directly supporting the engagement with the BEIS team with investors and WUK.

In March the House of Lords Industry and Regulators Committee strongly criticised the governance and regulation of the water industry, when it published a report following its inquiry into the work of Ofwat.

In 'The affluent and the effluent: cleaning up the failures of water regulation', peers found Government strategy to be insufficient and inadequately coordinated; Ofwat to have failed to ensure enough investment, preferring to keep bills low; and water companies to be "overly focused on maximising financial returns at the expense of the environment, operational performance and financial sustainability".

Among its recommendations, the Committee called for a National Water Strategy; more Government guidance for Ofwat in balancing investment and bills; a national social tariff to support those who struggle to pay; universal metering; adequate funding for the Environment Agency for pollution enforcement; and powers for Ofwat to ban directors of serious polluter water firms from working in the sector.

Accelerated infrastructure

In April 2023, Ofwat announced the approval of 31 investments across the industry totalling £1.6bn for inclusion within the Accelerated Delivery programme, and a further 37 investments totalling a further £1.5bn which companies can accelerate 'at risk' "if they are included in final company environmental plans and address concerns that Ofwat has raised". The vast majority of the awarded funding (£919m) goes to United Utilities to improve 154 overflows in Cumbria by installing 327,000m3 of storage and 61.5ha of impermeable area removal.
£1.6bn is the total value of the projects to 2030, with around £500m being accelerated into financial years 23/24 and 24/25 (rising to £876m if the 'at risk' schemes are included).

Ofwat have approved four schemes within Anglian Water's proposal (smart metering, storm overflows, nutrient neutrality, Colchester re-use) with a further two that can proceed 'at risk' (Grafham to Bury strategic interconnector, drought resilience).

Ofwat feedback on WRMPs

In February 2023 Ofwat Senior Director for company performance and price reviews, Aileen Armstrong, wrote to the Secretary of State for Environment, Food & Rural Affairs to provide Ofwat's views on draft water resource management plans and draft regional water resource plans. This was followed in March 2023 by Ofwat's publication of their individual feedback letters to companies on their website along with a press notice.
Although the draft plans propose more infrastructure to increase supply and manage demand, the regulator has challenged companies to develop more creative and innovative ideas and ensure they deliver best possible value for customers. Ofwat has asked companies to demonstrate how improvements will be delivered and that the costs are efficient.

Senior Ofwat leadership changes

David Black wrote to companies on in February 2023 to inform of changes to the Ofwat Senior Leadership Team. John Russell, Senior Director for Strategy, Finance and Infrastructure will be leaving Ofwat in the summer to take up a new role as a Chief Executive of the Single Source Regulations Office. At the same time, Emma Kelso, Senior Director for Markets, Enforcement and Customer Policy, will be stepping back as Senior Director, but remaining in Ofwat, so she can study for a doctorate.

Anglian Water were also told that Paul Hickey is joining Ofwat and the Senior Leadership Team on a permanent basis, after previously being on secondment from the Environment Agency.

Senior Director for the Price Review, Aileen Armstrong, is also to leave Ofwat to take up post as executive director of strategy and innovation at the Solicitors Regulation Authority in mid-June. In April Ofwat announced the appointment of Chris Walters as new Senior Director for the Price Review. He joins Ofwat from NHS England, where he is Director of Pricing and Costing.

Before joining the NHS in 2015, he held senior roles at the OFT and CMA, including as Chief Economist.

Recent CMA developments – RIIO2 and Heathrow

CMA appeals are in train against recent regulatory determinations across other regulated sectors. Ofgem published its final licence modification decision in the RIIO-ED2 review of electricity distribution network price controls in February 2023. Northern PowerGrid submitted a notice of appeal against the decision to the CMA in March 2023. The other five DNO owners chose not to appeal. The grounds of appeal relate to company-specific aspects of Ofgem's price control calibrations.

CAA published its licence modification decision in the H7 review of Heathrow Airport's price cap in March 2023. The final decision updates the CAA's earlier June 2022 final proposals to take account of data up to and including Q4 2022 in the areas of: passenger numbers; inflation; the cost of debt and risk-free rate. Otherwise, most of the CAA's earlier proposals were left unchanged. In April Heathrow and three of its airline customers lodged appeals against the CAA's decision.

3.0 Service Performance Overview

Customers remain a key priority for Anglian Water and through the continued use of insight Anglian Water are able to identify opportunities for iterative improvements and wholescale changes, prioritising at an enterprise level.

The popularity of Anglian Water's new WhatsApp channel launched earlier this year continues to grow with over 1000 customer interactions per week. Digital is increasingly becoming customers channel of preference with over 60% of contacts received through these routes. Most significantly a 17% increase in the number of updates customers are making to their accounts through the online Myaccount platform. Through monitoring these interactions, Anglian Water can see that customers are more closely monitoring their own water consumption and subsequent payment amounts. Anglian Water are embarking on a relaunch of this MyAccount system to ensure it remains fit for purpose with this significant increase in demand.

However, it isn't just account queries customers are switching to digital for as Anglian Water has also seen a 25% increase in the number of operational contacts reported through the online self-reporting system. This digital shift has expedited Anglian Water's expansion of digital services with a new online version of inhouse extra-care assessment tool helping customers maximise their income by targeting concessionary tariffs and signposting to 3rd sector support.

Anglian Water are also now able to port data from the gov.co.uk website giving customers the support they need on their first contact.

Anglian Water's external partnership working continued to grow this year where through work with local councils Anglian Water secured over £1million pounds for customers through their Household support funding. In addition, Anglian Water's partnerships provide much welcomed advice and challenge and this year have helped shape future business plans and helped redesign bills which included bills in a range of coloured formats for those customers with a visual impairment.

This year Anglian Water has exceeded our target and provided financial support through wide-ranging schemes to over 340,000 customers. Anglian Water has also exceeded ambitions in identifying and supporting over 11%, 335,000, of customers in non-financial circumstances through the Priority Service Register.

It’s not just about numbers though and to demonstrate the quality of the service provided to vulnerable customers Anglian Water is extremely proud to be amongst the first in the world to be assessed and achieve the international standard ISO22458 which measures how we design and deliver fair, flexible and inclusive services for consumers in vulnerable situations.

Anglian Water continues to exploit use of technology with data sharing with the Department of Works and Pensions and more recently a new 2-way data share with distribution network operators in the energy sector.

With the challenges Anglian Water faced due to some extreme weather events over the past year customer satisfaction scores have not been as high as Anglian Water was aiming and have resulted in adaptations to services in line with changing customer expectations. Despite these challenges Anglian Water has this year positively reduced the number of customer complaints received by over 15% with over 95% of them responded to within 5 working days.

4.0 Capital Expenditure

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

Delivery against this investment programme remains strong with gross annual capital expenditure on an accruals across the appointed business increasing from £635 million in 2021/22 to £725.0 million in 2022/23 (£326.0 million on capital maintenance, £399.0 million on capital enhancement).

5.0 Water Quality and Environmental Performance

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

Drinking Water

Maintaining supplies of high-quality drinking water is Anglian Water's biggest priority and we engage and invest from "source-to-tap" to maintain and improve on performance. Following on from last year's excellent performance Anglian Water has recorded another record low for acceptability customer contacts, that is the number of contacts received from customers about the appearance, taste and odour of their water, at 1.01 customer contacts per 1,000 customers (compared with 1.03 customer contacts per 1,000 in 2021). However, Anglian Water narrowly missed the very challenging ODI performance commitment, set at 0.93 complaints per 1,000 customers.

This year the provisional Compliance Risk Index (CRI) score for Anglian Water is 2.86. Whilst above the ODI target 2022 saw a reduction of 29% in the estimated CRI score compared to 2021 (4.04 in 2021). This reflects the success of Anglian Water's improvement programmes targeted in the areas of coliform and *E.coli* detections at WTW finals and storage points and taste and odour detections at customers taps.

The provisional Event Risk Index (ERI) score for 2022 is 2.77 which is within the Company's OFWAT ODI target of 15. This industry leading score reflects Anglian Water's robust processes to minimise impacts to customers during planned work and reactive response.

One technical audit was carried out by the Drinking Water Inspectorate (DWI) as part of its risk-based audit programme relating to the regulation 28 risk assessment returns provided to the Inspectorate. The audit outcome was 'Generally Satisfactory' with a single recommendation to be followed-up in 2023.

Through 2022 Anglian Water reviewed and strengthened the approach taken to assuring compliance with the requirements of regulation 31 'Application and introduction of substances and products' to ensure that policies and procedures remain industry leading.

Also, in 2022 a new Laboratory Information Management System (LIMS) was introduced to enhance the management of both processes and data within the laboratory and for reporting to the wider business and stakeholders.

Water Recycling

The Environment Agency (EA) reported Anglian Water's 2021 pollution performance in July 2022, confirming a two-star rating in its annual Environmental Performance Assessment (EPA) for 2021; this rating was given as Anglian Water missed the target for the number of serious pollution events for 2021.

Anglian Water has continued to implement a full strategic review around pollution events and treatment works compliance, including the publication of a revised Pollution Incident Reduction Plan (PIRP). Anglian Water are investing in a significant number of additional sewer sensors and monitors, and new systems to gather this data and enable the information generated to be used as a preventative tool, whilst also focussing on response processes and regulatory liaison. Whilst the EA will confirm the final EPA position for 2022 in July 2023, Anglian Water recorded fewer serious and total pollutions in 2022 compared to 2021, and also saw an increase in treatment works compliance.

The Flow to Full Treatment (FFT) investigation

All water and wastewater companies were asked in November 2021 by Ofwat and the EA to provide information on any treatment works which were potentially unable to achieve the 'flow to full treatment' (FFT) conditions within their permits. This is the level of flow which can be treated through the works before excess water has to be diverted into storm tanks and then potentially into the environment. Anglian Water's permits require that its storm systems are only used during extreme weather events and should not be used routinely.

Anglian Water have continued to work with Ofwat and the EA to comply with a series of further requests for information, and we await the outcome of the investigation.

Environment

Defra confirmed in January 2023 that 32 'Excellent' bathing water designations had once again been achieved across the region. Just three bathing waters in Anglian Water's region are rated less than Excellent or Good; investigations at the single 'Poor' bathing water, Heacham, have categorically ruled out any impact of operations. Investigations continue at the two 'Sufficient' sites.

Anglian Water have continued to outperform and deliver early on its WINEP obligations, and at the end of March 2023, we were ahead of our delivery obligations by over 300 schemes.

A significant proportion of Anglian Water's investment programme has been focussed on reducing the use of storm overflows, and in 2022, average spill frequency was 15 spills per overflow, a 40% reduction on 2021, and the lowest spill rate in the industry. The average duration of spills reduced by 54%. Whilst Anglian Water welcomes this progress, it is recognised that the public sentiment around this issue and the need for us to do more and continue to focus intensely on measure to drive further spill reduction. Anglian Water is on track to ensure that 100% of sites have Event Duration Monitors (EDMs) by the end of 2023, in line with government expectations, and the installation of additional storm tanks at a number of Water Recycling Centres has dramatically reduced the number of spills. In March 2023, Anglian Water celebrated the first year of the partnership with Severn Trent on Anglian Water's Get River Positive campaign and held a successful event in Parliament with a number of river and community groups and MPs. Anglian Water is delighted with the progress made in the first 12 months, particularly the level of partnership funding that has been secured. Notable highlights include support for the River Stiffkey catchment in North Norfolk, in partnership with Norfolk Rivers Trust and Microsoft, the focus on inland bathing water designation which led to three of the four most recently announced inland bathing designations being in the region, the introduction of further beavers at Spains Hall Estate in Essex to reduce flood risk and the publication of a new interactive map to show EDM data and Anglian Water's environmental investment work.

Further details on Anglian Water's first year of Get River Positive achievements can be found at Get River Positive: https://www.anglianwater.co.uk/environment/get-river-positive/

Water Resources

Nationally, the water resources position has significantly improved following the extreme weather conditions experienced in 2022 (i.e. extended hot and dry conditions), due to above average rainfall levels over winter 2022/23. Only 2 of the 14 Environment Agency areas remain in "drought status", specifically Devon & Cornwall and East Anglia, with all others now in "drought recovery" or "normal" status. Anglian Water has managed to keep water resource situation secure throughout 2022 without the need to enact customer side restrictions (i.e. temporary use bans (TUBS) aka. hosepipe bans), due to the focus and investment in drought resilience and enhanced demand management over previous AMP periods. This includes investment in schemes such as Ruthamford resilience and the new treatment works in Lincolnshire.

Regionally, rainfall in the East of England over winter 2022/23 has been mixed with October, November and March representing above average rainfall however December, January and February were below average. Overall, reservoir levels are healthy with regional storage at 93.7% and all reservoirs are now back to or at target level ahead of summer 2023, except for Grafham Water which is still 9% below target but rising. Unfortunately, Anglian Water is seeing localised drought hotspots appearing across the region with particular reference to groundwater levels in North Norfolk and river flows linked to direct river abstraction points (of particular note are the River Nar and River Trent). Anglian Water's Drought Management Team (DMT) continues to operate with significant focus on tactical action ahead of summer 2023 as well as looking ahead and preparing activities ahead of 2024.

Anglian Water is continuing to follow the newly published Drought Plan 2022 and are enacting appropriate action as per the Plan. This includes:

- Anglian Water's Drought Management Team (DMT) which was convened in July 2022 remains in operation and is coordinating our local action. This includes a focus on tactical action ahead of summer 2023 as well as a look ahead by preparing activities needed ahead of 2024.
- Continuing significant drought engagement at a national level – incl. national drought group, engagement with regulators and multi-sector liaison through Water Resources East (WRE).

Anglian Water published the draft Water Resources Management Plan 2024 (WRMP24) for consultation on 21st December 2022 following a period of collaboration with the Environment Agency. This consultation closed on 29th March 2023 with a Statement of Response due to be published by 21st June 2023. Our revised draft WRMP24 is planned to be submitted no later than 2nd October 2023, alongside the Price Review 2024 (PR24) and Long-Term Delivery Strategy (LTDS). The WRMP24 is an ambitious plan with demand management at its heart but also sets out the need for two large-scale, multi-sector reservoirs in Lincolnshire and the Fens. Both of these reservoirs form part of the Strategic Regional Options (SRO) programme governed by the Regulators' Alliance for Progressing Infrastructure Development (RAPID) and both have provisionally passed through Gateway 2 in March 2023.

Anglian Water had a successful year for abstraction compliance in 2022, with no annual abstraction licence exceedances linked to public water supplies despite the challenging conditions experienced in 2022 (i.e. extreme heat and freeze thaw events). Anglian Water is continuing to work closely with the Environment Agency to review abstraction licence conditions to ensure sustainable abstraction levels across the region. In September 2022, Anglian Water submitted nine overriding public interest (OPI) cases to support with time-limited licence applications to ensure Anglian Water protected public water supplies in the near future. Anglian Water are positively engaging with the Environment Agency on next steps to balance the need to protect the environment whilst maintaining secure public water supplies.

6.0 Financing

At March 2023, Anglian Water's CTA net debt was £6,572.2 million, an increase of £878.0 million, primarily as a consequence of indexation on debt combined with raising debt for our continuing capital investment programme. CTA gross debt was £7,201.6 million with cash and investments of £629.4 million.

During the year to March 2023, Anglian Water raised new debt of £740.8 million. This was comprised of the following new issuances:

- 10-year Canadian Maple Bond amounting to C$350.0 million which was swapped to a sterling equivalent of £224.8 million;
- £100m 18-year CPIH linked bond. This was the first CPIH linked issuance by Anglian Water;
- £150m drawdown on NatWest facility; and
- £266m US private placement

Repayments of £668.7 million were made in respect of maturing debt, which consisted of a £250 million 5.837% fixed rate debt, £15 million 1.37% index-linked private placement, £31.9 million 4% private placement, £22.3 million 4% private placement, amortising payments on EIB index-linked debt and £266.5m early settlement of accretion due on 2.4% ILLS 2035 note.

Credit ratings at 31/03/2023 are as follows:

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

7.0 Dividends

In the year ended 31 March 2023 dividends of £169.0 million were paid out of the Anglian Water Services Financing Group to the Company’s direct parent, AWG Group Limited (2022: £96.3 million).

8.0 Significant Board / Management Changes

The Board of Anglian Water Services Ltd comprises:

Dr John Hirst, CBE	Independent Non-Executive Chairman	
Natalie Ceeney, CBE	Independent Non-Executive Director	
Dame Polly Courtice, DBE, LVO, DL	Senior Independent Non-Executive Director	
Colin Matthews, CBE	Independent Non-Executive Director (appointed 23 November 2022)	
Zarin Patel	Independent Non-Executive Director	
Alistair Phillips-Davies	Independent Non-Executive Director (appointed 23 November 2022)	
Peter Simpson	Chief Executive Officer	) Executive
Steve Buck	Chief Financial Officer	) Executive
John Barry	Non-Executive Director	
Deepu Chintamaneni	Non-Executive Director (appointed 22 March 2023)	
Alex Nassuphis	Non-Executive Director	
Batiste Ogier	Non-Executive Director	

Anglian Water is managed by the AWS Management Board, which, as at 31 March 2023, in addition to the Executive Directors referred to above, included:

Susannah Clements	Group People and Change Director
Brian Ebdon	Director of Strategic Planning and Performance
Pete Holland	Director of Customer and Wholesale Services
Dr Robin Price	Director of Quality and Environment
Ian Rule	Director of Water Services
Claire Russell	Legal Director / Company Secretary
Emily Timmins	Director of Water Recycling
Jason Tucker	Director of Strategic Delivery and Commercial Assurance

Anglian Water will be holding a meeting for investors on Wednesday 8th June 2023.

9.0 Sustainable Financing

Background

Anglian Water have developed a framework under which it can issue sustainable transactions, green and/ or social finance to finance their Asset Management Plan for the period 2020–2025 (AMP7). For AMP7 it has separated its eligible capital expenditure into 11sustainable categories.

The framework aligns with the ICMA Green and Social Bond Principles and the Sustainability Bond Guidelines, as published by the International Capital Market Association ("ICMA"). The framework also aligns with the Loan Market Association's ("LMA") Green Loan Principles.

The latest framework is published on Anglian Water's website and can be found here:
anglian-water-green-bond-sustainability-framework-report-2020.pdf (awg.com)
sustainability-linked-bond-framework-2021.pdf (awg.com)

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

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

As of 31st March, four sustainable debt instruments remained in the ringfenced account including the Biodiversity Bond 2026 $35m with proceeds equivalent to £25.6m of which 23.3m has been drawn, Green Bond 2032 C$350m with proceeds equivalent to £225.8m of which £204.9m had been drawn, Green Bond 2037 £266m of which £192.9m had been drawn and Green Loan 2040 £100m of which £33.3m had been drawn.

Ofwat Interconnector Programme and the Strategic Pipeline Alliance

In August, Anglian Water issued its first corporate green bond in the Canadian ‘maple’ bond market – becoming the first UK company to do so.

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

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

Ratios

1.0 Historical & Current Test Period

Anglian Water confirms that in respect of the year ended 31 March 2023, by reference to the most recent financial statements that it is obliged to deliver in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

		Actual 31 Mar 2023	Actual 31 Mar 2022
a)	The Class A RAR	**65.6%**	64.8%
b)	The Senior RAR	**65.6%**	64.8%
c)	The Class A ICR	**3.8:1**	4.0:1
d)	The Class A PMICR[1]	**N/A**	N/A
e)	The Senior PMICR[1]	**N/A**	N/A
f)	The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	**2.1:1**	2.6:1
g)	The Conformed Class A PMICR	**1.6:1**	1.8:1
h)	The Conformed Senior PMICR	**1.6:1**	1.7:1
i)	The Additional Senior RAR[2]	**65.6%**	64.8%
j)	The Additional Conformed Senior PMICR[2]	**1.6:1**	1.7:1
k)	The Additional Conformed Senior Average PMICR[2]	**1.6:1**	1.8:1

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

[2] New requirement in the Class B accession deed

2.0 Forward Looking

Anglian Water confirm that each of the above Ratios and each of the Senior Average PMICR[1], Class A Average PMICR[1], Conformed Senior Average PMICR, Conformed Class A Average PMICR and Additional Conformed Senior Average PMICR have been calculated with respect to the Test Periods for which they are required to be calculated under the Common Terms Agreement and have not breached the Trigger Event Ratio Levels and have not caused Paragraph 20 (Ratios) of Part 2 of Schedule 7 (Events of Default) to be breached.

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

3.0 Computations

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

Anglian Water also confirms that:

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

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

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

  (ii) the provisions of the Finance Leases.

4.0 Interest Cover Ratios (ICR)

Interest Cover Ratios	Trigger/Default	Actual Period to 31 Mar 23	Actual Period to 31 Mar 22
		£m	£m
Income		**1,396.2**	1,358.8
Operating Expenditure		**(683.2)**	(609.0)
Pre-capital maintenance cashflows		**712.9**	749.8
Capital Maintenance Expenditure		**(326.2)**	(269.2)
Depreciation		***(423.5)***	*(413.4)*
Post-Maintenance cashflow for PMICR		***289.4***	*336.4*
Post-Maintenance cashflow for Net Cash Flow ratio		**386.8**	480.6
Net Interest		**(185.2)**	(203.0)
Enhancement Capital Expenditure		**(334.0)**	(248.2)
Premium paid on bond buyback		**0.0**	(14.5)
Ordinary Dividends		**(169.0)**	(96.3)
Shareholder reinvestment		**0.0**	1,165.0
Pre-financing cashflows		**(301.5)**	1,083.6
Interest Payable on Class A Debt:			
Finance Leases		**0.0**	(0.6)
Class A Bonds		**(196.3)**	(183.9)
MBIA Wrap Fees		**(1.8)**	(2.6)
Less Interest Receivable		**12.9**	0.9
Total net Class A debt interest		**(185.2)**	(186.2)
Interest Payable on Class B Debt			
Class B Bonds		**0.0**	(16.8)
Total Net Interest payable on Senior Debt		**(185.2)**	(203.0)
Interest Cover Ratios:			
Class A ICR	1.6:1	**3.8:1**	4.0:1
Conformed Senior PMICR	1.1:1	**1.6:1**	1.7:1
Conformed Class A PMICR	1.3:1	**1.6:1**	1.8:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	**2.1:1**	2.6:1
Additional Conformed Senior PMICR	1.3:1	**1.6:1**	1.7:1
Additional Conformed Senior Average PMICR	1.4:1	**1.6:1**	1.8:1

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	**Trigger/Default**	**As at 31 Mar 23 £m**	As at 31 Mar 22 £m
Class A Gross Debt:			
Finance Leases		**0.0**	0.0
Class A Bonds etc		**(7,201.6)**	(6,564.5)
Total Class A Gross Debt		**(7,201.6)**	(6,564.5)
Less cash balances and Authorised Investments		**629.4**	870.1
Total Class A Net Debt		**(6,572.2)**	(5,694.4)
Class B		**0.0**	0.0
Total Senior Net Debt		**(6,572.2)**	(5,694.4)
Regulatory Asset Value (RAV)[1]		**10,019.8**	8,791.6
Regulatory Asset ratios:			
Senior RAR	85.0%	**65.6%**	64.8%
Class A RAR	75.0%	**65.6%**	64.8%
Additional Senior RAR	75.0%	**65.6%**	64.8%

[1]The RCV used for the ratio calculations above is Anglian Water's calculation. Ofwat published their RCV for 31 March 2023 in May-23, however, following evaluation of Ofwat's methodology, Anglian Water believes that the calculation does not fully reflect RPI indexation of the RPI linked part of RCV and that therefore the Ofwat RCV number is understated by £61 million (2022: £38 million).

6.0 *Regulatory Performance*

This information is not currently available.

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2022 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 31 March 2023 £m**
Operating Leases (Vehicles)	5.2	5.9	(2.2)		**8.9**
Transferring Bonds:					
6.875% Fixed 2023	200.0			0.0	**200.0**
6.625% Fixed 2029	200.0			0.0	**200.0**
A4 Notes - 5.837% Fixed 2022	250.0		(250.0)	0.0	**0.0**
A6 Notes - 3.07% ILLS 2032	352.6			44.0	**396.6**
A7 Notes - 3.07% ILLS 2032	105.4			5.3	**110.7**
A8 Notes - 6.293% Fixed 2030	246.0			0.0	**246.0**
A11 Notes - 3.666% ILLS 2024	132.2			16.5	**148.7**
A18 Notes - 2.4% ILLS 2035	665.8		(266.5)	91.6	**490.9**
A19 Notes - 1.7% ILLS 2046	79.1			9.9	**89.0**
A20 Notes - 1.7% ILLS 2046	79.4			9.4	**88.8**
A21 Notes - 1.7146% ILLS 2056	63.6			8.2	**71.8**
A22 Notes - 1.6777% ILLS 2056	79.5			10.2	**89.7**
A23 Notes - 1.7903% ILLS 2049	95.2			12.1	**107.3**
A24 Notes - 1.3825% ILLS 2056	79.6			9.6	**89.1**
A25 Notes - 1.3784% ILLS 2057	159.1			19.1	**178.3**
A26 Notes - SONIA Plus 0.34%	119.1			15.9	**135.0**
A27 Notes - 1.449% ILLS 2062	111.1			9.6	**120.7**
A28 Notes - 1.52% ILLS 2055	74.2			6.6	**80.8**
A30 Notes - SONIA Plus 0.85%	125.7			13.5	**139.2**
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	**25.0**
A35 Notes - £130M 2.262% IL Bond 2045	189.3			24.7	**214.0**
European Investment Bank £75m 0.53% index linked amortising term facility 2027	50.4		(10.9)	6.1	**45.5**
European Investment Bank £75m 0.79% index linked amortising term facility 2027	50.4		(10.9)	6.1	**45.5**
A38 Notes - £250m 4.5% 2027	274.5			53.2	**327.7**
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9		(31.9)	0.0	**0.0**
Sub Total	**3,538.0**	**155.9**	**(540.6)**	**318.3**	**3,471.7**

Cont'd	Closing Balance 31 Mar 2022 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 31 March 2023 £m**
A40 Notes - £73.3m 4.4% Private Placement 2028	84.2			8.7	**92.9**
A41 Notes - £50m 2.05% IL Private Placement 2033	66.1			8.6	**74.7**
A42 Notes - £15m 1.37% IL Private Placement 2022	19.8		(20.9)	1.0	**0.0**
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3		(22.3)	0.0	**0.0**
European Investment Bank £150m 0% index linked amortising term facility 2028	117.4		(21.2)	14.4	**110.6**
A46 Notes - £200m 4.5% 2026	200.0			0.0	**200.0**
A47 Notes - £35m 1.141% IL Bond 2042	45.3			5.9	**51.3**
A48 Notes - US$170m 3.84% Private Placement 2023	110.5			0.0	**110.5**
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	**93.0**
European Investment Bank £65m 0.41% index linked amortising term facility 2029	57.6		(9.0)	7.2	**55.8**
European Investment Bank £125m 0.1% index linked amortising term facility 2029	117.3		(17.0)	14.7	**114.9**
European Investment Bank £60m 0.01% index linked amortising term facility 2030	59.8		(8.1)	7.5	**59.1**
A51 Notes - £55m 2.93% Private Placement 2026	55.0			0.0	**55.0**
A52 Notes - $150m 3.29% Private Placement 2026	111.9			9.1	**121.1**
A53 Notes - £35m 1.35% Private Placement 2031	38.4			4.0	**42.4**
A54 Notes - £20m 2.93% Private placement 2026	20.0			0.0	**20.0**
B55 Notes - £200m 2.625% Class B 2027	207.9			9.4	**217.2**
A56 Notes - £250m 1.625% Green Bond 2025	263.4			27.3	**290.7**
A57 Notes - £300m 2.75% Green Bond 2029	322.4			28.4	**350.9**
A58 Notes - £85m 2.880% Private Placement 2029	85.0			0.0	**85.0**
A59 Notes - £25m 3.00% Private Placement 2031	25.0			0.0	**25.0**
A60 Notes - US$53m 3.053% Private Placement 2029	40.1			0.0	**40.1**
A61 Notes - £65m 2.870% Private Placement 2029	70.2			7.4	**77.5**
A62 Notes - JPY7bn 0.855% 2039	53.9			5.1	**59.0**
A64 Notes - £50m 1.760% 2035	50.0			0.0	**50.0**
A65 Notes - JPY7bn 0.85% 2040	53.0			5.4	**58.3**
Export Development Canada £100m 1.588% term loan facility 2024	106.0			10.8	**116.8**
A66 Notes - £35m 2.14% 2036	35.0			0.0	**35.0**
A67 Notes - £40m 2.14% 2036	40.0			0.0	**40.0**
A68 Notes - US$35m 1.16% 2036	25.5			0.0	**25.5**
Just Retirement £26.1m 0.010% term loan facility 2035	27.9			2.3	**30.2**
BP Pension Trustees £26.1m 0.010% term loan facility 2035	27.9			2.3	**30.2**
A88 Notes - £65m 0.835% IL Bond 2040	68.6			7.3	**75.9**
A69 Notes - CAD350m 4.525% 2032	0.0	224.8		0.0	**224.8**
A70 Notes - £242m 6.070% 2037	0.0	242.0		0.0	**242.0**
A71 Notes - £24m 6.070% 2037	0.0	24.0			**24.0**
£75m Term Loan Facility 1.05% 2029	0.0	75.0			**75.0**
£75m Term Loan Facility 1.15% 2032	0.0	75.0			**75.0**
CPIH £100m 3.017% Facility	0.0	100.0		2.8	**102.8**
Total1	**6,564.5**	**746.7**	**(671.1)**	**561.4**	**7,201.6**

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

8.0 Anglian Water Services Group – Profit & Loss Account

Summary Underlying Results (AWS Group)

The consolidated financial results for the year ended 31 March 2023 are summarised below:

	Year ended 31 Mar 2023 Total	Year ended 31 Mar 2022 Total
	£m	**£m**
Revenue (excl. grants and contributions)	1,388.9	1,299.7
Grants and contributions	106.0	100.1
Other operating income	16.0	12.3
Operating costs	(708.1)	(623.6)
Depreciation and amortisation	(379.1)	(347.7)
Operating profit	423.7	440.8
Finance income	20.6	1.8
Finance costs [1]	(731.1)	(460.1)
Underlying (loss) before tax	**(286.8)**	**(17.5)**
Finance costs – fair value profit/(loss) on financial derivatives	**645.3**	**(115.1)**
Profit/(loss) before tax on a statutory basis	**358.5**	**(132.6)**

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

9.0 Anglian Water Services Group – Balance Sheet

At 31 March 2023

		£m	£m	£m
Non-current assets				
Intangible assets				253.9
Property, plant, and equipment				10,704.3
Derivative financial instruments classified as current and non-current assets				250.2
Retirement benefit surplus				84.1
Net current liabilities excluding cash and debt repayable in less than one year				(222.1)
Retirement benefit deficit				(33.0)
Derivative financial instruments classified as current and non-current liabilities				(947.2)
Creditors amounts falling due after more than one year excluding debt				(1,536.1)
Cash and cash equivalents	Payments Account	375.0		
	Capex Reserve	211.4		
	Tax reserve	40.0		
	Debt Service	6.7	633.1	
Financing liabilities	Bonds (excluding accrued interest)	(6,789.3)		
	Leases	(36.0)		
	Other[1]	(55.7)	(6,881.0)	
	Net Debt (excluding derivatives)			(6,247.9)
Net assets				2,306.2

Capital and reserves		
	Share capital	32.0
	Share premium	1,165.0
	Reserves b/f	1,117.0
	Dividend paid	(169.0)
	Actuarial losses on pension schemes	(141.2)
	Income tax charge on items that will not be reclassified	35.3
	Amounts on cash flow hedges transferred to income statement	(31.1)
	Deferred tax movement on hedging reserve	0.2
	Profit for the period	268.3
	Gains on cash flow hedges	27.9
	Gains on Cost of hedging	1.8
Capital and reserves		2,306.2

[1] Accounting adjustments that are not within the CTA definition of net debt (capitalised issue costs, accrued interest and IFRS9 adjustments).

10.0 Anglian Water Services Group – Calculation of Annual Finance Charge

Instrument	Actual Interest Paid To 31 Mar 23 £m	Actual Interest Paid to 31 Mar 22 £m
Class A Debt		
AAA Wrapped Bonds	30.4	29.3
A-Bonds	140.3	134.7
US Private Placements	25.5	20.0
Leases	0.2	0.5
Other	1.8	2.6
Class B Debt		
B Bonds	0.0	0.0
US Private Placements	0.0	16.8
Annual Finance Charge	**198.1**	**203.9**

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

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market Valuations as at 31/03/23

External Swap Counterparties	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m
BARCLAYS BANK	487.9	19.5	(59.5)	(40.0)
BNP PARIBAS BANK	462.7	21.9	(32.2)	(10.3)
BGL BNP PARIBAS	0.0	0.0	(41.2)	(41.2)
CBA BANK	112.9	24.6	0.0	24.6
HSBC BANK	233.0	0.1	(86.1)	(86.0)
JP MORGAN BANK	620.8	8.0	(205.0)	(196.9)
LLOYDS BANK CORPORATE MARKETS PLC	880.7	44.8	(118.3)	(73.5)
MORGAN STANLEY BANK	374.8	122.8	(122.1)	0.7
SANTANDER UK PLC	340.2	5.9	(19.9)	(14.0)
SCOTIA BANK	304.2	1.2	(71.7)	(70.5)
THE TORONTO-DOMINION BANK	64.2	1.1	(1.2)	(0.1)
SMBC BANK	150.5	0.3	(29.5)	(29.2)
EXTERNAL INVESTORS	0.0	0.0	(160.5)	(160.5)
Anglian Water Interest Derivatives	4,031.9	250.2	(947.1)	(696.9)

Notes

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