

Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the year ended 31 March 2021

Prepared in accordance with International Financial Reporting Standards
(IFRS)

Final

Investor Report

Contents

General Overview and Business Update	4
1.0 Financial Performance for the year ended 31 March 2021	4
2.0 Regulatory Update	13
3.0 Service Performance Overview	18
4.0 Capital Expenditure	20
5.0 Water Quality and Environmental Performance	21
6.0 Financing.....	24
7.0 Significant Board / Management Changes	25
8.0 Sustainable Financing	27
Ratios	32
1.0 Historical.....	32
2.0 Forward Looking	33
3.0 Computations.....	34
4.0 Interest Cover Ratios (ICR).....	35
5.0 Regulatory Asset Ratios (RAR).....	36
6.0 Regulatory Performance	37
7.0 Anglian Water Services Group – Movements in Debt Balances	39
8.0 Anglian Water Services Group – Profit & Loss Account.....	41
9.0 Anglian Water Services Group – Balance Sheet.....	42
10.0 Anglian Water Services Group – Calculation of Annual Finance Charge	43
11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation.....	44

Basis of Preparation

All financial information in this report is unaudited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 31 March 2021.

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

Disclaimer

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

General Overview and Business Update

This investor report covers the twelve months ended 31 March 2021.

1.0 Financial Performance for the year ended 31 March 2021

Summary Underlying Results (AWS Financing Group)

The consolidated financial results for the year ended 31 March 2021 are summarised below:

	2021 Total £m	2020 Total £m
Revenue	1,351.8	1,419.9
Other operating income	12.5	13.0
Operating costs	(590.3)	(624.6)
Impairment losses	(31.1)	(40.7)
Depreciation and amortisation	(351.3)	(368.5)
Operating profit	391.6	399.1
Finance income	2.0	4.8
Finance costs ¹	(251.4)	(329.9)
Underlying profit before tax	142.2	74.0
Finance costs – fair value losses on financial derivatives	(23.2)	(30.4)
Statutory profit before tax	119.0	43.6
Tax credit/(charge)	(20.2)	(120.4)
Profit/(loss) after tax	98.8	(76.8)

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

Revenue

Revenue, excluding grants and contributions, for the year was £1,276.2 million (2020: £1,330.6 million), a decrease of £54.4 million (4.1 per cent) on last year. The decrease in revenue is as a result of the following factors:

- The price reduction for customers following the Final Determination, £71.0 million decrease.
- The impact of Covid-19, net £23.6 million increase. Household consumption up £58.2 million and non-household consumption down £34.6 million.
- Other offsetting decreases in revenue of £7.0 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 decreased by £13.7 million to £75.6 million, however whilst there was a strong rebound in the housing market later in the year there was an impact in the first lockdown.

The money Anglian Water can raise from bills, along with how much Anglian Water are allowed to invest in their service, is decided every five years through Ofwat's price-setting process and set out in the Final Determination (FD). Due to the impact of Covid-19 on consumption and grants and contributions, reflected above, Anglian Water raised £9.3 million of wholesale revenue over and above the amount set in the FD. This will be returned to customers in 2022/23 through lower bills.

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 decreased by £43.9 million (6.6 per cent) to £621.4 million. This decrease is explained in the table below:

March 2020 Total	665.3
Non-recurring items	
2019 summer flooding costs	(3.0)
2020 restructuring costs	(5.0)
2020 Covid-19 bad debt provision	(12.0)
Funded by FD	
General inflation	4.3
Innovation Fund	4.4
Weather-related incidents	
Impact of hot summer	1.5
2020 winter flooding costs	3.0
Covid-19	
Covid-19 related materials, travel and fuel	(6.0)
Increase in energy cost/usage due to increased consumption	3.0
Impact of Covid-19 on bad debt	6.5
Management actions	
Reduction in bad debt (non Covid-19)	(4.2)
Continuous improvement and mitigating actions	(36.4)
March 2021 Total	621.4

The inflationary increases and Innovation Fund costs formed part of the Final Determination and are therefore offset in revenues.

The impacts of climate change are fundamental to Anglian Water's business and their climate-related financial disclosures can be found in the March-21 annual report on page 74-75 The past two years have seen a number of exceptional weather events resulting in a net year-on-year increase in operating costs of £1.5 million.

Covid-19 has impacted the business in various areas. Anglian Water has also seen a change in where they incur costs. There has been reduced costs in relation to travel and expenditure, but these have been offset by increased spend on energy usage at operational sites to manage increased customer demand.

The increase in bad debt charge due to Covid-19 of £6.5 million relates to the additional £1.5 million provision recorded in March 2021 in relation to the expected impact Covid-19 will have on unemployment and in turn Anglian Water's customers' ability to pay outstanding bills. This has increased from £12.0 million recorded in 2020 to £13.5 million as at March 2021. In addition, in the year, Covid-19 has resulted in increased household revenue which has an increased risk when compared to non-household revenue. This has resulted in an increase in bad debt charge of £5.0 million. These increases have been partially offset by a reduction in base charge of £4.2 million.

The decrease of £36.4 million reflects significant management action in the period to mitigate an incorrect allocation between operational expenditure (opex) and capital expenditure (capex) in the PR19 Final Determination. This error was subsequently corrected by the CMA Redetermination. In the meantime, mitigation has involved taking difficult decisions, such as undertaking less optimal capital solutions whilst being unable to fully optimise total whole life cost solutions in investment decisions.

EBITDA

EBITDA has decreased by 3.2 per cent to £742.9 million, which is consistent with the effect of the regulatory price decreases outweighing the increases in consumption and decreases in operating costs.

Depreciation and amortisation

Depreciation and amortisation is down 4.7 per cent compared with last year, primarily as a result of additional depreciation on certain sludge assets in the prior year which resulted in them being fully depreciated.

Operating profit

Operating profit has decreased by 1.9 per cent to £391.6 million, which is consistent with the decrease in EBITDA partially offset by the decrease in depreciation.

Financing costs

Adjusted finance costs (excluding fair value gains and losses on financial instruments) decreased from £329.9 million in 2020 to £251.4 million in 2021. This was primarily the result of the non-cash impact of lower inflation on index-linked debt (£65.9 million) which was due to a fall in year-on-year average Retail Price Index (RPI) from 2.6 per cent to 1.2 per cent and year-on-year average Consumer Price Index (CPI) from 1.7 per cent to 0.6 per cent.

There was a fair value loss of £23.3 million on derivative financial instruments in 2021, compared with a loss of £30.4 million in 2020. The fair value losses in the current year are all non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the loss in 2021 were primarily due to increases in forward inflation expectations partially offset by a rise in forward interest rates (decreasing the discounted present value of derivatives). During the year, forward inflation increased by circa 63 basis points and forward interest rates increased by 28 basis points across the curves.

Taxation

The adjusted effective tax rate of 19.9 per cent is in line with the rate of corporation tax before considering the effects of the fair value of derivatives, reversal of the corporation tax rate reduction and adjustments for prior periods. Anglian Water are one of the largest private investors in infrastructure in Anglian Water's region, investing more than £2 billion over five years. The Government actively encourages infrastructure investment and grants capital allowances, which defer some corporation tax liabilities until a later period. 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 2021, other than corporation tax, amounted to £255 million (2020: £270 million), of which £83 million was collected on behalf of the authorities for value added tax (VAT) and employee payroll taxes. All taxes are paid as they become due.

Current and deferred tax

The current tax credit for the year was £5.5 million (2020: £14.5 million). The deferred tax charge has decreased by £109.2 million from £134.9 million in 2020 to £25.7 million this year.

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.

The deferred tax charge for this year mainly reflects capital allowances claimed in excess of the depreciation charge in the accounts; this is consistent with the prior year.

In 2020 there was a charge relating to a reversal of the corporation tax rate which was originally expected to reduce from 19% to 17% effective from 1 April 2020. The deferred tax balances at 31 March 2019 were therefore measured using the rate of 17%.

This reduction in corporation tax rate was reversed in March 2020 and so those deferred tax balances were re-measured using the rate of 19% and gave rise to a charge of £113.8 million in 2020.

In the March 2021 Budget, it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%.

If the amended tax rate had been used, the deferred tax liability would have been £345 million higher.

Anglian Water's relatively low level of cash tax reflects the fiscal incentives available to all UK companies for sustained high levels of capital investment and the interest Anglian Water pay to fund that investment.

Dividends

No dividends were paid by the group to the immediate parent company in the period (2020: £67.8 million).

Net debt

In respect of financing, Anglian Water continues to develop its funding profile to provide an economic hedge against the regulatory transition from RPI to CPIH-linked revenues, and to align financing with their focus on sustainability.

During the year to 31 March 2021, Anglian Water received £242.6 million of new funds in term debt under its sustainable financing programme to finance on-going capital investment. Included in this amount was £65 million from a forward starting CPI-linked bond, transacted in 2018 with proceeds received on 3 April 2020. In addition, two forward-starting, fixed-rate notes totalling £75 million were also transacted in the year with amounts settled on 28 April 2021. As a result of this timing these amounts were not included in debt on balance sheet at the period end.

Debt repayments in the period consisted of £1,003.4 million primarily due to settling a 4.125% index-linked bond (£263.8 million) and repayment of £575 million on the syndicated and bilateral revolving credit facilities. At the beginning of the

year (March 2020) these general purpose facilities totalling £600 million were fully drawn to provide a short-term liquidity buffer in light of the Covid-19 uncertainty, however, were repaid during the year as expectations on materially adverse impacts to cash flows were reduced. Other debt amounts repaid during the period related to scheduled redemption amounts on EIB amortising debt (£65 million), principal accretion settlements on index-linked swaps and lease repayments as they fell due.

At 31 March 2021, Anglian Water had borrowings net of cash of £7,490.8 million (£6,649.8 million excluding derivatives), an increase of £96.4 million (£6.5 million excluding derivatives) over the prior year. Net borrowings comprised a mixture of fixed, index-linked and variable-rate debt of £6,896.2 million, derivative financial instruments of £841.0 million (excluding energy derivatives of £9.0 million), leases of £39.5 million and cash and deposits of £285.9 million. The increased net borrowings primarily reflect the ongoing capital investment programme. Net debt to RCV at year end was 82.0%

Interest and Inflation rates

Anglian Water'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 the year end, taking into account interest rate swaps, 62.7 per cent (2020: 52.1 per cent) of Anglian Water's borrowings were at rates indexed to inflation, 31.2 per cent (2020: 34.0 per cent) were at fixed rates and 6.1 per cent (2020: 13.9 per cent) were at floating rates. At 31 March 2021, the proportion of inflation debt to regulated capital value was 53.4 per cent.

Liquidity and Cash flows

Anglian Water has access to £575.0m of undrawn facilities (March 2020: £50.0m), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £400.0m of liquidity facilities (March 2020: £400.0m), consisting of £279.0m to finance debt service costs and £121.0m to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

Anglian Water generated cash from operations of £659.3 million in the year (2020: £686.0 million). The decrease primarily reflects additional pension scheme contributions, timing of supplier payments and VAT receipts.

Pension funding

At 31 March 2021, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £54.8 million, compared to a surplus of £171.6 million at 31 March 2020. This decrease in surplus reflects a decrease in the corporate bond rate used to discount the scheme's liabilities. During the year a deficit reduction payment of £36.5 million was made by the company, compared with £15.1 million in the prior year.

In addition the company has an unfunded pension liability of £44.8 million (2020: £41.6 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

CMA redetermination of price controls 2020-25

Following a programme of written submissions, CMA working papers, site visits and Provisional Findings report in September 2020, the CMA submitted its Final Redetermination to Ofwat on 17 March.

In the Final Redetermination, the CMA's allowed cost of equity is 60bps higher than the Ofwat FD, and it granted a 24bps increase in the WACC from the FD. Anglian Water's totex allowances increased by over £100m compared to Ofwat's FD. Key points from the redetermination include:

- Reversal of the misallocation of opex and capex in Ofwat's FD
- The disapplication of the Gearing Outperformance Sharing Mechanism (GOSM)
- A growth true-up mechanism that covers all growth-related costs (where Ofwat's FD applied a partial true-up)
- Cost sharing ratios of 45/55, rather than 35/65 in Ofwat's FD (i.e. the business benefits from 45% of cost outperformance, and takes 55% of the risk of cost underperformance)
- The CMA supported the inclusion of the most recent year of data (2019-20) into its base cost models, which increased the base allowances of the four appellant companies.
- Supported the need and efficiency of significant areas of enhancement expenditure, including strategic interconnectors, smart metering, bioresources and metaldehyde.

Wholesaler support to the business retail market

In April 2020, Ofwat announced several measures to reduce the impact of Covid-19 on the business retail market. The key measures taken by Ofwat and the industry have included:

- A requirement for retailers to offer business customers affected by Covid-19 with repayment plans tailored to the needs of the individual customer. Retailers must maintain contact with customers on Covid-19 repayment schemes to understand their circumstances and tailor their plans before any kind of debt collection action is pursued.
- Liquidity support for retailers: Retailers could defer payment of up to 40% of primary charges due to wholesalers between March 2020 and October 2020. The total amount any one retailer could defer was subject to a cap equal to 40% of primary charges due from March-July 2020. Retailers are required to pay their deferred charges by March 2021.
- Where businesses were temporarily closed due to Covid-19 and meter reads could not be taken, temporary vacancy flags were introduced to prevent bills being raised on the basis of unrepresentative historical consumption.
- The financial penalties that wholesalers and retailers would ordinarily need to pay where they do not meet certain industry level service were suspended.
- Ofwat has committed to providing regulatory protections for a portion of bad debt exposure if it exceeds 2% of turnover.

Penrose review

- John Penrose MP published his report into the UK's competition regime on 16 February. It included some important proposals on economic regulation, including:
- that regulatory appeals should be dealt with by the Competition Appeals Tribunal, not the CMA.
- "normalising" all aspects of regulated business activities which are outside of the network monopoly parts with Regulated Asset Bases, so that these become normally competitive industries on a par with the rest of the economy
- requiring each economic regulator to publish and execute a multi-year project plan, to turn as much of their sector into a 'normal' pro-consumer, high-standards competitive market as possible.
- a commitment to red tape reduction as an opportunity from Brexit

- amending all sector regulators' legal duties so they all have a strong, clear 'competition for the benefit of consumers first, regulation only as a last resort' primary duty
- that the new Digital Markets Unit in the CMA provides an option for the development of an expert, cross-sector network regulator which is less vulnerable to the risk of capture.
- The Government is now considering Penrose's recommendations.

Ofwat innovation funding

In December, Ofwat announced the opening of the first round of its innovation funding programme. The first round is for the Innovation in Water Challenge with submissions accepted up to 26 February. This mechanism will award up to £250k for successful projects and initiatives that increase and improve collaboration in the sector.

Anglian Water submitted four proposals for the competition including a proposal to enable whole life carbon design through cultural and behavioural change. It has since been announced that this proposal was one of 11 winners of the Innovation in Water challenge.

This funding round will be followed by the main innovation competition in the summer of 2021 where £40m of funding will be available. In total the funding programme will provide up to £200m of funding for innovative projects in AMP7.

PR24 and beyond

Ofwat and companies have begun work on PR24. Ofwat published a suite of documents seeking views on 'PR24 and Beyond', including:

- Future challenges and opportunities for the water sector - Discussion paper
- Reflections on lessons learnt from PR19;

- A call for inputs consultation reviewing PR14; and
- A paper on how to reflect customer preferences in future price reviews.

In addition to these materials, Ofwat has started engaging at a high level on a range of topics, including customer engagement, asset health and resilience and outcomes. This engagement as well as the outcome of the CMA process will influence Ofwat's PR24 Framework document scheduled for May 2021.

Licence modification for ring-fencing

In July, Ofwat modified the conditions in all companies' Instruments of Appointment ('licences') relating to ring-fencing. Having responded to previous informal consultations on these changes, Anglian Water offered no objection to the modifications. The modifications cover a range of topics relating to Board governance, security of the regulated business and the relationship between the regulated business and associated companies.

Most of the requirements already existed in Anglian Water's licence and the modifications largely represented a tidying-up, with the collation of all related clauses into a new Condition P: Regulatory Ring Fence. The biggest change was the requirement that companies must maintain an investment grade credit rating rather than the current requirement that they use all reasonable endeavours to do so.

License change due to DPC

In January Ofwat amended the licenses of the five companies, including Anglian Water, that are likely to procure schemes under Direct Procurement for Customers (DPC) arrangements.

- A new Condition U specifies the process which companies must follow in carrying out a DPC procurement. It provides for Ofwat to issue an Allowed Revenue Direction, which allows the Appointee to collect charges from the Competitively Appointed Provider (CAP) from customers.
- The change to Condition B allows a water company to recover from its customers, outside of price controls, the designated charges that the water company has to pay to the CAP for services.
- The third change amends the interim determination provisions in Condition B. This facilitates, in specified circumstances, the return of the project to delivery by the company rather than by the CAP. The effect of the licence change is to include a new DPC interim determination mechanism in Condition B in addition to the standard and substantial effect interim determination mechanisms.

Changes to Ofwat Executive team

In February 2021, it was announced that Rachel Fletcher is to leave Ofwat on 1 April 2021 to become Director of Regulation and Economics at Octopus Energy, having served as the regulator's Chief Executive since January 2018.

Ofwat announced that David Black - Chief Regulation Officer and executive lead on the PR19 price review and CMA redeterminations - would become interim Chief Executive following Rachel's departure. He assumed the interim role for the 2021/22 business year as recruitment for the permanent role takes place.

This change also led to some changes to responsibilities of other members of Ofwat's executive team. Aileen Armstrong, Senior Director for Finance and Governance will take responsibility for the PR24 price review. John Russell, Senior Director for Strategy and Planning, will take responsibility for financial resilience and future water resources. Jenny Block, General Council, will take responsibility for Board Leadership, Transparency and Governance.

3.0 Service Performance Overview

Anglian Water's customers want services that provide value for money and are fair and affordable. Therefore, Anglian Water has committed to make bills affordable as a minimum for all households where water and sewerage bills constitute more than five per cent of their disposable income by 2030.

Throughout this year Anglian Water mounted proactive communications campaigns to encourage those in difficulty to contact us to discuss their circumstances. Using the trusted voice of an ever-increasing number of external organisations and charities to help spread the message, they have reached over 800,000 customers in potentially vulnerable situations, both financial and non-financial.

The ExtraCare team will review a customer's situation and offer tailored solutions ranging from schemes such as payment holidays, affordable instalment plans and settlement agreements to concessionary and social tariffs. These schemes have provided financial assistance to more than 310,000 customers during 2020/21. Anglian Water's priority services register increased by 112% over this last year because of active promotion, and they are now able to support more than 175,000 customers with anything from sight, hearing, learning or mobility difficulties, to having a baby under 12 months old. The service also provides support to customers with long or short-term medical needs should there be any interruption to their water supply.

Customers remain influential in Anglian Water's decision making through on-going engagement channels, weekly satisfaction surveys, the 'My Account' platform and the online community. With rapidly increasing digital interactions this year, customers have demanded even more from them. A new online service has launched where customers can check work in their area, report service issues or book appointments. The online MyAccount has also been enhanced to work alongside Anglian Water's new smart metering programme. Due to go live early in 2021/22 customers will be able to monitor their water usage, compare to other similar households and stay more in control of their bills.

Throughout this changeable and challenging period, customers continue to rate Anglian Water's service highly, with over 96% rating the service received as satisfactory or better (as measured by an internal satisfaction survey). The new customer measure of experience (C-MeX) introduced by Ofwat this year has seen an outturn score of 83.05/100.

4.0 Capital Expenditure

2020/21 marks the first year in the five-year AMP7 investment programme, during which time Anglian Water will invest a record £2.8 billion through the 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 Anglian Water's largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme has started strongly with gross annual capital expenditure across the appointed business of £448 million (£221 million on capital maintenance, £226 million on capital enhancement and £1 million non-appointed). This is broadly in line with management expectations despite the significant challenges posed by the ongoing pandemic throughout the year.

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 Public Health England and other environmental bodies.

Drinking Water

The delivery of safe, clean, high-quality drinking water is central to what Anglian Water does. It underpins the public health of the region and is a fundamental expectation of customers. The DWI have introduced two new key water quality performance measures - Compliance Risk Index (CRI) and Event Risk Index (ERI) and Anglian Water continues to show a strong performance against these industry measures. Anglian Water's CRI score to the end of 2020 was 1.98 which was ahead of the ODI target of 2.0 and is a key result of successful strategies to reduce metaldehyde, lead and coliform failures. There is also an industry leading programme of inspections to ensure properties comply with Water Fittings Regulations which significantly reduces the risk of backflow into the distribution system.

Anglian Water's ERI score to the end of 2020 was 6.16. With previous excellent performance in this area and the 2020 score, this demonstrates continuous improvement year on year since the measure was introduced. Last year Anglian Water's score was 8.28 which was significantly below the National Average for 2019 of 689. The ODI target for this measure is 15 – please note this is a reputational measure only.

Another key measure is customer contacts related to water quality. The acceptability contact rate (per 1000 population served) for 2020 is 1.13. This measure was impacted in 2020 by the unprecedented demand and resulting distribution input. Strategies are in place to drive down this number through continued focus on proactive customer messaging through social media and prompt response to small number of contacts in a geographical area.

Anglian Water continues to develop and deliver the DWI engagement strategy and learn from industry events.

Water Recycling

The Environment Agency (EA) reported Anglian Water's 2019 pollution performance in Autumn, according to a two-star rating in its annual Environmental Performance Assessment. The company's performance throughout 2020 has been significantly stronger, particularly in the areas of pollution reduction and compliance, and on the 13th July 2021 the EA formally notified Anglian Water that they are a three-star company again.

With continued focus on the pollution impact reduction plan (PIRP) Anglian Water has invested in additional resources, root cause analysis, smart network options and practical action such as planned preventative maintenance network cleaning (PPM), in a drive toward the tighter EPA standards.

Anglian Water were successful in evidencing the impacts of Covid-19 at a number of water recycling centres (WRC) and how increased populations in rural areas working from home, had impacted compliance. As a result, the year ended with only three failing works. This is one of the best performances ever seen by the company.

The significant and prolonged wet weather since December 2020 has had an impact on WRC compliance and Anglian Water are currently seeing a significant increase in determinant failures in comparison to what is expected. This impact has resulted from the lack of tanker resources (due to prioritisation of customer protection) which reduced the number available for routine sludge movement. Plans are in place to address this risk however, it is expected that the compliance challenge will remain for the rest of the year as there is a reduced 'headroom' for failure.

Environment

The Environment Agency (EA) ceased all UK bathing water sampling in 2020 due to Covid-19 which has meant that conventional classification isn't achievable under the rules set out in the Bathing Water Directive. What impacts this will have on beach classification for the 2021 season are unclear and Anglian Water are still awaiting final results for 2020 from Defra.

Anglian Water was successful with its Judicial Review of a decision made by the EA regarding the classification of bathing waters in the Anglian region. The decision relates to the treatment of certain samples which were taken in atypical weather conditions which was deemed unlawful. This has resulted in two bathing waters in the region returning to 'excellent' classification for the 2019 season and has enabled Anglian Water to reclaim £7.4M in previously lost ODI reward.

Water Resources

The region's water resources remain secure at the end of the 2020/21 recharge season. The Anglian Region received 136% of the Long-Term Average (LTA) rainfall over the winter season, recorded as the second wettest winter since 1910, and allowed for significant recharge and recovery of upstream resources across the region.

At the end of March 2021, overall reservoir levels are at 95%, with the majority of reservoir across the region at or close to target for the time of year. Groundwater levels are mostly normal or above for the time of year, where levels are generally higher in the South and East of the region. A number of aquifer units across the region experienced their highest levels on historic record over the winter period, contributing to significant groundwater flooding that was experienced across the region.

The region continued to experience a significant increase in domestic demand, where 2020 is likely to be recorded as the highest annual distribution input since records began in 2003.

Anglian Water's draft Drought Plan 2022 was submitted to the Secretary of State for approval on 31st March 2021. This document provides an overview of a proposal for managing water resources during a drought to protect public water supplies, whilst minimising environmental impacts that may arise as a result of activities. It covers the period 2022-2027 and is an update of the previously published Drought Plan 2019.

6.0 Financing

During the period under review, Anglian Water's gross debt decreased by £789.5 million in the year primarily as a result of settling a 4.125% index-linked bond (£263.8m), repayment of £575 million on the syndicated and bilateral revolving credit facilities and repayments on amortising loans. This was partially offset by the receipt of new debt proceeds on balance sheet totalling £242.6 within the year.

Credit ratings as at 31/03/2021 are as follows:

Fitch Ratings:	A-; BBB (stable outlook)
Standard and Poor's:	A-; BBB (negative outlook)
Moody's:	A3; Baa3 (stable outlook) Corporate Family Rating Baa1

Credit ratings as at 28/07/2021 are as follows:

Fitch Ratings:	A-; BBB+ (stable outlook)
Standard and Poor's:	A-; BBB (stable outlook)
Moody's:	A3; Baa1 (stable outlook) Corporate Family Rating A3

7.0 Significant Board / Management Changes

The Board of Anglian Water Services Ltd comprises:

John Hirst, CBE	Independent Non-Executive Chairman, appointed as Chairman on 1 April 2020
Natalie Ceeney, CBE	Independent Non-Executive Director
Dame Polly Courtice, DBE, LVO	Senior Independent Non-Executive Director
Zarin Patel	Independent Non-Executive Director
Paul Whittaker	Independent Non-Executive Director
Peter Simpson	Chief Executive Officer) Executive
Steve Buck	Chief Financial Officer) Executive
John Barry	Non-Executive Director, appointed on 23 November 2020
James Bryce	Non-Executive Director
Duncan Symonds	Non-Executive Director
Niall Mills	Non-Executive Director

Anglian Water is managed by the AWS Management Board, which, as at 31 March 2021, in addition to the Executive Directors referred to above, included:

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

Anglian Water will be holding a meeting for investors on 18th June 2021.

8.0 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 is splitting its eligible capital expenditure into 11 sustainable categories. The framework aligns with the ICMA Green Bond Principles 2018, the Social Bond Principles 2020 and the Sustainability Bond Guidelines 2018, as published by the International Capital Market Association (“ICMA”). The framework also aligns with the Loan Market Association’s (“LMA”) Green Loan Principles 2020.

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

The Anglian Water Sustainability Framework has been reviewed by DNV GL which has issued a Second Party Opinion. The second party opinion (SPO) provider, DNV GL, has reviewed the Sustainable Finance Framework and certified its alignment with ICMA’s Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018, and LMA’s Green Loan Principles 2020. This opinion has been published on the Anglian Water website <https://www.awg.com/investors/anglian-water-services---terms-and-conditions/anglian-water-services---investor-information/green-bond>

Sustainable Categories

ICMA Green category	AMP7-aligned Sustainable Category	Description of activities
Environmentally sustainable management of living natural resources and land use	Natural capital solutions	Natural capital solutions for phosphorus removal and water framework directive measures plus eels programme
	Improving our environment	WINEP (Water Industry National Environment Programme) obligations to improve ecological status of water bodies, both rivers and coastal
Sustainable water and wastewater management	Sustainable service (water)	Capital maintenance of the water infrastructure to prevent deterioration of service to customers and the environment
	Sustainable service (water recycling)	Capital maintenance of the water recycling infrastructure to prevent deterioration of service to customers and the environment
	Sustainable water recycling	Enhancements to the production of Nutri-bio through bioresources plants and increasing capacity of water recycling centres to match growth
	Providing safe clean water	Water quality initiatives such as replacement of lead pipes and treatment of raw water that contains agricultural pollutants such as nitrates
Climate Change Adaptation	Resilient water supplies – supply capacity measures	Supply-side measures set out in the Water Resources Management Plan (WRMP) securing supplies from climate change and growth in the region
	Resilient water supplies – demand reduction measures	Demand-side measures set out in the WRMP, including smart metering and leakage – securing supplies from climate change and growth in the region
	Community improvements	Flood risk reduction, removing persistent low pressure, connecting villages not on the network
	Resilient services	Improvements to single points of failure and security to outside threats

ICMA Social category	AMP7-aligned Sustainable Category	ICMA target population to be reached	Description of activities
Affordable basic infrastructure	Sustainable Growth	Example populations will include those listed in the Social Bond Principles 2020	Accommodating new housing in the region including community surface water removal measures

Portfolio

Funding	Sustainable Category	Proceeds from funding
Sustainable Finance 1: £50m 0.855% 2039 JPY 7bn XS2010166572	Sustainable Service (Water and Water Recycling)	49,875,000
Sustainable Finance 2: £52m 0.010% 2035	Resilient Water Supplies (Supply Capacity Measures and Demand Reduction Measures)	52,240,600
Sustainable Finance 3: £50m 1.760% 2035 XS2257836838	Sustainable Service (Water and Water Recycling)	50,372,396
Sustainable Finance 4: £40m 2.14% 2036	Sustainable Service (Water and Water Recycling)	40,000,000
Sustainable Finance 5: £35m 2.14% 2036	Resilient Water Supplies (Supply Capacity Measures and Demand Reduction Measures)	35,000,000
Sustainable Finance 6: £25m (<i>funding in the process of being raised</i>)	Improving our environment	25,000,000
	Subtotal	150,372,396

Of the £150m funds raised above, £128.2m have been transferred from the Capex Reserve Bank Account in order to fund the expenditure to date.

River Lark

One of the crucial ways in which Anglian Water is working to protect the environment is by reducing the amount of water that is abstracted from sensitive areas by 85 million litres per day by 2025 in addition to working to restore the health of the precious and internationally important chalk streams in the region. A particular area of focus is the River Lark, in Suffolk, where it has agreed with the Environment Agency that, by March 2025, the 'Hands Off Flow' level will be significantly tightened, which means that by acting sooner, it will leave more water in the river. This will allow for flows to be protected, particularly at times of drier weather. Anglian Water is creating a connection to the 400km strategic grid to move water from the north of the region, where supply is more abundant, to areas of water shortage. During this period, Anglian Water will also be completing river restoration and river support schemes on rivers within the wider Lark catchment, including the River Linnet.

River Ludham

Ensuring resilient infrastructure is a key part of Anglian Water's long-term water resources planning. Therefore, where water is scarce and where there is a high concentration of sites of special scientific interest, it's crucial that Anglian Water find the right balance between customers' demand for water and the needs of the wider environment. Anglian Water works closely with the Environment Agency to review abstraction licenses, and Anglian Water has agreed to reduce the amount of water that is taken from the environment by 85 million litres a day by 2025.

Previously, the public water supply for this area came from a borehole close to Ludham itself. This scheme has seen Anglian Water install a brand new 3km pipeline to connect Ludham to Horstead Water Tower, meaning it no longer needs to take water from this groundwater source. The water in the tower comes from one of the company's main treatment centres at Heigham in Norwich, which itself benefited from a £34 million investment funded by Green Bonds. A new booster station and additional water storage facility at Horstead will pump water directly to customers' taps. Both the Ludham and Heigham

investments will complement Anglian Water's biggest ever single infrastructure programme: the construction of 400km of strategic interconnecting pipelines to bring water from areas of greater abundance to areas of scarcity.

Ratios

1.0 Historical

Anglian Water confirms that in respect of the twelve months ended 31 March 2021, by reference to the most recent financial statements that it is obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

	31 Mar 2021	31 Mar 2020
a) The Class A RAR	72.0%	68.8%
b) The Senior RAR for each Test Period	82.0%	78.4%
c) The Class A ICR	3.7:1	3.5:1
d) The Class A PMICR for each Test Period	n/a	n/a
e) The Senior PMICR for each Test Period	n/a	n/a
f) The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	2.4:1	2.3:1
g) The Conformed Class A PMICR for each Test Period	1.5:1	1.7:1
h) The Conformed Senior PMICR for each Test Period	1.2:1	1.4:1

2.0 Forward Looking

Anglian Water confirms that each of the above Ratios, the Conformed Class A Average PMICR and the Conformed Senior Average PMICR have been calculated in respect of each of the Test Periods for which they are required under the Common Terms Agreement (i.e. 31 March 2021 to 31 March 2025) and that none of those ratios have breached the Trigger Event Ratio Levels or caused Paragraph 20 (Ratios) of Schedule 7 (Events of Default) of the Common Terms Agreement to be breached. Forward looking calculations in respect of the periods to 31 March 2025 are based on Anglian Water's current Business Plan.

3.0 Computations

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

Anglian Water also confirms that:

- (a) no Default or Potential Trigger Event is outstanding; and
- (b) Anglian Water Services Limited insurances are being maintained in accordance with:
 - (i) Schedule 16 (Insurances) of the Common Terms Agreement; and
 - (ii) the provisions of the Finance Leases.

4.0 Interest Cover Ratios (ICR)

Interest Cover Ratios	Trigger/Default	Actual Period to 31 Mar 21	Actual Period to 31 Mar 20
		£m	£m
Income		1,292.9	1,318.1
Operating Expenditure		(664.0)	(673.7)
Pre-capital maintenance cashflows		628.9	644.4
Capital Maintenance Expenditure		(218.3)	(225.5)
Depreciation		(379.9)	(330.2)
Post-Maintenance cashflow for PMICR		249.0	314.2
Post-Maintenance cashflow for Net Cash Flow ratio		410.6	418.9
Net Interest		(206.2)	(220.7)
Enhancement Capital Expenditure		(204.0)	(224.7)
Ordinary Dividends		0.0	(67.8)
Shareholder reinvestment		0.0	0.0
Pre-financing cashflows		0.4	(94.3)
Interest Payable on Class A Debt:			
Finance Leases		(0.6)	(0.4)
Class A Bonds*		(169.2)	(185.8)
MBIA Wrap Fees		(2.6)	(2.4)
Less Interest Receivable		2.9	4.9
Total net Class A debt interest		(169.5)	(183.7)
Interest Payable on Class B Debt			
Class B Bonds		(36.7)	(37.0)
Total Net Interest payable on Senior Debt		(206.2)	(220.7)
Interest Cover Ratios:			
Class A ICR	1.6:1	3.7:1	3.5:1
Senior PMICR	1.1:1	n/a	n/a
Class A PMICR	1.3:1	n/a	n/a
Conformed Senior PMICR	1.1:1	1.2:1	1.4:1
Conformed Class A PMICR	1.3:1	1.5:1	1.7:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	2.4:1	2.3:1

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 31 Mar 21 £m	As at 31 Mar 20 £m
Class A Gross Debt:			
Finance Leases		(7.7)	(14.7)
Class A Bonds etc		(5,995.7)	(6,701.2)
Total Class A Gross Debt		(6,003.4)	(6,715.9)
Less cash balances and Authorised Investments		285.9	1,047.2
Total Class A Net Debt		(5,717.5)	(5,668.7)
Class B		(794.2)	(791.0)
Total Senior Net Debt		(6,511.8)	(6,459.7)
Regulatory Asset Value (RAV)		7,943.0	8,242.1
Regulatory Asset ratios:			
Senior RAR	85.0%	82.0%	78.4%
Class A RAR	75.0%	72.0%	68.8%

The Regulatory Asset Value has reduced year on year as a result of midnight adjustments made at the beginning of the year by Ofwat related to the end of AMP 6.

6.0 Regulatory Performance

Regulatory Performance Data	As at 31 Mar 21 £m
FD Wholesale Totex	
Allowed Totex (Water Resources)	17/18 prices 47.6
Allowed Totex (Water Network)	17/18 prices 364.3
Allowed Totex (Waste Water Network)	17/18 prices 371.9
Allowed Totex (Bio-resources)	17/18 prices 81.4
Total FD Allowed Totex for PAYG	17/18 prices 865.3
FD PAYG %	
PAYG % Water Resources	17/18 prices 82.9%
PAYG % Water Network	17/18 prices 60.2%
PAYG % Waste Water Network	17/18 prices 53.1%
PAYG % Bio-resources	17/18 prices 83.4%
FD fast money	
Allowed Water Resources fast money	17/18 prices 39.5
Allowed Water Network fast money	17/18 prices 219.3
Allowed Waste Water Network fast money	17/18 prices 197.6
Allowed Bio-resources fast money	17/18 prices 67.9
Total fast money	17/18 prices 524.4
Total fast money	Outturn prices 549.0
FD slow money	
Allowed Water Resources slow money	17/18 prices 8.2
Allowed Water Network slow money	17/18 prices 145.0
Allowed Waste Water Network slow money	17/18 prices 174.3
Allowed Bio-resources slow money	17/18 prices 13.5
Total slow money	17/18 prices 340.9
Total slow money	Outturn prices 356.9
Total fast + slow money	Outturn prices 905.9
FD tax	
Tax in revenue building block	17/18 prices -
Tax in revenue building block	Outturn prices -
Comparison FD wholesale allowances vs actual wholesale spend	
FD fast money (excluding pensions)	Outturn prices 549.0
FD slow money	Outturn prices 356.9
FD fast + slow money (FD totex)	Outturn prices 905.9
Actual opex (excluding pensions)	Outturn prices 522.1
Actual capex	Outturn prices 392.6
Actual opex + capex (actual totex)	Outturn prices 914.8
Actual opex minus FD fast money	Outturn prices (26.9)
Actual capex minus FD slow money	Outturn prices 40.5
Actual opex + capex minus FD fast + slow money = (totex outperformance)/totex underperformance	Outturn prices 13.6
Reconciliation to post maintenance cashflow	
Opex per post maintenance cashflow	Outturn prices (648.6)
Pension deficit repair payments per post maintenance cashflow	Outturn prices (36.9)
Total opex plus pension deficit repair payments	Outturn prices (685.5)
Made up of:	
Wholesale opex, including pension deficit repair payments and tax	(595.3)
Other opex (Retail) + non-appointed	(90.2)
Total opex plus pension deficit repair payments	(685.5)
Other information	
Pension in outturn prices	Outturn prices 36.9
Project cash opex (for covenant calculation)	Outturn prices (648.6)
Projected opex (ie pre working capital adjustments and CTA adjustments)	Outturn prices 601.1
Total cash opex inc pension	Outturn prices 685.5
Total opex (ie pre working capital adjustments and CTA adjustments) inc pensions	Outturn prices 638.0
Enhancement - wholesale	Outturn prices 203.3
Maintenance - wholesale	Outturn prices 243.8
Retail	Outturn prices 3.0
Non-regulated	Outturn prices 0.0
Total capex	Outturn prices 450.1
Wholesale capex outturn	Outturn prices 447.1
FD depn	17/18 prices 362.9
Outturn depn	Outturn prices 381.3
Calculation of RCV	
Opening RCV per FD	17/18 prices 7,564.8
RPI inflation factor	17/18 prices 16.4
Additions per FD	17/18 prices 340.9
Less RCF Run-Off per FD	17/18 prices (362.9)
Closing RCV per FD using average 17/18 prices	17/18 prices 7,559.2
Opening RCV	Outturn prices 7,899.6
Indexation	Outturn prices 65.9
Additions	Outturn prices 358.9
Less RCV run-off	Outturn prices (381.3)
Closing RCV	Outturn prices 7,943.0
Totex outperformance to clawback per Rulebook calculations	Outturn prices 13.7
Shadow RCV	Outturn prices 7,956.7

Disclaimer: Anglian Water has not been able to fully reconcile the Year-end RCV that was published by Ofwat. Whilst Anglian Water has reported based on the Ofwat published RCV, it continues to believe that the RPI proportion of the RCV should be inflated by RPI only for it to be consistent with the publication of RCV in the previous years. Anglian Water's calculation of the Year-end RCV on this consistent basis is around £15m higher than the Ofwat published RCV.

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2020 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 31 Mar 2021 £m
Finance Leases	14.7		(7.0)		7.7
Operating Leases (Vehicles)	3.8	0.4	(1.4)		2.8
Transferring Bonds:					
4.125% ILLS 2020	262.6		(263.7)	1.1	0.0
6.875% Fixed 2023	200.0				200.0
6.625% Fixed 2029	200.0				200.0
A4 Notes - 5.837% Fixed 2022	250.0				250.0
A6 Notes - 3.07% ILLS 2032	333.9			3.3	337.1
A7 Notes - 3.07% ILLS 2032	100.4			1.2	101.7
A8 Notes - 6.293% Fixed 2030	246.0				246.0
A11 Notes - 3.666% ILLS 2024	125.2			1.2	126.4
A18 Notes - 2.4% ILLS 2035	618.6			5.4	624.0
A19 Notes - 1.7% ILLS 2046	74.8			0.8	75.6
A20 Notes - 1.7% ILLS 2046	74.7			0.9	75.6
A21 Notes - 1.7146% ILLS 2056	59.9			0.6	60.5
A22 Notes - 1.6777% ILLS 2056	74.9			0.7	75.6
A23 Notes - 1.7903% ILLS 2049	89.9			0.9	90.7
A24 Notes - 1.3825% ILLS 2056	74.6			1.0	75.6
A25 Notes - 1.3784% ILLS 2057	149.3			1.9	151.2
A26 Notes - LIBOR Plus 0.34%	100.0				100.0
A27 Notes - 1.449% ILLS 2062	106.7			2.1	108.7
A28 Notes - 1.52% ILLS 2055	71.1			1.4	72.5
A30 Notes - LIBOR Plus 0.85%	110.0				110.0
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0				25.0
A35 Notes - £130M 2.262% IL Bond 2045	172.8			2.0	174.8
Index Linked Swaps	103.7		(63.5)	16.6	56.8
A36 Notes - US\$160m 4.52% Private Placement 2021	99.1				99.1
B37 Notes - US\$410m 5.18% Private Placement 2021	260.7				260.7
European Investment Bank £75m 0.53% index linked amortising term facility 2027	64.4		(9.2)	0.7	55.8
European Investment Bank £75m 0.79% index linked amortising term facility 2027	64.4		(9.2)	0.7	55.8
Sub Total	4,131.1	0.4	(354.1)	42.4	3,819.9

Cont'd	Closing Balance 31 Mar 2020 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 31 Mar 2021 £m
A38 Notes - £250m 4.5% 2027	250.0				250.0
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9				31.9
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3				73.3
A41 Notes - £50m 2.05% IL Private Placement 2033	60.3			0.7	61.0
A42 Notes - £15m 1.37% IL Private Placement 2022	18.1			0.2	18.3
B43 Notes - US\$47m 5% Private Placement 2022	30.0				30.0
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3				22.3
European Investment Bank £150m 0% index linked amortising term facility 2028	142.9		(17.9)	1.5	126.5
B46 Notes - £200m Class B 4.5% 2026	200.0				200.0
A47 Notes - £35m 1.141% IL Bond 2042	41.4			0.5	41.9
A48 Notes - US\$170m 3.84% Private Placement 2023	110.5				110.5
A49 Notes - £93m 3.537% Private Placement 2023	93.0				93.0
B50 Notes - US\$160m 4.99% Private Placement 2023	100.2				100.2
European Investment Bank £65m 0.41% index linked amortising term facility 2029	67.6		(7.5)	0.8	60.9
European Investment Bank £125m 0.1% index linked amortising term facility 2029	135.6		(14.3)	1.6	122.8
European Investment Bank £60m 0.01% index linked amortising term facility 2030	68.2		(6.8)	0.8	62.1
A51 Notes - £55m 2.93% Private Placement 2026	55.0				55.0
A52 Notes - \$150m 3.29% Private Placement 2026	104.3				104.3
A53 Notes - £35m 1.35% Private Placement 2031	35.0				35.0
A54 Notes - £20m 2.93% Private placement 2026	20.0				20.0
B55 Notes - £200m 2.625% Class B 2027	200.0				200.0
A56 Notes - £250m 1.625% Green Bond 2025	250.0				250.0
A57 Notes - £300m 2.75% Green Bond 2029	300.0				300.0
A58 Notes - £85m 2.880% Private Placement 2029	85.0				85.0
A59 Notes - £25m 3.00% Private Placement 2031	25.0				25.0
A60 Notes - US\$53m 3.053% Private Placement 2029	40.1				40.1
A61 Notes - £65m 2.870% Private Placement 2029	65.0				65.0
A62 Notes - JPY7bn 0.855% 2039	50.9				50.9
£550m RCF 2024	550.0	25.0	(550.0)		25.0
£50m bilateral facility 2024	50.0		(50.0)		0.0
Export Development Canada £100m 1.588% term loan facility 2024	100.0				100.0
A88 Notes - £65m 0.835% IL Bond 2040	0.0	65.0		0.2	65.2
A64 Notes - £50m 1.760% 2035	0.0	50.0			50.0
A65 Notes - JPY7bn 0.85% 2040	0.0	50.4			50.4
Just Retirement £26.1m 0.010% IL term loan facility 2035	0.0	26.1			26.1
BP Pension Trustees £26.1m 0.010% IL term loan facility 2035	0.0	26.1			26.1
Total¹	7,506.6	243.0	(1,000.7)	48.7	6,797.7

¹Before accounting adjustments which are not within CTA definition of Net Debt.

8.0 Anglian Water Services Group – Profit & Loss Account

	Underlying results	Other items	Total Year ended 31 March 2021	Total Year ended 31 March 2020
	£m	£m	£m	£m
Total revenue	1,351.8	-	1,351.8	1,419.9
Other operating income	12.5	-	12.5	13.0
Operating costs	(590.3)	-	(590.3)	(624.6)
Impairment losses	(31.1)	-	(31.1)	(40.7)
Depreciation and amortisation	(351.3)	-	(351.3)	(368.5)
Operating profit	391.6	-	391.6	399.1
Finance income	2.0	-	2.0	4.8
Finance costs ¹	(251.4)	-	(251.4)	(329.9)
Fair value losses on derivative financial instruments	-	(23.2)	(23.2)	(30.4)
Net finance (costs)/income	(249.4)	(23.2)	(272.6)	(355.5)
Profit/(loss) before taxation	142.1	(23.2)	119.0	43.6
Taxation (credit)/charge	24.6	(4.4)	20.2	(120.4)
Profit after taxation			98.8	(76.8)
Dividend to AWG Group Ltd			-	(67.8)
Transfer (from)/to reserves			98.8	(144.6)

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

9.0 Anglian Water Services Group – Balance Sheet

At 31 March 2021

		£m	£m	£m
<u>Non-current assets</u>				
Intangible assets				257.4
Property, plant and equipment				10,041.7
Derivative financial instruments classified as current and non-current assets				197.4
Retirement benefit surpluses				54.8
Net current liabilities excluding cash and debt repayable in less than one year				(161.3)
Retirement benefit obligations				(44.8)
Derivative financial instruments classified as current and non-current liabilities				(1,029.4)
Creditors amounts falling due after more than one year excluding debt				(1,101.6)
Cash and cash equivalents	Payments Account	196.4		
	Capex Reserve	24.3		
	Tax reserve	40.0	285.9	
	Debt Service	25.2		
Financing liabilities	Bonds (excluding accrued interest)	(6,810.5)		
	Leases	(39.5)		
	Other ¹	(85.7)	(6,935.7)	
	Net Debt (excluding derivatives)			(6,649.8)
				<u>1,564.4</u>
Net assets				
Capital and reserves	Share capital			32.0
	Reserves b/f			1,549.2
	Actuarial loss on pension schemes			(131.8)
	Transfer to reserves for the period			98.8
	Gains on cash flow hedges			14.9
	Gains on cost of hedging reserve			1.3
				<u>1,564.4</u>

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 21 £m	Forecast Interest Payable to 31 Mar 22 £m
<u>Class A Debt</u>		
AAA Wrapped Bonds	29.0	31.3
A-Bonds	112.3	112.5
US Private Placements	27.9	27.0
Leases	0.6	0.2
Other	2.6	2.6
<u>Class B Debt</u>		
BBB Bonds	16.4	14.0
US Private Placements	20.3	20.1
Annual Finance Charge	209.1	207.7

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

Included within 'A-Bonds' are amounts totalling £7.7m received as premium on two debt transactions within the year where these amounts are considered as economic prepayment of interest amounts to offset the coupon amount on the debt notes.

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market Valuations as at 31/03/21				
External Swap Counterparties	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m
BARCLAYS BANK	425.4	1.9	(49.8)	(47.9)
BNP PARIBAS BANK	608.4	30.2	(65.0)	(34.8)
BGL BNP PARIBAS	0.0	0.0	(41.2)	(41.2)
CBA BANK	401.9	65.8	(0.0)	65.7
HSBC BANK	236.6	(48.4)	(60.4)	(108.8)
HSBC BANK (Investor ISDA)	0.0	60.4	0.0	60.4
JP MORGAN BANK	580.7	7.7	(232.4)	(224.7)
LLOYDS BANK CORPORATE MARKETS PLC	871.4	24.7	(48.5)	(23.8)
MORGAN STANLEY BANK	375.6	0.0	(125.2)	(125.2)
SANTANDER BANK	903.4	42.4	(41.0)	1.4
SCOTIA BANK	240.0	3.6	(78.7)	(75.1)
SMBC BANK	125.0	4.8	(17.0)	(12.2)
EXTERNAL INVESTORS	0.0	0.0	(265.9)	(265.9)
Anglian Water Interest Derivatives	4,768.4	193.1	(1,025.2)	(832.1)
Notes				
1. All Swaps are transacted under ISDA agreements between Anglian Water Services Financing Plc and External Swap Counterparty.				
2. Valuations include accrued interest to valuation date.				