



Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the six months ended 30 September 2020

Prepared in accordance with International Financial Reporting Standards
(IFRS)

Final



Investor Report

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Basis of Preparation

All financial information in this report is unaudited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 30 September 2020.

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

Disclaimer

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

General Overview and Business Update

This investor report covers the six months ended 30 September 2020.

1.0 Financial Performance for the six-month period ended 30 September 2020

The consolidated financial results for the six months ended 30 September 2020, which are unaudited, are presented as follows:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m
Revenue	680.1	717.0
Other operating income	6.0	7.5
Operating costs	(303.5)	(320.7)
Depreciation and amortisation	(173.3)	(180.8)
Operating profit	209.3	223.0
Finance income	1.8	2.6
Underlying finance costs ¹	(125.9)	(170.9)
Underlying profit before tax	85.2	54.7
Finance costs – fair value losses on financial derivatives	(100.6)	(171.3)
(Loss)/profit before tax	(15.4)	(116.6)
Tax credit/(charge)	2.1	18.3
(Loss)/profit after tax	(13.3)	(98.3)

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 for the period, including developer contributions of £31.2 million (2019: £42.5 million), was £680.1 million, a decrease of £36.9 million over the same period in the previous year. This reflects a decrease of £11.3 million in grants and contributions income, reflecting the adverse impact the Covid-19 lockdown has had on the housing market. There is a net reduction in main charges and other revenue of £25.6 million as a result of the following:

- The price reduction for customers following the Final Determination, £36.4 million
- The impact of Covid-19 on consumption: household consumption up £32.0 million, non-household consumption down £29.4 million (net £2.6 million increase)
- Other offsetting increases in revenue of £8.2 million such as growth in new customers.

Other operating income

Other operating income, which decreased by £1.5m on the prior year period, comprises external income from power generation, biosolid revenue, rents received and various other non-core activities.

Operating costs

Operating costs including the charge for bad and doubtful debts are down by £17.2 million (5.4 per cent). This decrease reflects significant management action in the period whilst Anglian Water await the outcome of the CMA redetermination process. In particular this has involved undertaking additional capital solutions whilst Anglian Water are currently unable to optimise Totex whole life cost solutions in Anglian Water's current investment decisions. The impact of Covid-19 on operating costs has been neutral, with the increases seen in certain areas offset by savings in others. The movement in operating costs is explained in the following table:

Increases/(decreases) in operating costs

	£m
General inflationary increases	4.0
Increase in costs as a result of Covid-19 impact ¹	2.0
Reduced spend as a result of Covid-19 impact ²	-2.0
Increase in energy prices and costs	0.5
Increase in bad debt provision ³	2.7
Underground network expenditure	-3.0
Reduction in materials, travel and fuel	-3.0
Reduction in insurance costs	-2.0
Introduction of Ofwat Innovation fund	2.2
Cost Programme	-18.6
Net decrease in operating costs	-17.2

¹ Increases as a result of Covid-19 include additional power costs of £1.5 million, as a result of higher consumption, and additional costs in relation to personal protection equipment of £0.5 million.

² Reduced spend as a result of Covid-19 mostly relates to the reduction in travel and fuel costs of £2.0 million.

³ Bad debt provision at 56.1 per cent is at a similar level to the prior year.

Depreciation and amortisation

Depreciation and amortisation decreased by 4.1 per cent compared with the same period last year, consistent with the impact of newly commissioned assets in the period.

Operating profit

Operating profit has decreased by 6.1 per cent to £209.3m, which is consistent with lower revenues, partially offset by lower operating costs and depreciation.

Finance costs

The underlying net finance charge for the period was £124.1m, a decrease of £44.2m compared with the same period last year. This is driven through lower interest costs arising on inflation linked debt due to lower inflation year on year, and partially offset by less interest earned on cash deposits held in the period. Finance income has decreased from £2.6m to £1.8m principally due to lower rates year on year on cash deposits held in the period.

The fair value losses on financial derivatives of £100.6m (2019: £171.3m) is primarily a result of the average fall in interest of 25 basis points (2019: 41 basis points decrease) and a 30 basis points increase in average levels of forward inflation curves (2019: 10 basis points decrease). The fair value losses in the current and prior periods are non-cash in nature and have no material effect on the underlying commercial operations of the business.

Taxation

Compared to the same period in the previous year, the total tax credit has decreased by £16.2m from £18.3m to £2.1m.

The current tax credit has decreased by £5.9m from a charge of £2.6m to a credit of £3.3m. This is because the prior period included a capital allowance disclaimer which increased the current tax charge, which offsets the tax effect on the increased profits this period.

The deferred tax charge has increased from a credit of £20.9m to a charge of £1.2m. This consists of a higher underlying charge because all capital allowances have been claimed in this period, as well as a lower deferred tax credit due to the reduction in fair value losses on derivative financial instruments.

In addition to the £2.1m tax charge on the income statement, there is a credit of £29.2m (2019: charge of £2.0m) in the statement of other comprehensive income in relation to deferred tax on actuarial losses on pension schemes and fair value gains on cash flow hedges.

Anglian Water is one of the largest private investors in infrastructure in the 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. Anglian Water customers directly benefit from the deferral as it helps to keep their bills lower.

Over the full year total taxes paid or collected other than corporation tax will amount to in excess of £200 million, the most significant payments are in relation to business rates, employment taxes, VAT, environmental taxes and abstraction licences.

Dividends

No dividends were paid by the group to the immediate parent company in the period (2019: £67.8 million). No dividends were paid by other group companies to the ultimate shareholders in the period (2019: £nil).

Net debt and cash flow

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 the group's focus on sustainability. In April, Anglian Water received £65m in relation to a CPI-linked forward starting bond traded in August 2018.

Debt repayments in the period consisted of £746.2m as a result of settling the 4.125% index-linked bond (£263.8m) and repayment of £450m on the syndicated and bilateral bank facilities, which saw £600m drawn in March 2020, to provide a short term liquidity buffer in light of the Covid-19 uncertainty. Other debt repayments in the period were various other smaller scheduled amortising debt payments as they fell due.

Anglian Water has access to £450.0m 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.

2.0 Regulatory Update

CMA redetermination of price controls 2020-25

Following a programme of written submissions, site visits and personal hearings over the summer, the CMA published its provisional findings (PF) on 29 September 2020. In the PF, the CMA provisionally proposed a number of changes to Ofwat's determination, including adjustments to Ofwat's allowed rate of return and removal of the mechanism which penalised high levels of gearing. The CMA also provisionally increased Anglian Water's botex and enhancement expenditure allowances and expanded the scope of the true-up mechanism for growth costs.

The CMA's final determination was scheduled for publication in December but timing is currently uncertain.

Wholesaler support to the business retail market

In April, Ofwat announced several measures to reduce the impact of Covid-19 on the business retail market. It allowed retailers to defer up to 40% of wholesale charges. The financial penalties that wholesalers and retailers would ordinarily need to pay where they do not meet certain industry level service were suspended. 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.

In July, as businesses started to re-open following lock-down, Ofwat announced a review of the emergency measures, with a timetable for them to expire and for deferred charges to wholesalers to be re-paid. Ofwat and MOSL will monitor the market as the pandemic progresses and determine the need to restore wholesaler support.

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.

However 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. Arguably 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.

3.0 Service Performance Overview

The Anglian Water service strategy is underpinned by the principle that leading performance on customer metrics is fundamental to its overall performance.

As such customers remain influential in the decision making through on-going engagement channels, weekly satisfaction surveys, the 'My Account' platform and Anglian Water's online community. In addition customer insight is sought through leading market research sourced from Forrester, Gartner and the UK Institute of customer service.

As the impacts and situation of the coronavirus pandemic began to escalate at the start of the year the main priority was to support customers needing extra help, self-isolating or those in a vulnerable situation. Large scale promotion of the Watercare services took place to let customers know Anglian Water were here to help, whether that was with financial advice and assistance or registering them onto Anglian Water's Priority Service Register. During this April to September period over 250,000 customers were helped through the range of affordability assistance and have over 125,000 registered for practical help through the Priority Service Register.

Anglian Water has continued to develop its digital services as more of its customers adopt digital as their preferred communication channel. A new online service issue reporting tool was launched, with plans to further develop over coming months to expand its capabilities. The online MyAccount is being enhanced alongside the new smart metering programme; due to go live later this year 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 have continued to rate the service highly, with over 97% rating the service received as satisfactory or better. The new customer measure of experience (C-MeX) was introduced by Ofwat this year with annual financial incentives in place. This new measure assesses each company through the results from two surveys; a customer service survey and a customer experience survey. Both survey scores contribute equally to the overall C-MeX score for a company, with Ofwat publishing an annual league table of the companies scores following the year end.

4.0 Capital Expenditure

There has been a positive start to the first year of AMP7 investment programme with gross capital expenditure for the period of £180.6 million (£86.5 million on capital maintenance, £94.0 million on capital enhancement). Despite the significant impact that Covid-19 had during the period, this represents a strong start to delivery of the year one programme from the Final Determination, with management confident of delivering the full year position.

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 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 estimated CRI score to the end of September 2020 is 0.59 which is ahead of the ODI target of 2.0 and a continued improvement on previous years (2016 – 8.30, 2017 – 3.20, 2018 – 1.82, 2019 – 1.75). This is largely due to a reduction in metaldehyde exceedances due to careful abstraction management and catchment management activities.

Anglian Water's estimated ERI score to the end of September 2020 is 1.24. 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) to the end of September 2020 is 0.90 This measure was impacted earlier this summer by the unprecedented demand and resulting distribution input. Anglian Water received positive feedback in the Chief Inspectors Report 2019 with the largest reduction of discolouration customer contacts across the industry in the Hartlepool supply 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 it a two-star rating in its annual Environmental Performance Assessment. This downgrade was largely driven by an increase in the number of serious pollutions recorded. The company's performance throughout 2020 has been significantly stronger, and it has put in place a number of additional measures in a bid to retain that strong position to the (calendar) year-end, targeting a return to three-star performance in 2020's assessment (to be announced in 2021). The publication of a comprehensive Pollution Incident Reduction Plan underpins a number of emerging workstreams, focusing on things like such as self-reporting to the EA. The picture continues to improve with the company's ultimate goal being zero pollutions.

Covid-19 has impacted on a number of water recycling centres since March. With more people working from home, the loading at some rural Water Recycling Centre's dramatically increased. There have been 5 retrospective submissions to the EA for consideration for removal from the EPA based on Covid-19 impacts in line with their Covid-19 operating guidance. These are; Ingoldmells, Manea, Molesworth, Great Easton and Padbury.

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. Whilst some sampling did resume mid-year, the EA are yet to advise how the 2020 season will be classified – if at all.

Anglian Water finished the 2019 season with 30 beaches classed as 'excellent' (target 33). The lower than predicted results were due to the EA taking duplicate samples from the Lincolnshire beaches during the extreme flooding in summer 2019 to catch up their sample frequency due to their sampling vehicle breaking down. This resulted in 3 beaches dropping a classification from 'excellent' to 'good'.

Anglian Water is seeking a 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. The hearing is due to take place in November 2020.

Water Resources

The region's water resources remain secure as Anglian Water enters the 2020/21 recharge period. This is despite lower than average rainfall at the start of summer 2020, with record breaking low rainfall totals in May, coupled with unprecedented demand for water driven by the Covid-19 lockdown. Soil Moisture Deficit reached the highest peak since 1996, however this was short lived due to high rainfall levels from late August to October.

The majority of reservoirs across the region are at or close to target for the time of the year with overall storage at 87%.

6.0 Financing

During the period under review, Anglian Water received £65m in relation to the CPI-linked forward starting bond traded in August 2018.

Debt repayments, in the period to 30 September 2020, amounted to £746.2m as a result of settling £263.8m on the 4.125% index-linked bond and £450m repayment on the syndicated and bilateral facilities, which Anglian Water drew £600m on, in March 2020, to provide a short term liquidity buffer in light of the Covid-19 uncertainty. Other debt repayments were £32.5m of EIB amortising debt.

Credit ratings in the period are as follows:

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

7.0 Board and Management Board

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
James Bryce	Non-Executive Director	
Duncan Symonds	Non-Executive Director	
Niall Mills	Non-Executive Director	

The following Directors resigned during the year:

Dr Stephen Billingham, CBE	Independent Non-Executive Chairman, resigned 31 March 2020
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Anglian Water is managed by the AWS Management Board, which, as at 30 September 2020, 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
Ciaran Nelson	Director of Brand and Communications
Alex Plant	Director of Strategy and Regulation
Ian Rule	Director of Customer and Wholesale Services
Claire Russell	Legal Director / Company Secretary
Jason Tucker	Director of Strategic Delivery and Commercial Assurance
Paul Valleley	Director of Water Services

Anglian Water will be holding a meeting for investors on 9th December 2020.

8.0 Green Bond Impact Reporting

Background

Capital expenditure incurred by Anglian Water is subject to BSI (British Standards Institute) PAS2080 verification. This is a standard launched by the Green Construction Board to encourage a consistent approach to the management of carbon by all involved in infrastructure. It sets out principles and components to manage whole life carbon emissions and deliver reduced carbon over the whole value chain. During AMP6 all Anglian Water capital expenditure was capable of being an eligible green project for inclusion in an eligible green project category, outlined in the Green Bond Principles 2018, being related to: "sustainable water and wastewater management including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation".

The AMP6 Anglian Water Green Bond Framework was reviewed by DNV GL which issued a Second Party Opinion. Anglian Water has raised a further £877 million of Green Bonds from investors in the UK, Japan and United States in accordance with the Green Bond Principles 2018. All funds under the AMP6 Framework have now been deployed and the investments financed through this debt are expected to save or avoid 162,073 tonnes of carbon. and no further reporting will be made on AMP6 expenditure, subject to the conditions set out in the AMP6 Framework.

As the next capital investment period (AMP7 2020-2025) has now commenced, further green and sustainable bonds will be issued in accordance the AMP7 Anglian Water Green Bond Framework, assured by DNV GL. Funds have been received to the end of September 2020 over six green bonds:

Bond	Issue Date	Maturity Date	Proceeds (£m)	ISIN
Green Bond 1	10/08/2017	10/08/2025	248.6	XS1659112616
Green Bond 2	26/10/2018	26/10/2029	296.6	XS1895640404
Green Bond 3	06/02/2019	06/02/2029	150.1	£85m USPP GB00BH0PB92; £25m USPP GB00BH0PBK08; \$53m USPP GB00BH0PBL15
Green Bond 4	16/04/2019	16/04/2029	65.0	G0369ATBD7XX
Green Bond 5	20/06/2019	20/06/2039	50.9	XS2010166572
Green Bond 6	03/04/2020	03/04/2040	65.0	XS2151024598

All funds have been fully invested.

AMP6 Green Bond Portfolio

Cumulative Eligible Green Projects in the Eligible Green Portfolio as at 30/09/2020 are summarised in the following table:

Eligible green projects	Sustainable water management £	Sustainable water recycling £	Total £
Quality	74,662,259	234,768,021	309,430,280
Capital maintenance	186,252,056	298,602,911	484,845,967
Growth (supply/demand)	102,355,535	201,085,426	303,440,951
Enhanced service level	63,472,762	21,677,986	85,150,748
Grand total	426,742,612	756,134,334	1,182,876,946
Net proceeds			876,215,809
2010 Baseline CO2 (eT)	Actual CO2 (eT)	Reduction in CO2 (eT)	Reduction in CO2 (%)
260,906	99,432	161,474	62% from 2010 capital carbon baseline

Green Projects

All Water and Water Recycling expenditure undertaken by Anglian Water falls within the eligible project categories recommended in the Green Bond Principles 2018. However, for reporting and monitoring purposes in accordance with the Anglian Water Green Bond Framework, certain projects are selected into a number of "Green Bond Portfolio". Examples of some of the projects can be found on Anglian Water's website:

<https://www.anglianwater.co.uk/about-us/who-we-are/investors/anglian-water-services-terms-and-conditions/anglian-water-services-investor-information/>

Ratios

1.0 Historical

Anglian Water confirms that in respect of the six months ended 30 September 2020, 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:

	30 Sep 2020	30 Sep 2019	31 Mar 2020
a) The Class A RAR	71.6%	68.7%	68.8%
b) The Senior RAR for each Test Period	81.7%	78.4%	78.4%
c) The Class A ICR	3.2:1	3.0:1	3.5:1
d) The Class A PMICR for each Test Period	n/a	n/a	n/a
e) The Senior PMICR for each Test Period	n/a	n/a	n/a
f) The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	2.3:1	2.1:1	2.3:1
g) The Conformed Class A PMICR for each Test Period	1.4:1	1.5:1	1.7:1
h) The Conformed Senior PMICR for each Test Period	1.3:1	1.3:1	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 30 Sep 20 £m	Actual Period to 30 Sep 19 £m	Actual Period to 31 Mar 20 £m
Income		650.7	677.1	1,318.1
Operating Expenditure		(306.7)	(355.1)	(673.7)
Pre-capital maintenance cashflows		344.0	322.0	644.4
Capital Maintenance Expenditure		(94.3)	(99.5)	(225.5)
<i>Depreciation</i>		(189.1)	(164.2)	(330.2)
Post-Maintenance cashflow for PMICR		154.9		157.8
Post-Maintenance cashflow for Net Cash Flow ratio		249.7	222.5	418.9
Net Interest		(123.5)	(123.9)	(220.7)
Enhancement Capital Expenditure		(111.2)	(128.6)	(224.7)
NHH Disposal Proceeds		0.0	0.0	0.0
Ordinary Dividends		0.0	(67.8)	(67.8)
Shareholder reinvestment		0.0	0.0	0.0
Pre-financing cashflows		15.0	(97.8)	(94.3)
Interest Payable on Class A Debt:				
Finance Leases		0.0	0.0	(0.4)
Class A Bonds		(108.1)	(108.4)	(185.8)
MBIA Wrap Fees		(2.5)	(2.4)	(2.4)
Less Interest Receivable		2.7	2.9	4.9
Total net Class A debt interest		(107.9)	(107.9)	(183.7)
Interest Payable on Class B Debt				
Class B Bonds		(15.9)	(16.0)	(37.0)
Total Net Interest payable on Senior Debt		(123.8)	(123.9)	(220.7)
Interest Cover Ratios:				
Class A ICR	1.6:1	3.2:1	3.0:1	3.5:1
Senior PMICR	1.1:1	n/a	n/a	n/a
Class A PMICR	1.3:1	n/a	n/a	n/a
Conformed Senior PMICR	1.1:1	1.3:1	1.3:1	1.4:1
Conformed Class A PMICR	1.3:1	1.4:1	1.5:1	1.7:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	2.3:1	2.1:1	2.3:1

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 30 Sep 20 £m	As at 30 Sep 19 £m	As at 31 Mar 20 £m
Class A Gross Debt:				
Finance Leases		(14.7)	(21.4)	(14.7)
Class A Bonds etc		(5,976.9)	(6,042.4)	(6,701.2)
Total Class A Gross Debt		(5,991.6)	(6,063.8)	(6,715.9)
Less cash balances and Authorised Investments		315.7	453.6	1,047.2
Total Class A Net Debt		(5,675.9)	(5,610.2)	(5,668.7)
Finance Leases		0.0		0.0
Class B		(793.8)	(793.2)	(791.0)
Total Senior Net Debt		(6,469.7)	(6,403.4)	(6,459.7)
Regulatory Asset Value (RAV)		7,922.0	8,171.7	8,242.1
Regulatory Asset ratios:				
Senior RAR	85.0%	81.7%	78.4%	78.4%
Class A RAR	75.0%	71.6%	68.7%	68.8%

6.0 Regulatory Performance¹

Regulatory Performance Data	As at 31 Mar 20 £m	
FD Wholesale Totex		
Allowed Totex (water)	12/13 prices	291.5
Allowed Totex (wastewater)	12/13 prices	500.7
Total FD Allowed Totex	12/13 prices	792.2
FD PAYG %		
PAYG % water	12/13 prices	68.2%
PAYG % wastewater	12/13 prices	55.3%
FD fast money		
Allowed water fast money	12/13 prices	198.8
Allowed sewerage fast money	12/13 prices	276.8
Total fast money	12/13 prices	475.6
Total fast money	Outturn prices	568.8
FD slow money		
Allowed water slow money	12/13 prices	92.7
Allowed sewerage slow money	12/13 prices	223.9
Total slow money	12/13 prices	316.6
Total slow money	Outturn prices	378.6
Total fast + slow money	Outturn prices	947.4
FD tax		
Tax in revenue building block	12/13 prices	5.2
Tax in revenue building block	Outturn prices	6.2
Comparison FD wholesale allowances vs actual wholesale spend		
FD fast money	Outturn prices	568.8
FD slow money	Outturn prices	378.6
FD fast + slow money (FD totex)	Outturn prices	947.4
Actual opex	Outturn prices	555.4
Actual capex	Outturn prices	394.8
Actual opex + capex (actual totex)	Outturn prices	950.2
Actual opex minus FD fast money	Outturn prices	(13.4)
Actual capex minus FD slow money	Outturn prices	16.2
Actual opex + capex minus FD fast + slow money = totex outperformance	Outturn prices	2.8
Reconciliation to post maintenance cashflow		
Opex per post maintenance cashflow	Outturn prices	(673.7)
Pension deficit repair payments per post maintenance cashflow	Outturn prices	(12.9)
Total opex plus pension deficit repair payments	Outturn prices	(686.6)
Made up of:		
Wholesale opex, including pension deficit repair payments and tax	Outturn prices	(585.8)
Other opex (Retail) + non-appointed	Outturn prices	(100.8)
Total opex plus pension deficit repair payments	Outturn prices	(686.6)
Other information		
Pension in outturn prices	Outturn prices	12.9
Project cash opex (for covenant calculation)	Outturn prices	673.7
Projected opex (ie pre working capital adjustments and CTA adjustments)	Outturn prices	615.4
Total cash opex inc pension	Outturn prices	627.9
Total opex (ie pre working capital adjustments and CTA adjustments) inc pensions	Outturn prices	628.3
Enhancement - wholesale	Outturn prices	233.8
Maintenance - wholesale	Outturn prices	232.1
Retail	Outturn prices	5.0
Non-regulated	Outturn prices	1.5
Total capex	Outturn prices	472.4
Wholesale capex outturn	Outturn prices	465.9
FD depn	12/13 prices	276.1
Outturn depn	Outturn prices	330.2
Calculation of RCV		
Opening RCV per FD	12/13 prices	6,849.6
Additions per FD	12/13 prices	318.6
Less RCF Run-Off per FD	12/13 prices	(276.1)
Closing RCV per FD using average 12/13 prices	12/13 prices	6,892.1
RPI to convert from price basis used by regulator to outturn prices at year end	Num	1.20
Opening RCV	Outturn prices	8,191.3
Additions	Outturn prices	381.0
Less RCV run-off	Outturn prices	(330.2)
Closing RCV	Outturn prices	8,242.1
Totex outperformance to clawback per Rulebook calculations	Outturn prices	(196.9)
Shadow RCV	Outturn prices	8,045.2

¹Regulatory performance data are not updated at half year.

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2020 £m	New Issues £m	Repayment ² £m	Indexation £m	Closing Balance 30 Sep 2020 £m
Finance Leases	14.7				14.7
Operating Leases (Vehicles)	3.8	0.3	(0.7)		3.4
Transferring Bonds:					
4.125% ILLS 2020	262.7		(263.8)	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			1.8	335.7
A7 Notes - 3.07% ILLS 2032	100.4			0.6	101.0
A8 Notes - 6.293% Fixed 2030	246.0				246.0
A11 Notes - 3.666% ILLS 2024	125.2			0.7	125.9
A18 Notes - 2.4% ILLS 2035	618.6			2.7	621.3
A19 Notes - 1.7% ILLS 2046	74.9			0.4	75.3
A20 Notes - 1.7% ILLS 2046	74.6			0.7	75.3
A21 Notes - 1.7146% ILLS 2056	59.9			0.3	60.2
A22 Notes - 1.6777% ILLS 2056	74.9			0.4	75.3
A23 Notes - 1.7903% ILLS 2049	89.9			0.5	90.4
A24 Notes - 1.3825% ILLS 2056	74.7			0.7	75.4
A25 Notes - 1.3784% ILLS 2057	149.3			1.3	150.6
A26 Notes - LIBOR Plus 0.34%	100.0				100.0
A27 Notes - 1.449% ILLS 2062	106.7			1.2	107.9
A28 Notes - 1.52% ILLS 2055	71.2			0.8	72.0
A30 Notes - LIBOR Plus 0.85%	110.0				110.0
A31 Notes - JPY 5bn 3.22% 2019/2038	0.0				0.0
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0				25.0
European Investment Bank £50m 1.626% Term Facility 2019	0.0				0.0
European Investment Bank £50m 1.3% Term Facility 2020	0.0				0.0
A35 Notes - £130M 2.262% IL Bond 2045	172.8			0.3	173.1
Index Linked Swaps	103.7		(63.5)	9.0	49.2
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		(4.6)	0.1	59.9
European Investment Bank £75m 0.79% index linked amortising term facility 2027	64.4		(4.6)	0.1	59.9
Sub Total	4,131.5	0.3	(337.2)	22.7	3,817.3

Cont'd	Closing Balance 31 Mar 2020 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 30 Sep 2020 £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			0.1	60.4
A42 Notes - £15m 1.37% IL Private Placement 2022	18.1			0.0	18.1
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		(8.9)	0.2	134.2
B46 Notes - £200m Class B 4.5% 2026	200.0				200.0
A47 Notes - £35m 1.141% IL Bond 2042	41.4			0.1	41.5
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		(3.8)	0.1	63.9
European Investment Bank £125m 0.1% index linked amortising term facility 2029	135.6		(7.1)	0.3	128.8
European Investment Bank £60m 0.01% index linked amortising term facility 2030	68.2		(3.4)	0.1	64.9
£500m RCF 2020	0.0				0.0
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		(400.0)		150.0
£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			65.0
Total¹	7,507.1	65.3	(810.4)	23.6	6,785.6

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

²Repayment of £746.2m excluding operating leases (vehicles) and index linked swaps.

8.0 Anglian Water Services Group – Profit & Loss Account

	Underlying results	Other items	Total Six months ended 30 September 2020	Total Six months ended 30 September 2019
	£m	£m	£m	£m
Total revenue	680.1	-	680.1	717.0
Other operating income	6.0	-	6.0	7.5
Operating costs	(303.5)	-	(303.5)	(320.7)
Depreciation and amortisation	(173.3)	-	(173.3)	(180.8)
Operating profit	209.3	-	209.3	223.0
Finance income	1.8	-	1.8	2.6
Finance costs ¹	(125.9)	-	(125.9)	(170.9)
Fair value losses on derivative financial instruments	-	(100.6)	(100.6)	(171.3)
Net finance (costs)/income	124.1	(100.6)	(224.7)	(339.6)
Profit/(loss) before taxation	85.2	(100.6)	(15.4)	(116.6)
Taxation (credit)/charge	(17.0)	19.1	2.1	18.3
Profit after taxation			(13.3)	(98.3)
Dividend to AWG Group Ltd			-	(67.8)
Transfer (from)/to reserves			(13.3)	(166.1)

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 30 September 2020

		£m	£m	£m
<u>Non-current assets</u>				
Intangible assets				231.8
Property, plant and equipment				9,953.6
Derivative financial instruments classified as current and non-current assets				342.9
Retirement benefit surpluses				20.3
Net current liabilities excluding cash and debt repayable in less than one year				(129.9)
Retirement benefit obligations				(46.4)
Derivative financial instruments classified as current and non-current liabilities				(1,156.8)
Creditors amounts falling due after more than one year excluding debt				(1,074.9)
Cash and cash equivalents	Payments Account	302.4		
	Capex Reserve	0.0		
	Debt Service	13.3	315.7	
		<hr/>		
Financing liabilities	Bonds (excluding accrued interest)	(6,863.7)		
	Leases	(48.3)		
	Other ¹	(101.1)	(7,013.1)	
		<hr/>		
	Net Debt (excluding derivatives)			(6,697.4)
				<hr/> <hr/>
Net assets				1,443.2
Capital and reserves	Share capital			32.0
	Reserves b/f			1,549.2
	Actuarial loss on pension schemes			(128.8)
	Transfer to reserves for the period			(13.3)
	Gain on cash flow hedges			5.6
	Cost of hedging reserve			(1.5)
				<hr/>
Capital and reserves				1,443.2
				<hr/> <hr/>

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 30 Sep 20 £m	Forecast Interest Payable to 30 Sep 21 £m
<u>Class A Debt</u>		
AAA Wrapped Bonds	21.3	21.6
A-Bonds	72.9	66.0
US Private Placements	13.4	13.3
Leases	0.0	0.0
Other	2.5	2.5
<u>Class B Debt</u>		
BBB Bonds	8.4	7.5
US Private Placements	7.6	7.5
Annual Finance Charge	126.2	118.5

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

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market Valuations as at 30/09/20				
External Swap Counterparties¹	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m²
BARCLAYS BANK	375.0	0.0	(48.1)	(48.1)
BNP PARIBAS BANK	608.4	52.1	(79.3)	(27.2)
BGL BNP PARIBAS	0.0	0.0	(38.7)	(38.7)
CBA BANK	401.9	102.1	(0.8)	101.3
HSBC BANK	233.0	3.8	(80.5)	(76.7)
HSBC BANK (Investor ISDA)	0.0	56.4	0.0	56.4
JP MORGAN BANK	566.6	12.1	(266.1)	(254.0)
LLOYDS BANK CORPORATE MARKETS PLC	716.1	32.3	(46.0)	(13.7)
MORGAN STANLEY BANK	375.6	0.0	(161.0)	(161.0)
SANTANDER BANK	903.4	60.9	(49.2)	11.7
SCOTIA BANK	240.0	6.7	(91.5)	(84.8)
SMBC BANK	125.0	7.5	(16.7)	(9.2)
EXTERNAL INVESTORS	0.0	0.0	(274.5)	(274.5)
Anglian Water Interest Derivatives	4,545.1	333.9	(1,152.4)	(818.5)
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.				