

Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the year ended 31 March 2022

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

Investor Report

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Basis of Preparation

All financial information in this report is audited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 31 March 2022.

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

Disclaimer

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

General Overview and Business Update

1.0 Financial Performance for the year ended 31 March 2022

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

	2022	2021
	Total	Total
	£m	£m
		(restated)
Revenue (excl. grants and contributions)	1,299.7	1,276.2
Grants and contributions	100.1	75.6
Other operating income	12.3	12.5
Operating costs	(612.5)	(605.9)
Charge for bad and doubtful debts	(11.1)	(31.1)
EBITDA	788.5	727.3
Depreciation and amortisation	(347.7)	(338.4)
Operating profit	440.8	388.9
Finance income	1.4	2.0
Finance costs ²	(459.7)	(252.2)
Adjusted (loss)/ profit before tax¹	(17.5)	138.7
Finance costs – fair value losses on financial derivatives ²	(115.1)	(23.2)
(Loss)/profit before tax on a statutory basis	(132.6)	115.5
Tax	(310.2)	(19.5)
(Loss)/profit after tax	(442.8)	96.0

¹ Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

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

Revenue

Revenue, excluding grants and contributions, for the year was £1,299.8 million (2021: £1,276.2 million), an increase of £23.5 million (1.8 per cent) on last year. The increase in revenue is a result of the following:

- The price increase for customers following the regulatory pricing formula, a £36.4 million increase.
- The impact of the Covid-19 restrictions lifting, a net £36.4 million decrease. Household consumption down £49.3 million and non-household consumption up £12.9 million, as consumption trends back to pre-Covid-19 levels.
- £19.0 million which has been ring-fenced to fund the LITE tariff, which has supported customers through Covid-19 and is being retained to provide additional support through the cost-of-living crisis.
- Other offsetting increases in revenue of £4.5 million including increases in customer numbers.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. Over the year these have increased by £24.5 million to £100.1 million. This reflects additional income from High Speed 2 (HS2, the planned high-speed rail connection between London and cities in the north of England) and a strong rebound in the housing market.

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

Other operating income

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

Operating costs (including charge for bad and doubtful debts)

Operating costs including charges for bad and doubtful debts for the year decreased by £13.4 million (2.1 per cent) to £623.6 million. This decrease is explained in the table below:

	£m
Prior year	621.4
Prior year Software as a Service ¹ restatement	<u>15.6</u>
Prior year restated	<u>637.0</u>
Funded by FD	
Inflation	22.8
Reduction in Software as a Service in the year	(6.0)
Capitalisation of replacement infrastructure assets	(16.8)
Weather related	
Additional tankering of sludge	2.0
Bad debt provision	
Improved collection	(11.9)
Release of excess Covid-19 provision	(8.1)
Other significant items	
Leakage performance strategy	8.5
Ongoing efficiency challenge	<u>(3.9)</u>
Total decrease	<u>(13.4)</u>
March 2022	<u>623.6</u>

¹ Software as a Service (SaaS) is centrally licensed subscription software

Prior year SaaS restatement

The intangible asset accounting policy has been amended to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of SaaS costs, so that certain costs that were previously capitalised have been expensed. This has resulted in a prior year increase to operating costs of £15.6m. These costs

naturally fluctuate as systems implementations change year on year, incurring a cost in the current year of £9.6m, a £6.0m reduction on the previous year.

Inflation

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

Capitalisation of replacement infrastructure assets

In order to improve efficiency, there was a change in the delivery of boundary box and external meter chamber replacement. As a result of the change in delivery, which has moved from individual jobs to a scheme of work, the cost of the scheme is above Anglian Water's de minimus threshold for capitalization, resulting in the costs being treated as capital expenditure rather than operational.

Additional tankering

The past two years have seen a number of exceptional weather events. The extremely wet weather at the start of 2021 resulted in increased costs of tankering in the current year as extra sludge volumes were required to be moved around the region.

Bad debt provision

The decrease in bad debts is a result of strong cash collection in the year and the reassessment of provision in debts over 48 months old (£6.0 million), and Anglian Water continues to observe positive collection following a change to its write-off policy in April 2020. In addition, Anglian Water estimates the impact of future macro-economic factors on its collection performance as required by IFRS 9. The improving unemployment forecasts offset in part by the projected cost of living crisis has resulted in the release of £6.6 million of bad debt provision. Set against last year's increase of £1.5 million, this amounts to a net £8.1 million reduction.

Leakage performance strategy

In addition to the above, we spent an additional £8.5 million in relation to the Leakage Recovery Project, which was part of the increased investment towards meeting leakage targets for the year and contributed to a 6.1% reduction.

Ongoing efficiency challenge

Representing managements ongoing drive to ensure strong cost control and spend being delivered efficiently.

Energy

The market cost of power has fluctuated significantly in the year. The business hedges its costs by locking in wholesale electricity rates in advance, which has mitigated increasing electricity rates in the year.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined as the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 8.4 per cent to £788.5 million, which is consistent with the effect of the increase in grants and contributions income and reduction in bad debt costs described above.

Depreciation and amortisation

Depreciation and amortisation is up 2.7 per cent to £347.7 million compared with last year, primarily as a result of higher fixed asset balances as Anglian Water constructs and commissions assets in line with its capital investment programme.

Operating profit

Operating profit has increased by 13.3 per cent to £440.8 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs and profit before tax

Adjusted finance costs (excluding fair value gains and losses on financial instruments) increased from £252.2 million in 2021 to £459.7 million in 2022. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £206.4 million to £255.0 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 1.2 per cent to 5.8 per cent and year-on-year average Consumer Price Index (CPI) from 0.6 per cent to 4.0 per cent. Anglian Water has both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV).

There was a fair value loss of £115.1 million on derivative financial instruments in 2022, compared with a loss of £23.2 million in 2021. The fair value losses in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the loss in 2022 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 138 basis points and forward interest rates increased by 54 basis points across the curves.

Following the cessation of GBP LIBOR on 31 December 2021, GBP LIBOR was replaced by SONIA, which is now used in the valuation of the derivative portfolio. The switch from LIBOR to SONIA discounting resulted in a net decrease in the valuation of the derivative portfolio of £55.0 million. A proportion of this decrease, in relation to derivatives that are not in hedging relationships, is included in fair value losses in the current year.

Adjusted loss before tax (excluding fair value gains and losses on financial instruments) for the year was £17.5 million, compared with a £138.7 million profit in the prior year. This increase primarily reflects the impact of higher inflation on interest costs as noted above.

Taxation

The tax charge for the period comprises:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 (restated) £m
Current tax:		
In respect of the current period	(13.6)	(0.1)
Adjustments in respect of prior periods	(5.1)	(5.4)
Total current tax credit	(18.7)	(5.5)
Deferred tax:		
Origination and reversal of temporary differences	(25.9)	23.4
Adjustments in respect of previous periods	1.2	1.6
Increase in corporation tax rate	353.6	-
Total deferred tax charge	328.9	25.0
Total tax charge on loss on continuing operations	310.2	19.5

Anglian Water is one of the largest private investors in infrastructure in its region, having invested just over £1 billion in the last two years. The Government actively encourages infrastructure investment and grants Anglian Water 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.

Total tax paid or collected in the year to 31 March 2022, other than corporation tax, amounted to £231.0 million (2021: £255 million), of which £83.0 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 £18.7 million (2021: £5.5million). The deferred tax charge has increased by £303.9 million from £25.0 million in 2021 to £328.9 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. In this year there is also a one-off current tax credit due a transitional adjustment on the treatment of SaaS.

The primary reason for the increase in the deferred tax liability is the increase in corporation tax rate from 19 per cent to 25 per cent which is due to take effect from April 2023. As the deferred liability will not arise until after the new corporation tax rate is in force in April 2023, the liability is restated using the increased rate of 25 per cent. This results in an increase of £353.6 million.

In advance of the corporation tax rate rise, the Government has introduced capital allowance 'super deductions' which allow companies to accelerate their tax relief on capital expenditure. This has increased the amount of losses available to surrender to other group companies and therefore increased the current tax credit. It has also created tax losses to carry forward in the company which give rise to a deferred tax credit of £18.8 million (2021: £nil) to offset the deferred tax charge due to the rate rise.

Also reducing the deferred tax charge is an increased deferred tax credit of £21.9 million (2021: £4.4 million) relating to fair value losses. This increase in the overall deferred tax charge is a non-cash tax charge.

In addition, tax forms part of the revenue building block and therefore any future tax charges will be funded through revenues. Further, Ofwat introduced a tax true-up reconciliation in the current AMP to account for changes in tax rates.

In addition to the £310.2 million tax charge on the income statement, there is a charge of £40.7 million (2021: credit of £27.1 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes, fair value gains on cash flow hedges and the change in corporation tax noted above.

Distributions available to the ultimate investors

A £96.3 million prior year final dividend was paid in the period (2021: £nil), reflecting the Company's dividend policy having regard to Anglian Water's purpose and duties under the company's Article of Association.

In line with the dividend policy described below, the Directors have proposed to pay a final dividend of £169.0 million, a deduction of £9.0 million has been made to reflect the anticipated ODI penalty in the period. This decision is in combination with an equity injection of £1,165.0 million in the period and results in a net equity injection for the AMP of £899.7 million. Through these capital injections the company continues to benefit from the strong support of shareholders.

The Board has an approved dividend policy, under which dividend payments will be aligned to the performance of the business, taking into account commitments to customers and other stakeholders and ensuring that the company can finance its operations. Anglian Water aims to attract long-term shareholders who support its long-term ambitions. The support of our shareholders is critical to the success of our business and to securing the investment that Anglian Water needs. Therefore, our shareholders are entitled to an appropriate return on their investment. This is delivered partly through long-term capital growth and partly through dividends.

The company's dividend policy is to identify the cash available for distribution, allowing for the business's liquidity requirements in respect of funding its operations and the capital programme, and servicing its debt for the next 18

months. When considering a dividend, the Directors will consider the Business Plan, have regard to Anglian Water's purpose and reflect their duties under the company's Articles of Association.

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

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

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

The Board will therefore consider if the payment or part payment of the dividend reflects or would be consistent with the long-term social, financial and operational commitments made to stakeholders, including customers, employees and pension fund holders. In considering this issue, the Board will have regard to the suite of Performance Commitments that the company has made which include targets in relation to:

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

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

Financial needs and resources

As part of the re-capitalisation of Anglian Water completed in July 2021, a principal aim of which was to protect the credit ratings of Anglian Water, £1,165m was injected as equity into Anglian Water. Following this, in September 2021, a proportion of these proceeds were used to prepay \$617.0 million of Anglian Water's Class B debt, comprising:

- \$410m 5.18% Private Placement due December 2021;
- \$160m 4.99% Private Placement due November 2023; and
- \$47m 5% Private Placement due October 2022.

A make-whole payment of £14.5m was paid in respect of the early repayment. In addition, scheduled repayments were made in respect of the following debt instruments:

- \$160m 4.52% Private Placement debt repaid in June 2021;
- £33.5m of amortising payments in respect of EIB Index Linked debt repaid in August 2021 and a further £35.0m repaid in February 2022

A repayment of £25 million was also made in respect of the remaining outstanding drawings on the £550 million syndicated revolving credit facility, which, in addition to the £50 million bilateral revolving credit facility, had been fully drawn down in March 2020 to provide a short-term liquidity buffer to cover Covid-19 uncertainty and apart from the £25 million repaid this year, were fully repaid during the prior year.

During the year to 31 March 2022, Anglian Water also received £75 million of funds in respect of two forward-starting, fixed-rate notes with a coupon of 2.14% maturing in 2036 that were transacted in the prior year and £25.5 million from a US\$35 million private placement swapped to sterling.

At 31 March 2022, Anglian Water had borrowings net of cash of £5,621.3 million (£6,783.3 million including the fair valuation of derivatives), a decrease of £1,028.5 million (£707.5 million including the fair value of derivatives) over the prior year. The fair value of derivative financial liabilities was £1,162.0 million, excluding derivative financial assets of £73.4 million in respect of energy derivatives. Net borrowings of £5,621.3 million comprised fixed, index-linked and variable-rate debt of £6,456.2 million, leases of £35.8 million and cash and deposits of £870.7 million. The decrease in net borrowings primarily reflects the impact of the £1,165 million equity injection and the ongoing capital investment programme. Net debt to RCV at year end was 64.8%.

Interest and Inflation rates

The company's treasury policy, as agreed by the Board, is to achieve a balanced mix of funding at inflation-linked, fixed and floating rates of interest. At the year end, taking into account interest rate swaps, 68.9 per cent (2021: 62.7

per cent) of the company's borrowings were at rates indexed to inflation, 25.1 per cent (2021: 32.1 per cent) were at fixed rates and 6.0 per cent (2021: 6.1 per cent) were at floating rates. At 31 March 2022, the proportion of inflation debt to regulated capital value was 51.4 per cent (2021: 53.4 per cent).

Liquidity and Cash Flows

As at March 2022 Anglian Water has access to £600.0 million of undrawn facilities (March 2021: £575.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £375.0 million of liquidity facilities (March 2021: £400.0 million), consisting of £254.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

The business generated cash from operations of £749.9 million in the year (2021: £632.8 million). The increase primarily reflects improvements in EBITDA described above, reduced pension scheme contributions in the current year, and the timing of supplier payments and VAT receipts.

Pension funding

At 31 March 2022, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £163.4 million, compared to a surplus of £10.0 million at 31 March 2021. This increase in surplus reflects an increase in the corporate bond rate used to discount the scheme's liabilities. During the year a deficit reduction payment of £14.6 million was made by the company, compared with £36.5 million in the prior year.

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

PR24

In Autumn 2021 Ofwat published a suite of consultation documents, in which they set out their emerging proposals for the conduct of the price review. The suite covered a range of topics, including financial resilience, risk and return, assessing base costs, performance commitments and the regulation of bioresources. The documents included a number of proposals which companies generally opposed, including:

- licence modifications which could limit distributions and reduce cash lock up thresholds
- a cap on gearing
- new incentives around financial resilience
- adoption of notional risk ranges for the efficient notional company prepared by Ofwat
- changes to the notional structure
- financeability not being a constraint at PR24
- full transition to CPIH-indexation of the RCV
- the elimination of bespoke performance commitments
- changes to the nature of cost assessment and RCV protection in bioresources.

In a material change to methodology, Ofwat also set out new expectations of Long-Term Delivery Strategies (LTDS). Companies will need to demonstrate outcome performance and enhancement requirements to 2050 under their "core" strategy but also develop adaptive plans which show how expenditure requirements change in response to 'trigger points' under a range of common reference scenarios relating to changes in climate, demand, technology and environmental ambition. Plans for AMP8 will need to show consistency with the LTDS.

The next major milestone in the PR24 process will be the publication of Ofwat's draft methodology statement in July 2022.

Environment Act

The Environment Act was passed in November 2021. The Act creates the UK's new framework of environmental laws and protection following the departure of the UK from the European Union. It provides for the establishment of the Office of Environmental Protection (OEP), places a statutory requirement on the government to prepare and maintain an Environmental Improvement Plan (EIP) and provides the government with powers to set new long-term, binding targets, including for the four main areas of water, air quality, biodiversity, and waste reduction.

On water, the most significant requirement of the Act is for sewerage undertakers to "secure a progressive reduction in the adverse impact of discharges from their storm overflows." The Act also introduces legal requirements for water companies to:

- Publish near real-time information - within one hour - on the operation of storm overflows
- Monitor the water quality upstream and downstream of storm overflows and effluent discharge points
- Produce comprehensive statutory DWMPs, setting out how they will reduce storm overflows.

The Act requires government to publish a statutory plan for the purpose of reducing discharges from storm overflows of sewerage undertakers and for reducing their adverse impact.

At the end of March 2022, the government consulted on the targets it is minded to include in its Storm Overflow Discharge Reduction Plan. They are that:

- Water companies shall only be permitted to discharge from a storm overflow where they can demonstrate that there is no local adverse ecological impact. The headline target must be achieved for most (75%+) storm overflows discharging in or close to high priority sites by 2035, for all overflows discharging in or close to high priority sites by 2045 and for all remaining storm overflow sites by 2050.
- For storm overflows discharging into and near designated bathing waters, water companies must significantly reduce harmful pathogens to meet Environment Agency spill standards by 2035.
- Storm overflows must not discharge above an average of 10 rainfall events per year by 2050.

In response to public concerns about storm overflows, WaterUK launched a ten-point action plan (“21st Century Rivers: from Recovery to Renewal”) in October 2021. In March 2022 Anglian Water launched a ‘Get River Positive’ campaign in conjunction with Severn Trent Water. This included five commitments:

- Ensure storm overflows and sewage treatment works do not harm rivers
- Create more opportunities for everyone to enjoy our region's rivers
- Support others to improve and care for rivers
- Enhance our rivers and create new habitats so wildlife can thrive
- Be open and transparent about our performance and our plans

Innovation

In September 2021, Anglian Water was notified that both projects submitted to the Ofwat’s Water Breakthrough Challenge had secured funding. The two projects will be led by Anglian Water with a consortium of partners including other UK water companies.

Safe Smart Systems won £7.5 million to use artificial intelligence and mathematical optimisation to improve long-term operational resilience in the face of climate change and rapid population growth. It will identify, predict, and manage vulnerabilities to reduce leakage, interruptions and pressure issues across the whole water cycle. Safe Smart Systems focuses on the first steps to achieve autonomous control in water systems across the UK.

Triple Carbon Reduction has been awarded £3.5 million to develop novel technologies to target a step change reduction in greenhouse gas emissions and electricity use in used water treatment and provide a new renewable energy source through green hydrogen production – ‘triple carbon’ synergy and contribution towards achieving net zero carbon emissions by 2030.

In March 2022, Anglian Water was notified that it had been successful in its bid for £0.3 million of Catalyst stream funding for a project to unlock bioresource market growth using a collaborative decision support tool. Anglian Water will work with four water companies to develop a collaborative strategic planning capability, underpinned by Business Modelling Associates’ adaptive systems planning software. This will identify opportunities to trade bioresources across

existing assets and determine the optimal blend of future inter-company investments, tackling common challenges and maximising environmental and customer value.

Anglian Water has also submitted a bid for £5.5m of funding from the second Water breakthrough challenge for Enabling Water Smart Communities. In April 2022, it was announced that Anglian had been successful in this bid. The project will see Anglian collaborate with partners including Thames Water, United Utilities, Arup, The Chartered Institute of Water and Environmental Management (CIWEM) and Universities of East Anglia and Manchester, as well as developers and housing associations, to deliver a project that will address the current barriers to Integrated Water Management (IWM).

Ofwat appointments

The Environment Secretary has selected Iain Coucher as the Government's preferred candidate to succeed Jonson Cox as the Chair of Ofwat, the independent economic regulator of water services in England and Wales. Iain has previously been the Chief Executive of the Atomic Weapons Establishment (AWE) and Network Rail, and a non-executive director for Cadent Gas plc and a Board Member for the Rail Safety and Standards Board. He is currently a senior adviser at HIG Capital, a leading global investment fund, as well as a Trustee of the British Trust for Ornithology (BTO) and Earthwatch (Europe).

Subject to the report of the Environment, Food and Rural Affairs Select Committee's (ESC) pre-appointment hearing and the final decision being made by the Secretary of State, Mr Coucher will take up the post on 1 July 2022. Mr Cox has agreed with the Environment Secretary to extend his tenure as Chair of Ofwat to 30 June 2022.

On 21 April 2022 Ofwat announced that David Black had been appointed as the permanent Chief Executive. Black has been at Ofwat since 2012 and held the role of acting Chief Executive since April 2021 following the resignation of Rachel Fletcher.

Final Defra Strategic Policy Statement

Defra published its final Strategic Policy Statement (SPS) in February 2022. This statement is intended to provide the strategic direction for Ofwat at PR24.

This improves on the previous SPS with a greater focus on long-term value for money, protecting customers in vulnerable circumstances, resilience and delivering wider social and environmental value. The strategic priorities for Ofwat are:

- protect and enhance the environment
- deliver a resilient water sector
- serve and protect customers
- use markets to deliver for customers

In the statement, the government describes what it expects of the water industry. Ofwat should have regard to these expectations in carrying out its relevant functions. The SPS sets out that Ofwat is expected to:

- set out how activity across its forward work programme will deliver against the government's strategic priorities
- explain clearly how major decisions support delivery of our strategic priorities, for example, when establishing the methodology for price reviews or publishing draft and final determinations
- report on progress to its Board and through its annual report and accounts
- have an effective framework to hold companies to account within its statutory remit

3.0 Service Performance Overview

Throughout this year Anglian Water have continued to focus heavily on customers. The introduction of a new Voice of the customer team has helped capture more feedback on Operational jobs and enabled intervention where there were any remaining unresolved issues. This is showing a positive improvement in customers' levels of satisfaction.

Digital services continue to be a key area of focus, using an Interface analytics tool Anglian Water now have visibility of the customer experience across digital applications, enabling the prioritisation of the iterative improvements required across many of the customer touchpoints. With almost 50% of all customer interactions now being self-served, the MyAccount app and Issue reporting tool remain at the forefront of Anglian Water's digitally delivered service.

Anglian Water continue to proactively communicate with customers with regular yet relevant information. Also sent was over 900,000 emails prior to the April 1st price increases this year, highlighting the range of practical and financial help and support Anglian Water could offer our customers. This contributed to the provision of support to over 390,000 customers through a range of affordability schemes, including through Extracare assessments, helping to signpost customers to over £1.7 million of government support for which they were potentially eligible.

In addition, Anglian Water have been working with some of the local councils in region to help distribute their Household support funding, helping more of Anglian water's customers who are struggling to keep on top of their water bills. Work is ongoing to hopefully extend this partnership working further across the region.

The practical support to customers has also grown this year with over 277,000 customers now registered on Anglian Water's Priority Service Register (PSR) and receiving bespoke help and advice where required across a range of services from Anglian Water's dedicated team.

4.0 Capital Expenditure

2021/22 was the second year in the five-year AMP7 investment programme. Over the five years to 2025, Anglian Water will invest a record £3.0 billion through its capital investment programme. This spend will help to achieve Business Plan commitments and includes significant investments to ensure the region is resilient to the impacts of drought, climate change and population growth, alongside the largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong with gross annual capital expenditure across the appointed business increasing from £447.0 million to £577.7 million (£269.3 million on capital maintenance, £308.4 million on capital enhancement).

5.0 Water Quality and Environmental Performance

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

Drinking Water

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 key water quality performance measures - Compliance Risk Index (CRI) and Event Risk Index (ERI).

The CRI for an individual exceedance is calculated based on the parameter severity and impacted population. The score includes the cause of the failure, the way the company investigates the failure and any risk mitigation put in place by the company and is the Inspectorates assessment of that which produces the assessment score. This is then converted into a company CRI score by dividing the sum of the scores for the year by the company population.

The 2021 CRI score for Anglian Water will be finalised in July 2022. The 2020 score was 1.98.

The ERI is calculated based on the event severity, DWI assessment, impacted population and event duration. This is converted into a company ERI by dividing the sum of the scores for the year by the population served by the company.

The 2021 ERI score calculated by the DWI for Anglian Water (including Hartlepool) will be finalised in July 2022. The 2020 score was 6.16.

Another key measure is customer contacts related to water quality, the acceptability contact rate (per 1000 population served) for 2021 is 1.03 which is Anglian Water's best ever performance. Strategies are in place to continually 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 2020 pollution performance in July 2021, confirming a three-star rating in its annual Environmental Performance Assessment (EPA) for 2020. Anglian Water faced a significant number of extreme wet weather issues in early 2021 which had an impact on compliance at a number of Water Recycling Centres and led to a higher number of serious pollution events than in 2020. The EA will confirm the EPA position in July 2022.

A full strategic review has been carried out across both business streams to significantly drive forward performance particularly around serious pollutions and compliance, and Anglian Water have continued to engage positively with EA colleagues as performance in the early part of 2022 shows signs of improvement.

The Flow to Full Treatment (FFT) investigation

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

Anglian Water provided an update to Ofwat by their deadline of December 2021 and responded to a further request for information from Ofwat in April 2022. The report to Ofwat identified that out of a total of 432 sites with FFT conditions, one is potentially at risk of non-compliance, West Walton WRC, where a major capital scheme is underway which will improve the site and reduce the risk of potential non-compliance. This work will be completed in 2023.

Environment

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

Anglian Water have continued to outperform and deliver early on its WINEP obligations, including a significant increase in the number of event duration monitors (EDMs) on storm overflows. The average number of spills per overflow has reduced over the last few years, as has the average duration of each spill. Ever increasing delivery of additional EDMs will provide the opportunity to continue to understand the issue around overflows and ensure that action can be targeted to drive continued environmental improvement.

In March 2022, in partnership with Severn Trent, Anglian Water launched the high profile 'Get River Positive' campaign, including a series of key pledges and associated targets. Across both regions Anglian Water have collective pledged that it will:

- Ensure storm overflows and sewage treatment works do not harm rivers.
- Create more opportunities for everyone to enjoy our regions' rivers.
- Support others to improve and care for rivers in the region.
- Enhance the region's rivers and create new habitats so wildlife can thrive.
- Be open and transparent about its performance and plans.

Further details can be found at Get River Positive: <https://www.anglianwater.co.uk/environment/get-river-positive/>

Water Resources

The region's water resources remain secure following the Winter 2021/2022 period, where rainfall was classified at average over the period (100% Long-Term Average (LTA)). At the start of April 2022, overall reservoir levels were at 96 per cent, with all reservoirs on or above target for the time of year. The majority of aquifer levels across the region are at normal or above levels heading into the Summer 2022 period, with the slower response aquifers in the East of the region only now starting to show influence of rainfall in December 2021.

Anglian Water's revised draft Drought Plan 2022 was submitted to the Secretary of State for approval on 21 September 2021. This document provides an overview of Anglian Water's 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. On 7th April 2022, Anglian Water received the final publication letter from Defra for its Drought Plan 2022 and published the plan on Friday 29th April 2022.

Anglian Water continues preparation for Water Resources Management Plan 2024 (WRMP24), with the draft plan being submitted in October 2022. Ahead of this a pre-consultation was conducted in January 2022, during which time Anglian Water hosted three webinars as well as meeting with regulators. For the first time water companies and other water users are formally collaborating - under the auspices of Water Resources East (WRE) - to produce a regional water resources plan. The emerging draft was published for consultation in January 2022 and the full draft is to be published in November 2022. The regional plan and Anglian Water's WRMP24 are likely to recommend the development of two new reservoirs plus several smaller supply-side options and continued significant investment in demand-side measures.

Anglian Water are progressing South Lincs Reservoir (SLR), the Anglian to Affinity Transfer (A2AT), and the Fens Reservoir, in line with programme to achieve the Regulators' Alliance for Progressing Infrastructure Development (RAPID) Gate 2 mid-November. Preferred sites for both reservoirs will be confirmed in summer 2022, with landowner engagement and community consultation following in Autumn 2022. The long-term programme suggests a construction start date in 2029 for both reservoirs, and an into supply by late 2030.

Anglian Water is continuing to work closely with the Environment Agency to review abstraction licences to ensure sustainable abstraction across the Anglian Water region, where Anglian Water has agreed to reduce the amount of water

that is taken from the environment by 85 million litres a day by 2025. For example, Anglian Water closed its Ludham groundwater source in March 2021, and a significant infrastructure scheme is progressing to allow the closure of the East Ruston and Witton groundwater sources by June 2024. Anglian Water has continued to focus on abstraction licence compliance with a strong performance recorded over the last 6-month period.

6.0 Financing

At March 2022, Anglian Water's CTA net debt was £5,693.8 million, a reduction of £818.0 million, primarily as a consequence of the corporate restructuring and equity injection of £1,165.0 million. CTA gross debt (which is now entirely Class A) was £6,564.5 million with cash and investments of £870.7 million. CTA gross debt decreased by £233.3 million from March 2021 as a result of the early repayment of three Class B debt instruments noted in Section 1.0 totalling \$617.0 million (£389.8 million), the repayment of £25.0 million of syndicated revolving credit facilities, scheduled repayments in respect of the \$160 million (£100.2 million) 4.52% Private Placement debt and £68.5 million in respect of EIB Index Linked debt, and £9.1 million of lease repayments. This was partially offset by the proceeds from three new debt instruments totalling £100.5 million issued to finance ongoing capital expenditure, indexation of inflation linked debt of £255.0 million, and £3.8 million of new leases.

Credit ratings at 31/03/2022 are as follows:

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

7.0 Dividends

In the year ended 31 March 2022 dividends of £96.3 million were paid out of the Anglian Water Services Financing Group to the Company's direct parent, AWG Group Limited (2021: £nil).

8.0 Significant Board / Management Changes

The Board of Anglian Water Services Ltd comprises:

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

Anglian Water is managed by the AWS Management Board, which, as at 31 March 2022, in addition to the Executive Directors referred to above, included:

Susannah Clements	Group People and Change Director
Brian Ebdon	Director of Strategic Planning and Performance
Iain Fry	Director of Information Services
Pete Holland	Director of Customer and Wholesale Services
Ciaran Nelson	Director of Brand and Communications
Alex Plant	Director of Strategy and Regulation
Dr Robin Price	Director of Quality and Environment (appointed January 2022)
Ian Rule	Director of Water Services
Claire Russell	Legal Director / Company Secretary
Andrew Taylor	Acting Director of Water Recycling
Jason Tucker	Director of Strategic Delivery and Commercial Assurance

Anglian Water will be holding a meeting for investors on Wednesday 15th June 2022.

9.0 Sustainable Financing

Background

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

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

Anglian Water published its annual Sustainable Finance Impact Report which was assessed by DNV as a second party opinion. A link to the report can be found below:

<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

Of the £253.0 million funds raised shown in the table below, £228.7 million have been transferred from the Capex Reserve Bank Account to fund the expenditure to date.

ICMA Green / Social Category	Sustainable Category	Funding	Proceeds	Proceeds Moved to Date	Proceeds Left to Move 31 Mar 2022
Affordable basic infrastructure (Social)	Sustainable growth				
Environmentally sustainable management of living natural resources and land use	Improving our environment				
	Natural Capital Solutions	Dai-ichi £25.5m	25,473,071.32	2,079,948.75	23,393,122.57
Sustainable water and wastewater management	Sustainable service (water and water recycling)	Manulife £50m	49,875,000.00	49,875,000.00	-
		Aflac £50m	50,372,395.93	50,372,395.93	-
		AIG £40m	40,000,000.00	40,000,000.00	-
Climate change adaptation	Resilient Water supplies – demand reduction and supply capacity measures	Westbourne Trades	52,240,599.99	52,240,599.99	-
		AIG £35m	35,000,000.00	34,143,564.81	856,435.19
Sustainable water and wastewater management	Providing safe clean water				
	Sustainable water				
Totals			252,961,067.24	228,711,509.48	24,249,557.76

All future debt issuance is expected to be issued as Sustainable Financing and will help support Anglian Water's environmental and social commitments. Some of the larger programmes like WINEP and the Net Zero Route map will require significant investment over several years to ensure Anglian Water meet its stated objective.

Wetlands

Anglian Water's AMP7 business plan (period 2020-2025) published in 2019 set out an aspiration to build 34 Wetland schemes between 2020-27 following the success of the Ingoldisthorpe wetland constructed in 2017.

Working with the Environment Agency (EA), a UK Government body responsible for protecting and enhancing the environment, Anglian Water expects to build 10 new wetlands by 2025 and 12 in each of the first two years of AMP8.

To push forward these goals, a new \$35.0 million green bond was raised during the year (economically swapped to £25.5 million GBP using derivatives). The proceeds of the financing specifically focus on schemes that include capital spend for the creation of new wetlands that remove phosphorus naturally from the environment and freshwater abstraction schemes focused on boosting numbers of important invertebrate communities which can be damaged by over abstraction.

The benefits of these schemes for Anglian Water and local communities are improvements to help support the 'Eel Regulation 2009'. This UK Act of Parliament aims to protect eel species from entering intakes or outflows on the river network. The wetland projects reduce the risk of eels becoming trapped or being harmed in water recycling treatment centre outflows.

Ratios

1.0 Historical & Current Test Period

Anglian Water confirms that in respect of the year ended 31 March 2022, by reference to the most recent financial statements that it is obliged to deliver in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

	Actual 31 Mar 2022	Actual 31 Mar 2021
a) The Class A RAR	64.8%	72.0%
b) The Senior RAR	64.8%	82.0%
c) The Class A ICR	4.0:1	3.7:1
d) The Class A PMICR ¹	N/A	N/A
e) The Senior PMICR ¹	N/A	N/A
f) The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	2.6:1	2.4:1
g) The Conformed Class A PMICR	1.8:1	1.5:1
h) The Conformed Senior PMICR	1.7:1	1.2:1
i) The Additional Senior RAR ²	64.8%	-
j) The Additional Conformed Senior PMICR ²	1.7:1	-
k) The Additional Conformed Senior Average PMICR ²	1.8:1	-

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

² New requirement in the Class B accession deed

2.0 Forward Looking

Anglian Water confirm that each of the above Ratios and each of the Senior Average PMICR¹, Class A Average PMICR¹, Conformed Senior Average PMICR, Conformed Class A Average PMICR and Additional Conformed Senior Average PMICR have been calculated with respect to the Test Periods for which they are required to be calculated under the Common Terms Agreement and have not breached the Trigger Event Ratio Levels and have not caused Paragraph 20 (Ratios) of Part 2 of Schedule 7 (Events of Default) to be breached.

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

3.0 Computations

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

Anglian Water also confirms that:

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

4.0 Interest Cover Ratios (ICR)

Interest Cover Ratios	Trigger/Default	Actual Period to 31 Mar 22	Actual Period to 31 Mar 21
		£m	£m
Income		1,358.8	1,292.9
Operating Expenditure		(609.0)	(664.0)
Pre-capital maintenance cashflows		749.8	628.9
Capital Maintenance Expenditure		(269.2)	(218.3)
<i>Depreciation</i>		(413.4)	(379.9)
Post-Maintenance cashflow for PMICR		336.4	249.0
Post-Maintenance cashflow for Net Cash Flow ratio		480.6	410.6
Net Interest		(203.0)	(206.2)
Enhancement Capital Expenditure		(248.2)	(204.0)
Premium paid on bond buyback		(14.5)	0.0
Ordinary Dividends		(96.3)	0.0
Shareholder reinvestment		1,165.0	0.0
Pre-financing cashflows		1,077.8	0.4
Interest Payable on Class A Debt:			
Finance Leases		(0.6)	(0.6)
Class A Bonds		(183.9)	(169.2)
MBIA Wrap Fees		(2.6)	(2.6)
Less Interest Receivable		0.9	2.9
Total net Class A debt interest		(186.2)	(169.5)
Interest Payable on Class B Debt			
Class B Bonds		(16.8)	(36.7)
Total Net Interest payable on Senior Debt		(203.0)	(206.2)
Interest Cover Ratios:			
Class A ICR	1.6:1	4.0:1	3.7:1
Conformed Senior PMICR	1.1:1	1.7:1	1.2:1
Conformed Class A PMICR	1.3:1	1.8:1	1.5:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	2.6:1	2.4:1
Additional Conformed Senior PMICR	1.3:1	1.7:1	-
Additional Conformed Senior Average PMICR	1.4:1	1.8:1	-

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 31 Mar 22 £m	As at 31 Mar 21 £m
Class A Gross Debt:			
Finance Leases		(0.0)	(7.7)
Class A Bonds etc		(6,564.5)	(5,995.7)
Total Class A Gross Debt		(6,564.5)	(6,003.4)
Less cash balances and Authorised Investments		870.1	285.9
Total Class A Net Debt		(5,694.4)	(5,717.5)
Class B		0.0	(794.2)
Total Senior Net Debt		(5,694.4)	(6,511.8)
Regulatory Asset Value (RAV)¹		8,791.6	7,943.0
Regulatory Asset ratios:			
Senior RAR	85.0%	64.8%	82.0%
Class A RAR	75.0%	64.8%	72.0%
Additional Senior RAR	75.0%	64.8%	-

¹The RCV used for the ratio calculations above is Anglian Water's calculation. Ofwat published their RCV for 31 March 2022 in May-22, however, following evaluation of Ofwat's methodology, Anglian Water believes that the calculation does not fully reflect RPI indexation of the RPI linked part of RCV and that therefore the Ofwat RCV number is understated by £38 million (2021: £15 million).

6.0 *Regulatory Performance*

This information is not currently available.

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2021 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 31 Mar 2022 £m
Finance Leases	7.7		(7.7)		0.0
Operating Leases (Vehicles)	2.8	3.8	(1.4)		5.2
6.875% Fixed 2023	200.0			0.0	200.0
6.625% Fixed 2029	200.0			0.0	200.0
A4 Notes - 5.837% Fixed 2022	250.0			0.0	250.0
A6 Notes - 3.07% ILLS 2032	337.1			15.5	352.6
A7 Notes - 3.07% ILLS 2032	101.7			3.7	105.4
A8 Notes - 6.293% Fixed 2030	246.0			0.0	246.0
A11 Notes - 3.666% ILLS 2024	126.4			5.8	132.2
A18 Notes - 2.4% ILLS 2035	624.0			41.8	665.8
A19 Notes - 1.7% ILLS 2046	75.6			3.5	79.1
A20 Notes - 1.7% ILLS 2046	75.6			3.8	79.4
A21 Notes - 1.7146% ILLS 2056	60.5			3.1	63.6
A22 Notes - 1.6777% ILLS 2056	75.6			3.9	79.5
A23 Notes - 1.7903% ILLS 2049	90.7			4.5	95.2
A24 Notes - 1.3825% ILLS 2056	75.6			4.0	79.6
A25 Notes - 1.3784% ILLS 2057	151.2			7.9	159.1
A26 Notes - SONIA Plus 0.6171%	100.0			0.0	100.0
A27 Notes - 1.449% ILLS 2062	108.7			2.4	111.1
A28 Notes - 1.52% ILLS 2055	72.5			1.7	74.2
A30 Notes - SONIA Plus 1.1221%	110.0			0.0	110.0
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	25.0
A35 Notes - £130M 2.262% IL Bond 2045	174.8			14.5	189.3
Index Linked Swaps	56.8			84.8	141.6
A36 Notes - US\$160m 4.52% Private Placement 2021	99.1		(99.1)	0.0	0.0
B37 Notes - US\$410m 5.18% Private Placement 2021	260.7		(260.7)	0.0	0.0
European Investment Bank £75m 0.53% index linked amortising term facility 2027	55.8		(9.7)	4.2	50.4
European Investment Bank £75m 0.79% index linked amortising term facility 2027	55.8		(9.7)	4.2	50.4
Sub Total	3,819.9	3.8	(388.3)	209.3	3,644.7

CTA Gross Debt	Closing Balance 31 Mar 2021 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 31-Mar-22 £m
A38 Notes - £250m 4.5% 2027	250.0			0.0	250.0
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9			0.0	31.9
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3			0.0	73.3
A41 Notes - £50m 2.05% IL Private Placement 2033	61.0			5.1	66.1
A42 Notes - £15m 1.37% IL Private Placement 2022	18.3			1.5	19.8
B43 Notes - US\$47m 5% Private Placement 2022	30.0		(30.0)	0.0	0.0
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3			0.0	22.3
European Investment Bank £150m 0% index linked amortising term facility 2028	126.5		(18.8)	9.7	117.4
B46 Notes - £200m 4.5% 2026	200.0			0.0	200.0
A47 Notes - £35m 1.141% IL Bond 2042	41.9			3.5	45.3
A48 Notes - US\$170m 3.84% Private Placement 2023	110.5			0.0	110.5
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	93.0
B50 Notes - US\$160m 4.99% Private Placement 2023	100.2		(100.2)	0.0	0.0
European Investment Bank £65m 0.41% index linked amortising term facility 2029	60.9		(8.0)	4.7	57.6
European Investment Bank £125m 0.1% index linked amortising term facility 2029	122.8		(15.1)	9.5	117.3
European Investment Bank £60m 0.01% index linked amortising term facility 2030	62.1		(7.2)	4.8	59.8
A51 Notes - £55m 2.93% Private Placement 2026	55.0			0.0	55.0
A52 Notes - \$150m 3.29% Private Placement 2026	104.3			0.0	104.3
A53 Notes - £35m 1.35% Private Placement 2031	35.0			0.0	35.0
A54 Notes - £20m 2.93% Private placement 2026	20.0			0.0	20.0
B55 Notes - £200m 2.625% 2027	200.0			0.0	200.0
A56 Notes - £250m 1.625% Green Bond 2025	250.0			0.0	250.0
A57 Notes - £300m 2.75% Green Bond 2029	300.0			0.0	300.0
A58 Notes - £85m 2.880% Private Placement 2029	85.0			0.0	85.0
A59 Notes - £25m 3.00% Private Placement 2031	25.0			0.0	25.0
A60 Notes - US\$53m 3.053% Private Placement 2029	40.1			0.0	40.1
A61 Notes - £65m 2.870% Private Placement 2029	65.0			0.0	65.0
A62 Notes - JPY7bn 0.855% 2039	50.9			0.0	50.9
£550m RCF 2024	25.0		(25.0)	0.0	0.0
£50m bilateral facility 2024	0.0			0.0	0.0
Export Development Canada £100m 1.588% term loan facility 2024	100.0			0.0	100.0
A88 Notes - £65m 0.835% IL Bond 2040	65.2			3.3	68.6
A64 Notes - £50m 1.760% 2035	50.0			0.0	50.0
A65 Notes - JPY7bn 0.85% 2040	50.4			0.0	50.4
Just Retirement £26.1m 0.010% term loan facility 2035	26.1			1.7	27.9
BP Pension Trustees £26.1m 0.010% term loan facility 2035	26.1			1.7	27.9
A66 Notes - £35m 2.14% 2036	0.0	35.0		0.0	35.0
A67 Notes - £40m 2.14% 2036	0.0	40.0		0.0	40.0
A68 Notes - US\$35m 1.16% 2036	0.0	25.5		0.0	25.5
Total¹	6,797.7	104.3	(592.6)	255.0	6,564.5

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

8.0 Anglian Water Services Group – Profit & Loss Account

Summary Underlying Results (AWS Group)

The consolidated financial results for the year ended 31 March 2022 are summarised below:

	Year ended 31 Mar 2022 Total	Year ended 31 Mar 2021 Total (restated)
	£m	£m
Revenue (excl. grants and contributions)	1,299.7	1,276.2
Grants and contributions	100.1	75.6
Other operating income	12.3	12.5
Operating costs	(612.5)	(605.9)
Charge for bad and doubtful debts	(11.1)	(31.1)
Depreciation and amortisation	(347.7)	(338.4)
Operating profit	440.8	388.9
Finance income	1.4	2.0
Finance costs ¹	(459.7)	(252.2)
Underlying (loss) /profit before tax	(17.5)	138.7
Finance costs – fair value losses on financial derivatives	(115.1)	(23.2)
(Loss)/profit before tax on a statutory basis	(132.6)	115.5

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

9.0 Anglian Water Services Group – Balance Sheet

At 31 March 2022

		£m	£m	£m
<u>Non-current assets</u>				
Intangible assets				218.0
Property, plant, and equipment				10,304.1
Derivative financial instruments classified as current and non-current assets				114.3
Retirement benefit surplus				205.2
Net current liabilities excluding cash and debt repayable in less than one year				(202.7)
Retirement benefit deficit				(41.8)
Derivative financial instruments classified as current and non-current liabilities				(1,202.9)
Creditors amounts falling due after more than one year excluding debt				(1,458.9)
Cash and cash equivalents	Payments Account	803.6		
	Capex Reserve	24.3		
	Tax reserve	40.0		
	Debt Service	2.8	870.7	
		<hr/>		
Financing liabilities	Bonds (excluding accrued interest)	(6,434.2)		
	Leases	(35.8)		
	Other ¹	(22.0)	(6,492.0)	
		<hr/>		
	Net Debt (excluding derivatives)			(5,621.3)
Net assets				<hr/> 2,314.0 <hr/>

Capital and reserves

Share capital	32.0
Share premium	1,165.0
Reserves b/f	1,490.4
Dividend paid	(96.3)
Actuarial gains on pension schemes	135.7
Income tax charge on items that will not be reclassified	(25.7)
Amounts on cash flow hedges transferred to income statement	14.0
Deferred tax movement on hedging reserve	(15.0)
Loss for the period	(442.8)
Gains on cash flow hedges	59.3
Losses on Cost of hedging	(2.6)
Capital and reserves	<u>2,314.0</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	Interest Paid to 31 Mar 22 £m	Forecast Interest Payable to 31 Mar 23 £m
<u>Class A Debt</u>		
AAA Wrapped Bonds	29.3	30.4
A-Bonds	134.7	136.4
Private Placements	20.0	28.1
Leases	0.5	0.0
Other	2.6	2.7
<u>Class B Debt</u>		
US Private Placements ¹	16.8	0.0
Annual Finance Charge	203.9	197.6

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

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

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market Valuations as at 31/03/22				
	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m
External Swap Counterparties				
BARCLAYS BANK	487.9	0.1	(63.6)	(63.5)
BGL BNP PARIBAS	0.0	0.0	(54.5)	(54.5)
BNP PARIBAS BANK	491.1	1.3	(62.1)	(60.7)
CBA BANK	112.9	19.6	0.0	19.6
HSBC BANK	233.6	3.4	(106.3)	(102.9)
JP MORGAN BANK	620.8	1.5	(260.3)	(258.8)
LLOYDS BANK CORPORATE MARKETS PLC	763.5	82.1	(99.0)	(16.9)
MORGAN STANLEY BANK	342.6	0.4	(194.3)	(194.0)
SANTANDER UK PLC	340.2	4.5	(16.8)	(12.4)
SCOTIA BANK	240.0	0.9	(85.5)	(84.6)
SMBC BANK	150.5	0.6	(25.2)	(24.7)
EXTERNAL INVESTORS	0.0	0.0	(235.3)	(235.3)
Anglian Water Interest Derivatives	3,783.2	114.3	(1,202.9)	(1,088.6)
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.				