Osprey Acquisitions Limited

Annual report and consolidated financial statements

for the year ended 31 March 2024

Company number: 05915896

Directors’ report

for the year ended 31 March 2024

The Directors present their report and the audited consolidated financial statements of Osprey Acquisitions Limited (the ‘Company’) for the year ended 31 March 2024.

Principal activities, business review and future developments

The principal activities of the Company and its subsidiaries (together ‘the Group’) during the year were water supply, treatment and distribution; sewage collection and treatment; and retail services to water and water recycling customers. The Group’s principal business is Anglian Water Services Limited (‘Anglian Water’). The Directors expect the Group’s activities as detailed in the Strategic Report to continue for the foreseeable future without material change. The information that fulfils the requirement of the Strategic Report, including the Company’s financial risk management objectives, is set out on pages 6 to 86.

Group results and returns to shareholders

The income statement on page 87 shows the Group’s results for the year. Dividends of £18.7 million (0.02 pence per share) (2023: £136.0 million (0.16 pence per share)) were paid during the year.

Directors

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

Ros Rivaz	appointed 25 January 2024
John Hirst	resigned 24 January 2024
Steve Buck	resigned 22 November 2023
Tony Donnelly	appointed 23 November 2023
Robert Napier	resigned 31 July 2023
Peter Simpson	
Paul Whittaker	appointed 1 August 2023

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

Directors' indemnities

During the 2023/24 financial year and up until the date of the signing of the financial statements, the Group has maintained directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision for the purpose of section 234 ((2) – (6)) of the Companies Act 2006.

Shareholders

The sole shareholder of the Company is Osprey Investco Limited.

Political donations and expenditure

No political donations or expenditure were made during the year (2022/23: £nil).

Research and development

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

Financial instruments disclosures

Details are included on pages 8 to 10 of the Strategic Report and in note 19 of the financial statements.

Employees

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

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

- Trialling providing interview questions to candidates in advance to support their interview preparation. This helps those who may suffer from anxiety due to mental health conditions or neurodiversity.
- Introducing updated neurodiversity e-learning for team members and managers, with a prompt for managers to refresh their training before interviewing.
- Working with our internal Ability Network to gain deeper insights on building trust with internal or external disabled candidates.

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

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

Employees are offered the opportunity to participate in the AWG Loyalty Savings Scheme. This scheme enables employees to save on a monthly basis and then potentially benefit from the financial performance of the Group and the end of the three-year savings period.

Stakeholder engagement

Details of how Directors across the Group have engaged with customers, suppliers, and other stakeholders including those representing communities and the environment, can be found in the section 172 statement on pages 24-29.

Emissions

Information relating to carbon emissions can be found on pages 56 to 57.

Health and safety

Information relating to health and safety can be found on page 31.

Events occurring after the reporting period

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

Statement of Directors’ responsibilities

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

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

The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The financial statements also comply with the International Financial Reporting Standards as issued by the IASB. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

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

Statement of Directors' disclosure of information to Auditor

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

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

b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

Auditor

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

Going concern

The Directors believe, after due and careful enquiry, that the Group has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2024 financial statements. Further details of this review can be found in note 1.

By order of the Board

Claire Russell

Company Secretary

10 June 2024

Registered Office: Lancaster House, Lancaster Way,

Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU

Registered in England and Wales No. 05915896

The Directors present the strategic report of the Osprey Acquisitions Limited Group ("the Group") for the year ended 31 March 2024. This strategic report should be read in conjunction with the strategic report of Anglian Water Services Limited, which does not form part of this report, which can be found at https://www.anglianwater.co.uk/about-us/our-reports/ and provides a more detailed insight into the regulated business.

Group overview

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

Financial and Operational Highlights

Chief Executive, Peter Simpson, commented:

"The last 12 months saw strong financial performance in the Osprey Acquisitions Group, with revenue of £1.6 billion (up 8.8%) and consistent EBITDA[1] (up 1% to £799 million) and operating profit of £410 million (down 0.6%). During the year we have made £963 million of capital investment, significantly more than operating profit. Our shareholders agreed £350 million of additional investment, including £100 million to accelerate our work on reducing spills and pollutions. This is over and above the level agreed by Ofwat.

"Our continued focus on supporting customers was demonstrated through our improved CMeX, DMeX and RMeX scores, while an independent survey, run by the Consumer Council for Water across Water and Sewage Companies showed positive and above average scores. We also helped 389,371 customers through a £136.9 million support package and met our Priority Services Register (PSR) target, with an industry-leading 12.7% (380,853) of customers on our register.

"Steady progress on improving operational performance continued through extreme weather challenges as our region experienced widespread flooding during the second half of the year; now on record as the wettest six months ever. Despite this, our spills performance remained industry leading (22 vs 33) and at 22 per overflow is encouragingly close to our 20 per overflow end of AMP target, especially given the exceptional weather. In the 2023 calendar year, we had 11 Category 2 pollutions, which we know is unacceptable. Our turnaround plans have seen an improvement on lead measures, but we know we need to do more, faster, and the additional £100 million supported by our shareholders will enable this.

"Over the last 12 months we've achieved our best-ever acceptance score for safe reliable drinking water – our customers' number one priority – and the continued rapid deployment of smart meters, installing 262,621 in 2023-24. Alongside this, we saw our lowest-ever recorded three-year rolling average for leakage.

[1] Event Duration Monitoring - Storm Overflows - Annual Returns (data.gov.uk) - EDM_2023_Storm_Overflow_Annual_Return.zip

"2023/24 saw enormous efforts right across the business, but the impacts of climate change, particularly around flooding continue to pose a challenge. We are constant in our work to establish a better multi-agency approach to flooding, aiming to ensure complex flood risks are as low as reasonably practicable, and well managed.

"As a result, while lead measures improved in many areas, our performance did not meet the levels we aspire to, and our customers rightly expect. This has culminated in a year-end ODI[2] penalty of £37.6 million.

"We will continue to invest to meet the changing expectations of customers and stakeholders. Our business plan, worth over £9 billion, is the next step in our long-term plan to ensure we are resilient against the impact of climate change, while keeping bills affordable (£1.45 per day in 2024/25) and supporting customers when they need it most."

[2] Outcome Delivery Incentives (ODI)

Financial highlights

	2024	2023	Change	Change
	£m	£m	£m	%
Revenue	1,628.7	1,497.5	131.2	8.8
EBITDA[1]	798.8	792.0	6.8	0.9
Operating profit	410.1	412.7	(2.6)	(0.6)
Operating cash flow	740.0	697.5	42.5	6.1
Net debt before derivatives[1]	8,039.4	7,316.1	723.3	9.9

[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 and have been consistently applied within each year presented in these financial statements. EBITDA and Net debt excluding derivatives are alternative performance measure as defined in note 29.

ODI penalty

- Operations across the region were significantly impacted by the prolonged period of wet weather seen at the end of 2023 and start of 2024 that principally affected ODIs such as pollutions, which had the biggest contribution to the £37.6 million penalty incurred.
- In 2023, we had 40 pollutions per 10,000km of sewer network.
    - We are disappointed with our performance. While no spill to the environment is acceptable, our lead measures are showing improvements – a result of the actions already being taken as part of our Pollutions Incident Reduction Plan.
- Despite the challenges faced this year, we've seen strong performance across a number of areas of the business, most notably on customer experience, for which we are in reward.
    - We finished 7th in the industry for CMeX (5th in the Water and Sewerage Companies table) and 4th in the industry for DMeX, our highest year-end position this AMP.

Revenue up £131.2 million (+8.8%) to £1,628.7 million

- The increase is, in part, as a result of prices set based on the November 2022 Consumer Price Index (CPIH) inflation of 9.4%, and the impact of changes applied to our tariffs as agreed with the regulator.

EBITDA up £6.8 million (+0.9%) to £798.8 million

- The increase in earnings before interest, taxes, depreciation and amortisation (EBITDA) is consistent with the increase in revenue described above. This has been partly offset by the increase in operating costs, largely as a result of inflation and increased power costs.
- Our proactive approach to energy hedging enabled us to have flexibility in the most volatile and expensive market periods.

Operating profit down £2.6 million (-0.6%) to £410.1 million

- The decrease in operating profit is consistent with that seen in EBITDA, partially reduced by the increase in depreciation.

- The increase in depreciation reflects the significant investment made in our asset base - the year saw a record investment of £963 million.

Operating cash flow up £42.5 million (+6.1%) to £740.0 million

- The increase is principally driven by higher EBITDA, as described above, and favourable working capital.

Net debt before derivatives up £723.3 million (+9.9%) to £8,039.4 million

- Net debt increased primarily because of our continued ramping up of our capital investment programme and higher accretion on index-linked debt. We raised £1.4 billion in the period to fund this programme for the remainder of the AMP.

Dividend

- The Directors agreed to recommend an interim dividend for 2023/24 of £41.0 million to be paid in June 2024.

Reconciliation of operating profit to statutory profit before tax

	Year ended 31 March 2024 £m	Year Ended 31 March 2023 £m
Operating profit	**410.1**	412.7
Interest excluding indexation	**(233.7)**	(213.3)
Indexation on debt	**(359.9)**	(561.4)
Finance income	**60.5**	39.1
Adjusted loss before tax (as defined in note 7)	**(123.0)**	(322.9)
Fair value gains on derivatives	**204.9**	645.3
Statutory profit before tax	**81.9**	322.4

Statutory profit of £81.9 million reflects a £240.5 million reduction on the prior year. This represents a significant reduction in fair value gains partially offset by a reduction in costs associated with indexation of debt. The fair value gain in the period is an unrealised, non-cash item. This is as a result of decreases in derivative liability positions, primarily driven by forecast increases in interest rates and decreases in inflation curves. Fair valuation movements on derivative valuations can be volatile depending on the market rates forecast at the time of reporting and do not have a crystallised economic impact to the business until the time of actual cash flow fixing.

Treasury management

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

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

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

Liquidity

As at March 2024 Anglian Water has access to £1,025.0 million of undrawn facilities (March 2023: £975.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £425.0 million of liquidity facilities (March 2023: £375.0 million), consisting of £294.0 million to finance debt service costs and £131.0 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.

Osprey Acquisitions Limited Group's borrowing facilities, additionally, consists of £324.0 million undrawn revolving loan facilities for general corporate requirements.

See note 16 for other movements in net debt. The maturity profile of the Group's borrowings is set out in note 18 of the consolidated financial statements.

Capital structure

The Group's capital structure is largely driven by the requirements of Anglian Water's capital expenditure programme and the need to support Anglian Water's investment grade credit status, which is met by a combination of cash flow and debt issuance at the two levels of the Group structure with covenant tests at the Anglian Water and Osprey Acquisitions Limited. At 31 March 2024 Anglian Water's and Osprey Acquisitions' net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 69 per cent (2023: 66 per cent) and 78 per cent (2023: 75 per cent) respectively.

Borrowing covenants

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

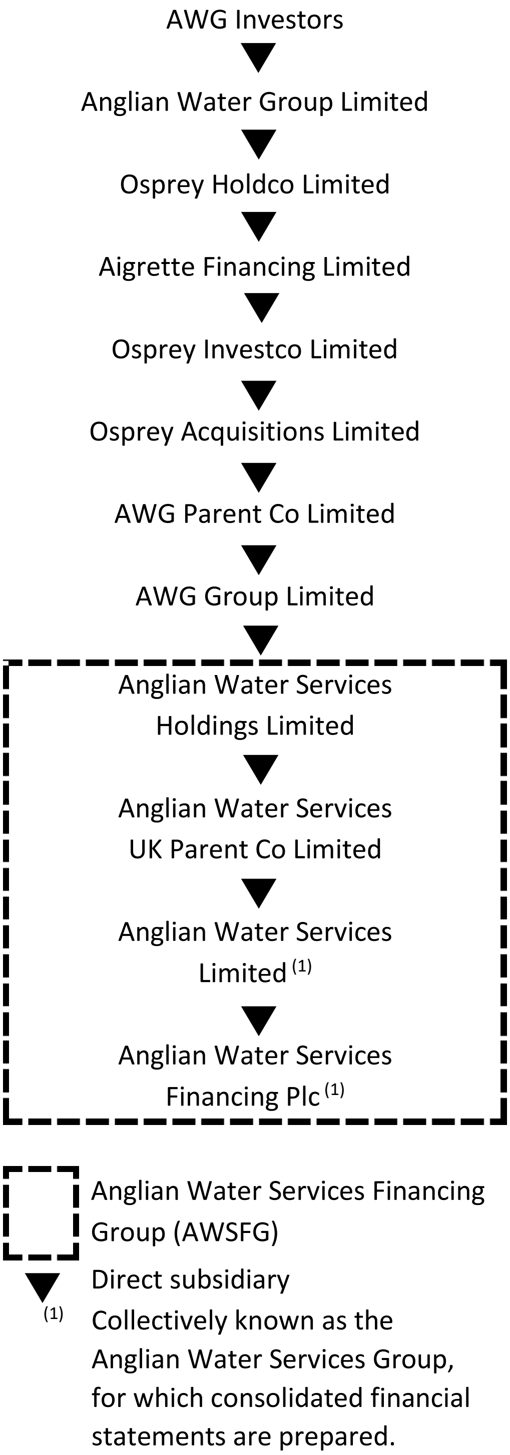
The central Treasury function is responsible for monitoring ongoing compliance with the Group's financial covenants, which principally relate to Anglian Water's and Osprey Acquisition's ratio of net debt to Regulatory Capital Value and interest coverage. At 31 March 2024, all group companies were compliant with all covenants.

Interest rates

The Group's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At 31 March 2024, taking into account interest rate swaps, 54.0% (March 2023: 58.3%) of the company's borrowings were at rates indexed to inflation, 34.1% (March 2023: 33.2%) were at fixed rates and 11.9% (March 2023: 8.4%) were at floating rates. At 31 March 2024, the proportion of inflation debt to regulated capital value was 47.3% (March 2023: 47.9%).

Ownership and company structure

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



Our corporate structure

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

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

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

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

AWG Group companies

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

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

Anglian Water Services Financing Group companies

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

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

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

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

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

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

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

- Canada Pension Plan Investment Board (CPP Investments™) (ownership: 32.9%) is a professional investment management organisation that manages the Fund in the best interest of the more than 20 million contributors and beneficiaries of the Canada Pension Plan.
- IFM Global Infrastructure Fund (ownership: 19.8%) is a fund advised by IFM Investors. IFM Investors is a global institutional fund manager owned by 17 profit-to-member Australian pension funds, specialising in infrastructure, private equity, debt and equity investments. IFM invests on behalf of approximately 120 million pensioners from around the world.
- Camulodunum Investments (ownership: 15.0%)is a joint investment vehicle for Dalmore Capital and GLIL Infrastructure. GLIL Infrastructure is run by the pension funds of Greater Manchester, Merseyside, West Yorkshire and Local Pension Partnership Investments. Dalmore has more than 1.3 million UK pension holders invested directly in AWG.
- Igneo Infrastructure Partners (ownership: 15.6%) is an unlisted infrastructure asset management business and is part of the First Sentier Investors Group (FSIG), a global asset management business. FSIG has £124.7 billion in assets under management (as at 31 March 2024) on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.
- Infinity Investments S.A. (ownership: 16.7%) belongs to a group of entities ultimately wholly owned by the Abu Dhabi Investment Authority (ADIA) and focuses on infrastructure investments in Europe.

Beneficial ownership by investor type:

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

Our business model

1) What drives us

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

2) We deliver our value for our stakeholders

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

3) Our long term ambitions

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

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

4) Our goals for 2020-2025

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

What will help us get there?

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

5) How we make decisions

We balance our six capitals to shape investment decisions.

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

Financial performance

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

Segmental reporting

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

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

For the year ended 31 March 2024

	Anglian Water £m	Head Office and Other £m	**Total £m**
Revenue			
External	1,626.6	2.1	**1,628.7**
	1,626.6	**2.1**	**1,628.7**
Segment result			
EBITDA	819.5	(20.7)	**798.8**
Depreciation and amortisation	(388.6)	(0.1)	**(388.7)**
	430.9	**(20.8)**	**410.1**
Cash flows			
Operating cash flow	767.1	(27.1)	**740.0**
Capital expenditure	(992.3)	0.2	**(992.1)**
Net debt excluding derivative financial instruments	(6,976.9)	(1,062.5)	**(8,039.4)**

For the year ended 31 March 2023

	Anglian Water £m	Head Office and Other £m	**Total £m**
Revenue			
External	1,494.9	2.6	1,497.5
	1,494.9	2.6	1,497.5
Segment result			
EBITDA	802.8	(10.8)	792.0
Depreciation and amortisation	(379.1)	(0.2)	(379.3)
	423.7	(11.0)	412.7
Cash flows			
Operating cash flow	710.9	(13.4)	697.5
Capital expenditure	(660.0)	(0.3)	(660.3)
Net debt excluding derivative financial instruments	(6,247.9)	(1,068.2)	(7,316.1)

ANGLIAN WATER FINANCIAL RESULTS

Pages 17 to 23 below set out the financial performance of Anglian Water, the principal business in the Group, followed by that of Head Office and Other on page 23.

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

	2024 Total £m	2023 Total £m
Revenue (excluding grants and contributions)	**1,528.8**	1,388.9
Grants and contributions	**97.8**	106.0
Other operating income	**15.8**	16.0
Operating costs	**(784.2)**	(678.0)
Loss allowance for expected credit loss	**(38.7)**	(30.1)
EBITDA[1]	**819.5**	802.8
Depreciation and amortisation	**(388.6)**	(379.1)
Operating profit	**430.9**	423.7
Interest (excluding indexation)	**(187.6)**	(169.7)
Indexation charge	**(359.9)**	(561.4)
Finance income	**44.9**	20.6
Adjusted loss before tax	**(71.7)**	(286.8)
Fair value gains on derivatives	**204.9**	645.3
Profit before tax on a statutory basis	**133.2**	358.5
Tax	**(31.2)**	(90.2)
Profit after tax	**102.0**	268.3

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

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

ANGLIAN WATER FINANCIAL RESULTS (continued)

Revenue

Revenue, excluding grants and contributions, for the year was £1,528.8 million (2023: £1,388.9 million), or an increase of £139.9 million (10.1%). The net increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, resulting in a £165.4 million increase. This is reflected in an average increase of 10.7% in dual-service bills.
- A net decrease in demand of £5.8 million. Household consumption is down £8.0 million reflecting a cooler, wetter summer compared with the prior year. Non-household consumption is up £2.2 million as we move back towards pre-Covid 19 levels of consumption.
- A decrease of £12.0 million relating to discounts for the LITE tariff funded from prior year cross-subsidy contributions.
- Other offsetting movements in revenue of £7.7 million.

Grants and contributions

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for work on existing infrastructure needed to accommodate development.

Following strong growth in the housing market and construction sector within our region during the prior year, as a result of the cost of living crisis, 2023/24 has seen a decline in this activity. This has resulted in a reduction in grants and contribution income of £8.2 million to £97.8 million.

Other operating income

Other operating income comprise 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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

Operating costs (including loss allowance for expected credit losses)

Operating costs increased by £114.8 million to £822.9 million (16.2%). This was principally due to inflation and power cost increases, with the prior year being hedged prior to the spike in prices following the Russian invasion of Ukraine. These movements are explained in the table below:

	£m
Prior period	708.1
Funded by Final Determination (FD)	
Inflation	37.8
Weather-related costs	
Unwind of drought-related expenditure	(12.6)
Increase in cost due to impact of wet winter weather	9.3
Power	68.4
Rates	5.1
Loss allowance for expected credit losses	8.6
Other significant items	
Regulatory licence fees	1.5
Other	(3.3)
Total increase	114.8
March 2024	822.9

Inflation

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

Weather related

The first six months of the prior year saw very little rainfall and as a result we saw exceptionally hard and dry ground conditions which can cause pipes to move and split. As a consequence of this, in the prior year, we experienced increased costs, particularly around leakage.

ANGLIAN WATER FINANCIAL RESULTS (continued)

Relatively benign weather conditions were present for the first half of 2023-24, however these gave way to extremely wet weather, leading to flooding, in the second half which has put pressure on our water recycling operations.

As a result, we have seen a reduction in the drought related expenditure, with increased costs associated to the impact of the extremely wet weather.

Power

The increase in power is due to the prior year energy prices being locked-in ahead of the war in Ukraine, whereas the current year reflects the significant cost increases since then. Our proactive energy hedging approach enabled us to have flexibility in the most volatile and expensive market periods.

Rates

A refund was received as a result of a rates review in the second half of 2022/23. Our rates charge is therefore higher in the current year.

Loss allowance for expected credit losses

The increase is primarily a result of the increase in revenue seen in the year. Our cash collection performance remains strong, despite a slight reduction on the prior year due to the wider economic conditions.

Other significant items

These include a £1.5 million increase in the Ofwat licence fee with the balance relating to a range of individually small offsetting items.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 29 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 2.1% to £819.5 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 2.5% to £388.6 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

Operating profit

Operating profit has increased by 1.7% to £430.9 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

ANGLIAN WATER FINANCIAL RESULTS (continued)

Financing costs and profit before tax

Adjusted net finance costs (excluding fair value gains on financial instruments) were £207.9 million lower than the prior year at £502.6 million. This is primarily a result of the non-cash impact of lower inflation on index-linked debt which decreased by £201.5 million to £359.9 million and an increase in finance income on our deposits due to higher market rates.

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

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

Taxation

	Year Ended 31 March 2024 £m	Year Ended 31 March 2023 £m
Current tax:		
In respect of the current period	**(47.3)**	(25.4)
Adjustments in respect of prior periods	**(0.4)**	0.7
Total current tax credit	**(47.7)**	(24.7)
Deferred tax:		
Origination and reversal of temporary differences	**82.8**	113.0
Adjustments in respect of previous periods	**(3.9)**	1.9
Total deferred tax charge	**78.9**	114.9
Total tax charge on profit on continuing operations	**31.2**	90.2

Compared to the same period in the previous year, the total tax charge has decreased by £59.0 million from a charge of £90.2 million to a charge of £31.2 million. This is primarily due to the lower gains on derivative movements in the current year.

In addition to the £31.2 million tax charge on the income statement, there is a credit of £8.4 million (2023: credit of £35.5 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value losses on cash flow hedges.

ANGLIAN WATER FINANCIAL RESULTS (continued)

Continuing to deliver our AMP7 capital investment programme

2023/24 was the fourth year in the five-year AMP7 investment programme. Over the five years to 2025, Anglian Water will invest a record £3 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 £725 million in 2022/23 to £963 million in 2023/24 (£340 million on capital maintenance, £623 million on capital enhancement).

Financial needs and resources

At 31 March 2024, Anglian Water had borrowings net of cash of £6,976.9 million (excluding the fair value of derivative financials instruments) an increase of £729.0 million from 31 March 2023. The increase in net borrowings primarily reflects accretion on index-linked debt, capital expenditure and interest payments.

During the period there were new issuances of £300 million 5.875% fixed rate 2031, £560 million 6.0% fixed rate 2039, JPY 8.5 billion 1.917% fixed rate 2034, £375 million 5.75% fixed rate 2043 and a £100 million CPI 2040. These new issuances were partially used to repay £200 million 6.875% fixed rate 2023, $170 million 3.84% fixed rate 2023, £93 million 3.537% fixed rate 2023 and £83.5 million EIB debt repayments.

Liquidity

The company's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At 31 March 2024, Anglian Water held cash, deposits and current asset investments of £1,004.4 million (March 2023: £633.1 million). The increase in cash amounts held is reflective of higher new debt issuances than debt repayments and capital expenditure in the period.

As at March 2024 Anglian Water has access to £1,025.0 million of undrawn facilities (March 2023: £975.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £425.0 million of liquidity facilities (March 2023: £375.0 million), consisting of £294.0 million to finance debt service costs and £131.0 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.

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

ANGLIAN WATER FINANCIAL RESULTS (continued)

Interest rates

The company's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At 31 March 2024, taking into account interest rate swaps, 60.5% (March 2023: 66.6%) of the company's borrowings were at rates indexed to inflation, 28.4% (March 2023: 26.2%) were at fixed rates and 11.1% (March 2023: 7.2%) were at floating rates. At 31 March 2024, the proportion of inflation debt to regulated capital value was 47.3% (March 2023: 47.9%).

Pension funding

At 31 March 2024, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £30.7 million, compared to £51.1 million at 31 March 2023. This decrease in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis compared to a greater decrease in our assets which are hedging gilt based liabilities.

HEAD OFFICE AND OTHER FINANCIAL RESULTS

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

SECTION 172 STATEMENT

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

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

Engaging with our stakeholders

In July 2019, with the approval of our Board and shareholders, we became the first major utility company to amend our Articles of Association to enshrine, for the long-term, the principles set out in section 172 of the Companies Act 2006 and our long-standing commitment to working in the public interest.

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

The disclosures set out demonstrate how the Board has had regard to the matters set out in Section 172(1) (a) to (f), which are now enshrined in Anglian Water's Articles of Association, and include cross-references to other sections of the report for further information.

Making long-term decisions

Anglian Water's long-term strategy is driven by our 25-year Strategic Direction Statement (SDS). Our SDS was first published in 2007 and refreshed in November 2017. The SDS was most recently reviewed by the Board early in the AMP and the updated version now covers the period 2020-2045. The four key ambitions set out in our SDS are shown in our business model in the Annual Integrated Report.

Much of the Board's focus over the financial year related to the development of Anglian Water's PR24 Business Plan for the period 2025 – 2030 and the associated Long-Term Direction Strategy (LTDS). Further information on the Board's stakeholder engagement in relation to both the PR24 Business Plan and LTDS can found in the case study on page 101 of our Annual Integrated Report. The LTDS is aligned with our existing strategic frameworks as well as the Government's long-term objectives, in order to create a coherent strategy to 2050.

In August 2023, we published the revised draft of our Water Resources Management Plan (WRMP), which sets out how we will maintain a sustainable and secure supply of drinking water for our customers, over the period 2025-2050. The WRMP considers the challenges that our region faces, allowing Anglian Water to implement an affordable, sustainable pathway that can provide benefit to our customers, society and the environment. The Board oversaw and scrutinised the development of the revised draft WRMP and also provided assurance that Anglian Water had met its obligations in developing the WRMP: namely that it is the best value plan for managing and developing water resources — based on sound and robust evidence and costing processes — which also enables us to continue to meet our obligations to supply water, protect the environment and provide societal benefit.

Similarly, in May 2023, we published our first Drainage and Wastewater Management Plan (DWMP) to set out how we will manage and recycle water in our region over the next 25 years. In it, we address the triple challenge we face from our rapidly changing climate, a fast growing population, and the need to protect our region's precious chalk streams and rivers. Again, the Board had oversight of the DWMP and gave assurance that the resulting plan is the best value plan for customers and the environment and is based on robust evidence and costing processes.

The Board has also approved Anglian Water's long-term viability within which the Directors have assessed the company's prospects over the next 10 years.

Board engagement with stakeholders

Our Board has set out to define discrete stakeholder groups, but it recognises that in many cases they have complementary interests and shared priorities. On occasion, their concerns may even conflict with one another. The Board's duty, in reviewing, challenging and shaping plans and setting strategic direction, is to consider and balance the impact of its decisions on a wide range of stakeholders. More information on our business model, including how we use six capitals thinking to shape decisions and measure outcomes, can be found on page 13. Information on our key stakeholders can be found throughout this report and below.

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

In November 2023, members of the Board attended the launch event for the Thriving East report at Westminster.

There are some key issues of such strategic importance that the Board judges it should engage directly with relevant stakeholders. However, much of our engagement happens at an operational level.

Where the Board has not engaged directly with stakeholders, it receives regular reports from management, so that the Directors can understand and take account of the key issues to which they must have regard.

Having regard to employees' interests

The welfare and development of our employees, and the company's culture and values, are key areas of focus for the Board and its committees, and employee-related issues are covered at every Board meeting. Areas considered by the Board range from health, safety and wellbeing to inclusion, employee engagement and succession planning. The Board meets the Head of Safety on a quarterly basis, which enables the Board to monitor key safety trends and to challenge performance where appropriate.

In October 2023, the annual Love to Listen survey was undertaken with the aim of seeking and acting on the views of our employees. The results of the survey, together with plans to address its findings, were discussed by the Board. In line with the Anglian Water Services Corporate Governance Code 2020, the Board has appointed John Barry as the Non-Executive Director responsible for engaging with the workforce.

Anglian Water has offered employees the opportunity to participate in the AWG Loyalty Savings Scheme. This scheme enabled employees to save on a monthly basis and then potentially benefit from the financial performance of the company at the end of the three-year savings period.

During the year, two 'market stalls' events were held which gave the Directors and employees the opportunity to engage with each other and discuss, in detail a variety of important matters affecting the company.

Further information on how the Board and management engage with employees — and the impact of that engagement — can be found on pages 67-75 of our Annual Integrated Report.

The Board, stakeholder engagement and the development of PR24 Business Plan and LTDS

Engagement with customers and communities is fundamental to the development of our strategy and plans.

The Board-approved PR24 Business Plan and LTDS were submitted to Ofwat in October 2023. The Board has been engaged throughout the business planning process for both the PR24 Business Plan and the LTDS, as far back as March 2021, when the Board approved the overall strategy for the period 2025 – 2030 (AMP8). Since then, the Board has regularly reviewed and challenged all aspects of the PR24 Business Plan's development. In September 2021, the Board agreed it was important to adopt a multi-AMP focus to ensure the need for investment would be balanced against the challenges facing bill payers. At its meeting in May 2022, the Board confirmed the importance of ensuring the PR24 Business Plan aligned with what customers valued most and noted the involvement of the company's Independent Challenge Group (the ICG is a group of independent subject experts and regulators, who scrutinise and challenge Anglian Water's business plans to make sure they reflect customers' priorities).

In September 2022, the Board hosted a "market stall" event attended by the CEO of Ofwat. The session provided an opportunity to demonstrate how Anglian Water was focused on improving environmental outcomes while keeping bills affordable.

To understand the perspective of our customers, some Directors attended customer engagement events and ICG meetings. Alex Nassuphis attended the ICG's Affordability and Acceptability Qualitative session in April 2023. In July 2023, the whole Board met Craig Bennett, the Chair of the ICG. This meeting allowed Mr Bennett to detail the work undertaken by the ICG in challenging Anglian Water's position in respect of key aspects of the Company's PR24 Business Plan including the LTDS, water resources, affordability and customer engagement.

Between May and July 2023, nine deep dive sessions covering key elements of the PR24 Business Plan and LTDS were held with individual Directors. The purpose of these sessions was to allow the Directors to consider and challenge specific aspects of the PR24 Business Plan in greater detail. These sessions were each led by an Independent Non-Executive Director, selected based on their skills, to ensure an appropriate level of challenge. For example, Zarin Patel led the sessions on the PR24 financials, given her role as the Chair of the Audit Committee.

Fostering business relationships with suppliers, customers and others

Our most important supply chain relationships are with our alliance partners, who play a crucial role in the delivery of our infrastructure and services. The Board receives an update on the progress of the capital investment programme at each Board meeting. This update provides an opportunity for the Directors to review and challenge progress across the different delivery routes. During the year, the Board also received and considered — in detail — a number of updates on the progress of the Strategic Pipeline Alliance (SPA), which is tasked with the delivering hundreds of kilometres of new, interconnecting pipelines.

Under Anglian Water's Scheme of Delegation, the Board must approve the approach to the award of contracts with suppliers, above a certain value. This ensures that there is the appropriate level of oversight of these key contracts. During the year, the Board approved procurement strategies for operational technology delivery and consultancy services, the management of recreation services and grounds maintenance. Each year the Board also approves Anglian Water's Modern Slavery and Human Trafficking Statement, which details the steps we have undertaken to ensure that slavery and human trafficking arenot taking place in any part of the business, or within Anglian Water's supply chain.

The Board also engages with our different regulators including Ofwat, the Environment Agency (EA) and the Drinking Water Inspectorate. As part of her induction programme, Dr Rivaz has met the Chairs of both Ofwat and the Environment Agency.

Another important stakeholder group is debt investors, banks and rating agencies.

Engagement is key to understanding their requirements, demonstrating our long-term sustainable vision and helping them to understand what makes Anglian Water a sound investment. Engagement occurs through dedicated investor events — held at least twice a year, to coincide with the company's results announcements — and additional events such as the 'Our Plans for the Future' event, which took place in October 2023.

Impact on community and environment

The environment is at the heart of our Purpose and our SDS is fully aligned with the Government's own 25-year Environment Plan. In July 2021, we published our Net Zero Strategy to 2030. This route map, which was fully supported by the Board, sets out how we aim to reach net zero carbon emissions by 2030. As referred to above, the Board approved both the revised draft WRMP and the DWMP during the year. The Board regularly considers environmental matters, including abstraction, compliance against the EA's Environmental Performance Assessment, the progress of our WINEP, the water resource position and pollution reduction schemes.The environment is at the heart of our purpose, and our SDS is fully aligned with the government's own 25-year Environment Plan.

Throughout the year the Board has monitored the progress of both Ofwat's and the Environment Agency's investigations into sewage-treatment-works compliance. The Board has also supported the continued focus on reducing storm spills together with the deployment of smart technology and machine learning at pace to help predict and prevent pollutions. See page 17 of our Annual Integrated Report.

Our purpose requires us to consider the impact of our operations on our communities. The Board receives regular updates on stakeholder engagement activities.

Maintaining high standards of business conduct

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

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

Acting fairly between members

The Anglian Water Group is owned by a consortium of five, long-term investors, representing millions of long-term pension holders in the UK and overseas. These shareholders are represented on the Board of our ultimate parent company Anglian Water Group Limited. There are also shareholder representatives on the Anglian Water Board. In this way, we ensure that we treat all shareholders fairly and that their views are heard when making key decisions. These Directors bring with them a broad range of skills and experience. This is extremely valuable during Board discussions. Our shareholders have made a long-term commitment to our organisation and have a shared interest in, and responsibility for, its success. As the ultimate owners of the business are the source of equity investment — not the group — it's vital that we engage them in strategic planning and share our progress and results with them.

Further information on our company structure and ownership can be found on page 11 to, and in Board biographies on pages 123-127 of our Annual Integrated Report.

Responding to stakeholder concerns

The Board has always taken an intense interest in Anglian Water's environmental performance. Over the last couple of years, the Board has recognised that – as a business with a stated purpose to bring environmental and social prosperity to the region we serve – pollution performance has been disappointing for all stakeholders.

Following the development of the Pollution Reduction Programme 2023- 2025 (the PIRP), the Board has met regularly with Emily Timmins, Director of Water Recycling, to understand and challenge progress made against the PIRP. In November 2023, the Board challenged Ms Timmins to further develop additional investment opportunities, which would be likely to have a beneficial impact on Anglian Water's pollution performance.

At its meeting in January 2024, the Board closely considered the detailed investment case to drive pollution reduction. The Board recognised that there were multiple benefits to investing in pollution reduction, including reputational improvements, a more positive relationship with regulators and reduced penalties.

Therefore, after careful consideration, the Board approved the first tranche of £50 million of £100 million from our shareholders to tackle pollutions and storm spills. This investment will deliver schemes, such as creating more capacity in sewers across the region and increasing storm water storage at water recycling centres, so they can deal with events like the intense rainfall we witnessed this year.

NON-FINANCIAL REPORTING STATEMENT

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

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

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

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
Environmental and climate matters Our commitment to protecting and enhancing our environment is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.	• Articles of Association • Strategic Direction Statement • Integrated Management System Framework Policy • Water Resources Management Plan • Drought Plan • Water Recycling Long-Term Plan • Drainage and Wastewater Management Plan • Pollution Incident Response Plan • Climate Change Adaptation • Net Zero Strategy 2030	• Chair's welcome pages 5-7 • Chief Executive's statement pages 8-10 • The Year in context: pages 14-24 • Our strategic ambitions page 12 • Holding ourselves to account pages 35-36 • Responsible financing: Sustainable finance pages 27-30 • Climate-related (CR) financial disclosures: (a) governance arrangements pages 92-93 (b) how CR risks and opportunities are identified, assessed and managed page 101 (c) how processes for identifying, assessing and managing CR risks are integrated within the company's overall risk management framework page 101 (d) description of:- (i) principal CR risks and opportunities pages 94-97 (ii) time periods to which these are assessed pages 94-97 (e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy page 94-97 (f) resilience of the business model and strategy, taking into consideration different CR scenarios pages 94-100 (g) targets used to manage CR risks and realise CR opportunities and performance against targets pages 94-101 (h) KPIs used to assess targets above and calculations on which these are based, pages 101-102 • Our stakeholders: our environment pages 44-53 • Section 172 statement pages 84-86

<table>
<tr><th>Reporting requirement</th><th>Relevant policies, documents or reports that govern our approach</th><th>Sections within the Annual Integrated Report where you can read more about our current activities and risk management</th></tr>
<tr><td></td><td></td><td>• Climate-related financial disclosures, pages 91-103
• Principal risks pages 108-116</td></tr>
<tr><td>Employees
Our approach to our employees is guided by the values that drive our continued progress: Together, we build trust; we do the right thing; we are always exploring.</td><td>• Values framework
• Doing the right thing – code of conduct
• Inclusion plan
• Health and Safety policy
• Dignity at work policy and procedure
• Personal relationships at work policy
• Gender pay gap report
• Whistleblowing policy and procedure
• Ethnicity pay gap report
• Board diversity policy</td><td>• Chair's welcome pages 5-7
• Chief Executive's statement pages 8-10
• Our stakeholders: our people pages 67-75
• Section 172 statement pages 84-86
• Corporate Governance Report pages 128-136
• Nomination Committee Report pages 144-147
• Remuneration Committee Report pages 148-173</td></tr>
<tr><td>Human rights
Our policies and processes are underpinned by our values; in particular: we do the right thing.</td><td>• Doing the right thing – code of conduct
• Dignity at work code of conduct
• Data protection policy
• Data retention policy
• Customer privacy notice
• Modern slavery and human trafficking statement
• Human rights policy</td><td>• Our stakeholders pages 44-83
• Nomination Committee Report pages 144-147</td></tr>
<tr><td>Social matters
Our commitment to serving our customers and our communities is enshrined in the Articles of Association of Anglian Water through our stated purpose: To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.</td><td>• Anglian Water Articles of Association
• Anglian Water Strategic Direction Statement
• Social Contract
• Employee volunteering guidelines – Love to Help</td><td>• Chair's welcome pages 5-7
• Chief Executive's statement pages 8-10
• • The year-in-context pages 14-24
• Our strategic ambitions page 12
• Holding ourselves to account pages 35-36
• Our stakeholders: our customers & communities pages 54-56
• Section 172 statement pages 84-86</td></tr>
</table>

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
Anti-corruption and bribery Our policies and processes are underpinned by our values; in particular: we do the right thing.	• Doing the right thing – code of conduct • Anti-bribery policy • Anti-fraud policy • Corporate hospitality policy • Whistleblowing policy • Board protocol for dealing with conflicts of interest • Tax and transparency policy	• Principal risks: Legal page 116 • Audit Committee Report pages 137-143
Description of the business model	• Our business model page 11	• Board statement of Company direction and performance, Annual Performance Report (available at www.anglianwater.co.uk/about-us/our-reports)
Non-financial key performance indicators	• Non-financial performance measured against a set of commitments agreed with Ofwat • Health and safety measures and targets • Environmental performance assessment	• Delivering our outcomes: Performance Commitments dashboard pages 37-43 • Our stakeholders: People pages 67-75 • Our stakeholders: Partners pages 76-79
Description of principal risks and impact of business activity	• The year-in-context: pages 14-24 • Risk management pages 105-118	• Risk management pages 105-118 • Principal risks pages 108-116 • Business long-term viability statement pages 119-121

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

OUR APPROACH TO THE CLIMATE AND NATURE CRISES

Climate change is no longer a future threat. The impact is being felt globally, across sectors and ecosystems, today. Water is a primary factor; across the world, we are witnessing more flooding, increased risk of drought and rising sea levels[1]. And, as populations grow, there is a higher demand for water, which requires more transportation and energy-intensive pumping. Competing demands for water can impact biodiversity and wildlife, alongside extreme weather events, which can detriment water quality. Sustainable water management is key to building resilience in the face of the climate and nature crisis.

At Anglian Water, we manage water resources in a region that is water scarce and vulnerable to climate change. It also has many precious environmental sites to protect, a growing population and a sizeable agricultural economy that relies on water to feed the nation. In addition to supplying fresh, clean drinking water and recycling wastewater, we must think about water in its widest context. Water underpins economies and businesses, it impacts the quality of green and blue spaces and is a key enabler for housing growth, particularly in our fast-growing region.

The intrinsic relationship that we have with nature and the environment means we address the challenge through various strategies.

Geographically, our region is the driest in the UK, while heavy rainfall and rising sea levels increase the risk of flooding across our large coastal areas. The flat landscape we operate in means we must use energy to pump water around the region and – with our population set to grow by 720,000 over the next two decades – there is a demand for low-carbon alternatives. Treating water also requires carbon and energy. So, we must seek innovative ways to reduce the need for carbon-intensive, chemical processes and instead opt for nature-based solutions.

Extreme weather can also put stress on our infrastructure, impacting our day-to-day operations. For example, much of the land is drained and rich in soils that are highly shrinkable, often chemically aggressive and structurally unstable. Extreme temperatures can lead to shrinking and expanding soils of this kind, exacerbating ground movements, which can increase failures of water distribution mains. Building climate resilience across our assets is key.

The region we serve is also home to many of the country's most precious chalkstreams and rivers. Improving river health is a key focus area and we are leading on a range of multi-sector projects that will benefit entire landscapes. Around the world, 85% of wetlands – which act as carbon sinks – have disappeared[2]. We have a responsibility to reverse the decline on nature too.

Addressing these complex challenges now — and in the long-term — is crucial and requires us to be adaptable. To stand still, as our climate changes and population grows over the next 25 years, will require unprecedented transformation of our company and our sector.

[1] unwater.org/water-facts/water-and-climate-change
[2] un.org/en/climatechange/science/climate-issues/biodiversity

At Anglian Water, we have long known about the impact of climate change and have been taking action to manage our key climate change risks since the 1990s. In 2007, we set four long-term ambitions — all of which relate to climate change — to guide our forward planning. Refreshed in 2017, our Strategic Direction Statement and the four ambitions remain fit for purpose and inform our long-term planning to 2050.

We have several strategies and plans to build resilience against climate change:

- Drainage and Wastewater Management Plan (DWMP)
- Water Resources Management Plan (WRMP)
- Drought plan
- Net Zero 2030 strategy
- Long-term Direction Statement (LTDS)
- Pollution Incident Reduction Plan (PIRP)
- Asset System Resilience Appraisal (ASRAP)
- Our 2020 Climate Change adaptation report

This section houses our key climate and nature disclosures:

Transition risks

Our transition risks are included in a number of our relevant strategies.

Task Force for Climate-Related Financial Disclosures (TCFD)

Our climate-related risks and opportunities are disclosed under the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). We continue to improve our climate-related disclosures, year on year. Find out more on page 35.

Nature-related disclosures

As stewards of a natural resource, we rely on — and have the potential to impact — the natural environment. This means managing the impacts, dependencies, risks and opportunities we have in relation to nature is not only the right thing to do, but fundamental to our business. Find out more on page 63..

CLIMATE-RELATED FINANCIAL DISCLOSURES

Making information about climate-related risks and opportunities available to our stakeholders.

Since 2017, we've made disclosures under the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD), adopting them well ahead of their mandatory introduction in 2022. We continue to improve our climate-related disclosures year-on-year and our approach is consistent with all 11 TCFD recommendations.

Introduction

As a water company, we have an intrinsic relationship with the environment – the health of the environment both influences and is impacted by our operations. And, our environment is changing as a result of rising global temperatures. This relationship has driven a range of climate-related commitments and targets.

Our Annual Integrated Report complies with the requirement of LR 9.8.6R by including climate-related financial disclosures.

Highlights

- A-CDP Score, demonstrating we are implementing **best practice towards environmental stewardship**
- £1.2 billion raised green bonds in the year and a total of £3.8 billion of **sustainable financing since 2017**
- Delivering in line with our ambition to achieve **net zero operational-carbon emissions by 2030**
- On track to achieve a **70% reduction in capital carbon by 2030**
- Platinum certified by Achilles Carbon Reduce **signalling 10+ consecutive years of carbon reduction**

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Page in the AIR	Further references in the AIR
92	See organisational structure on page 92 See climate-related governance on page 92 to 93

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Page in the AIR	Further references in the AIR
94	See climate-related strategy on page 98

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

Page in the AIR	Further references in the AIR
101	See climate-related risk management on page 101 See our approach to risk on page 105 • See our principal risks on page 108

Metrics & targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

Page in the AIR	Further references in the AIR
101	See climate-related risk management on page 101 See our approach to risk on page 105 See our principal risks on page 108

Climate-related governance

Where we manage climate risks and opportunities

- Board of Directors – Oversight of climate-related risks
- Remuneration Committee – Remuneration policy linked to ESG
- Audit Committee – Review the company's top-tier risks
- Management Board
- Climate Change and Carbon Steering Group
- Resilience Steering Group
- Sustainability Centre of Excellence
- Finance, Treasury and Energy Policy Group
- Sustainability Team
- Finance Climate Group
- Carbon Neutrality and Climate Change Team
- Sustainability Community

Board oversight

The Anglian Water Services (AWS) Board retains overall oversight of climate-related risks and opportunities. The Board discusses climate related issues, for example reviewing our draft Water Resources Management Plan. Climate-related risks are included within the company's top-tier risk register and managed through risk management and internal control systems. In 2017, the Board led the business to be one of the first utilities to raise finance through a Green Bond due to the governance structure we have in place.

The Board drives and oversees our climate related commitments including:

- Anglian Water's Climate Change Adaptation Report
- Anglian Water's commitment to be net zero carbon by 2030: our Chief Executive Peter Simpson was co-sponsor of the sector wide Water UK commitment. Our net zero 2030 commitment covers our Scope 1 and 2 emissions, together with those Scope 3 emissions we're required to report, with the Board monitoring progress.
- In addition, we've also committed to reducing our capital carbon emissions – Scope 3 emissions that arise, as a consequence of building and maintaining our assets – by 70%, against a 2010 baseline by 2030.

Leadership

As a founding member of the UK Corporate Leaders Group (the Corporate Leaders Group, run by the University of Cambridge Institute for Sustainability Leadership), Peter Simpson has championed business action on climate change for many years. He was co-Chair of the Institute between 2020-21 and again in 2022-23. Our Senior Independent Non-Executive Director, Dame Polly Courtice, is Emeritus Director and Senior Ambassador of the Cambridge Institute of Sustainability Leadership. Peter works with Business in the Community (BITC), as Chair of the East of England Leadership Team. He also sits on the WaterAid Board of Trustees.

The role of the Audit Committee

The Audit Committee plays a key role in monitoring the company's financial reporting, reviewing the material financial judgements and assessing the internal control environment, ensuring information is accurate, timely, reliable and compliant. The Committee provides effective oversight of both financial and non-financial disclosures, including climate-related financial disclosures. Climate change is an area of focus as described on page 138 of the AIR. The Committee approves our annual internal audit plan, driving areas of focus. The Committee also bi-annually reviews the top-tier risk register.

The role of the Remuneration Committee

The Remuneration Committee plays a key role in ensuring that climate change, and other Environmental, Social and Governance issues are considered at the top of the organisation. A portion of variable executive remuneration is already aligned to our purpose and selected ESG measures. These measures include our performance as a business in operational and embedded carbon. See the Remuneration Report within the AIR for more detail.

The role of management

Management Board

The Management Board meets three times a month to discuss issues, many of which relate to climate change. The Management Board consists of our Chief Executive along with key decision makers, who chair many of the groups below.

Climate and Carbon Steering Group

The Climate and Carbon Steering Group is responsible for progress against climate change mitigation and adaptation.

The group meets monthly, to discuss specific themes, including our proposed AMP8 (2025- 2030) net zero investment plans, which include a focus on renewable-energy generation, reducing fugitive emissions at 17 of our largest sites and moving towards lower carbon HGVs. The group is chaired by a member of the Management Board, with two other Management Board members attending, to ensure integration with the overall business strategy. Updates are provided to the Management Board when required, for example on our net zero carbon trajectory.

This group has been integral to the development of our climate adaptation investment plans for 2025-2030, our future Climate Change Adaptation Report and progress against our 2030 carbon commitments.

The Resilience Steering Group

The Resilience Steering Group, chaired by the Chief Executive, is responsible for assessing and improving Anglian Water's resilience. Anglian Water has introduced six capitals thinking and integrated them into the governance process for projects within the organisation, so that all six capitals – natural, financial, social, manufacturing, people and intellectual – are considered when making investment decisions.

Finance, Treasury and Energy Policy Group

The Finance, Treasury and Energy Policy Group also plays an important role in managing transition risks and opportunities. Chaired by our Chief Financial Officer, the group leads on raising sustainable finance and identified sustainable projects such as renewable energy generation. The group's members include the Chief Financial Officer, the Group Treasurer, other Management Board Directors and the Head of Carbon Neutrality.

The groups above take the principal role in managing climate-related risk. Other organisational groups play an important role in developing climate-elated approaches.

Six Capital Steering Group

The Six Capitals Steering Group has developed a methodology to assign values to measures across each of the six capitals and their contributing factors, allowing for project appraisals to consider value in the broadest possible sense. Anglian Water has developed a methodology for capturing and reporting on this data, allowing for reports on performance against the six capitals to be included in a wider purpose dashboard that will be reported to the Board on a regular basis. The Six Capitals Steering Group has been subsumed by the Sustainability Centre of Excellence.

Finance Climate Group

The Finance Climate Groups' purpose is to coordinate, collate and share best practice on financial planning and reporting with regards to sustainability, carbon and climate-change issues. The group has improved the link between finance functions and those delivering climate solutions around the business. Our Chief Financial Officer attends once a year for an update on progress and prioritisation.

Sustainability Community and Sustainability Centre of Excellence

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

Headed by the Chief Sustainability Officer, our Sustainability Centre of Excellence is a consultative and collaborative forum for those leading on sustainability and purpose throughout the organisation to maximise impact and increase transparency.

Engaging with our customers

We are constantly engaging with customers, with over:

- 1 million direct customer contacts a year;
- 387 customer panels; and
- 100,000 responses to our customer feedback surveys.

Our customers are valued stakeholders who we consult with on our key plans.

In preparation for our AMP8 proposals, we carried out almost 35,000 in-depth engagements with our household customers and over 2,500 engagements with our non-household customers.

We also issue key climate-related plans for public consultation — including our Drought Plan, Water Resources Management Plan, Climate Change Adaptation Report and Drainage and Waste Water Management Plan — and we incorporate and reflect the feedback we receive.

Customer feedback channel include the ICG, our online community and our Customer Board:

Anglian Water's Independent Challenge Group (ICG): A group of independent subject experts and regulators — with an Independent Chair — that scrutinises and challenges Anglian Water's business plans, to make sure they reflect customers' priorities. Replacing the previous Customer Engagement Forum in 2022, the ICG constructively challenges Anglian Water on:

- the quality of its engagement with customers and the wider communities and stakeholders it serves;
- the extent to which customer priorities are reflected in what the company does; and
- the company's delivery against those priorities.

Our online community is formed of 500 customers, whose views we seek weekly on a wide range of topics. Our Customer Board comprises a representative selection of members from the online community, to provide further guidance and directly feed in customers' views.

Climate-related strategy

Climate-related risks, opportunities and impact

As stated in our Climate Change Adaptation Report (published in 2020, with an updated version due by the end of 2024) — and more recently confirmed in our Thriving East research — climate change in our region will lead to less rainfall in summer and wetter weather in winter. We have been focused on building resilience for years and expect the more extreme weather conditions we've witnessed in recent years to continue.

Organisational resilience and scenario planning

Anglian Water's overall resilience to climate-related risk is addressed through various strategies and plans, as outlined in our approach to climate change on page 35 . As an example, climate change will have an impact on available water resources. Our long-term strategy to managing supply and demand is outlined in our Water Resources Management Plan. Successive plans have ensured a safe, secure supply of water to our customers' taps. New water treatment works, the laying of strategic pipelines to take surplus water to areas in deficit and improving the connectivity of our region have contributed to resilience.

Our Long-Term Delivery Strategy contains our adaptive approach to 2050. As we look to 2050, our strategy will mitigate the impacts of challenges like climate change, population growth and new regulations to ensure there is no deterioration in the service we provide to customers. Key focus areas include: demand reduction; new water supply infrastructure; ensuring that our water recycling systems protect the environment from harm; a circular economy approach to all waste streams; and a significant step change in the use of nature-based solutions to solve water-security issues.

Our five-year investment periods (short-term) and associated Ofwat Performance Commitment Levels (PCL) are set in the context of a much longer timeframe — in line with our Purpose and Strategic Direction Statement. Anything between five and 25 years is defined as medium term. Long term is defined as 25 years+. In the table below, the metrics cited are our Ofwat PCLs. These are a subset of a wider range of performance measures, which ladder up to our long-term ambitions.

Identifying risks and climate-related opportunities

Our governance structure enables us to identify climate-related opportunities across the organisation. These are centralised and reviewed within the Climate and Carbon Steering Group and outlined below:

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
Negative impact on our supply/demand balance (Physical) **Short, medium and long term**	Hotter, drier summers increasing drought severity and frequency combined with forecast population growth.	On customers: • Increase in interruptions to supply • Low water-pressure issues • Drought restrictions more commonplace On business: • Impact on our financial penalty/reward position • Increase in operating costs to deal with periods of drought • Increase in capital investment required	We maintain a 25-year Water Resources Management Plan (WRMP), which quantifies the need and recommends investment — to maintain the supply/demand balance to avoid water shortages in the context of drought and population growth. This 25-year plan is refreshed every five years, to incorporate short, medium and long-term actions. We have recently completed a study into climate vulnerable mains. This covers mains which are vulnerable to bursts as a consequence of drought induced soil shrinkage. This study highlights the pressing need to make vital assets resilient and fit for the future.	The most relevant Ofwat PCLs for this key risk are: • Leakage • Per Capita Consumption • Unplanned Outage • Percentage of population supplied by a single supply • Abstraction Incentive mechanism • Properties at risk of persistent low pressure • Smart metering delivery	Our WRMP shows that by 2050, as a direct result of climate change and drought resilience, there will be an 80Ml/d reduction in the water available to us. This is part of the total deficit of 593Ml/d, for which our plan contains multiple proposed investments of over £1 billion (with climate change a key consideration), to meet the total shortfall in water availability. For more detail on our WRMP please see https://www.anglianwater.co.uk/siteassets/household/about-us/wrmp/revised_draft_wrmp24_main_report.pdf and ANH26-Enhancement-strategy-Resilience-to-drought-and-flood.pdf.

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			A study is underway to investigate the impact of extreme summer temperatures on our assets to develop resilience strategies.	• Internal interconnector delivery • Risk of severe restrictions in a drought • Natural capital impact	In our Long Term Delivery Strategy, submitted as part of our PR24 business plan, we propose to invest £1.64bn by 2060, to mitigate the premature failure of our climate-vulnerable mains, £184m of this would be invested within AMP8. This will renew 668km in AMP8, as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable mains by 2060.
Negative impact on our customers and the environment, including one off events (Physical) **Short, medium and long term**	Increased frequency of periods of heavy rainfall combined with wetter, warmer winters.	On customers: • Internal and external sewer flooding and impact on customers' homes • Increase in interruptions to supply	As set out in our Drainage and Wastewater Management Plan (DWMP), the next 25 years will increase hydraulic flooding risk in many catchments in the East of England due to more intense rainfall resulting from climate change, especially as 28% of our region being below sea level.	The most relevant Ofwat PCLs for this key risk are: • Water supply interruptions • Unplanned outage • Internal sewer flooding	In our PR24 business plan, we are proposing capital investment over the next 5 years of c.£61 million to help mitigate the risk of flooding of properties. This investment is required to enhance our sewerage system to reduce the risk to properties and external areas of flooding from sewers. For more detailed

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
		On business: • Impact on our financial penalty/reward position as well as environmental penalties • Increase in operating costs to deal with heavy rainfall and associated flooding • Increase in capital investment required	Our long-term approach to addressing hydraulic flooding is informed by our 25-year approach to risk reduction and mitigation as outlined in our DWMP strategic planning framework. The DWMP presents a catchment-level long-term strategy for addressing flooding over a 25-year planning horizon and recognises that hydraulic flood risk is the collective responsibility of a wide number of stakeholders including the water industry. This approach delivers over a short, medium and long-term timeframe.	• Pollution incidents • Treatment work compliance • External sewer flooding • Bathing waters attaining excellent status • WINEP • Partnership working on pluvial and fluvial flood risk • Risk of sewer flooding in a storm	information, please refer to section 7 of ANH26-Enhancementstrategy-Resilience-to-drought-and-flood.pdf.

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
One off events which impact ability to operate (Physical) **Short, medium and long term**	Increased severity and frequency of storms	On customers: • Increase in interruptions to supply • Impact on leakage due to freeze-thaw process On business: • Physical damage to assets and infrastructure impacting ability to operate in an area • Increase in operating costs during and after the event • Increase in capital investment following the event	We manage these risks with business continuity and meticulous emergency response planning. We have well-rehearsed policies, plans and procedures to ensure we minimise any risk to customers and the environment. This allows us to react to incidents in the short term as we plan for the medium and longer-term timeframes.	The most relevant Ofwat PCLs for this key risk are: • Leakage • Mains Repairs • Reactive mains bursts • Water supply interruptions • Unplanned outage • Internal sewer flooding • Pollution incidents • Treatment work compliance • External sewer flooding, Bathing waters attaining excellent status,	In the longer term, the cost of response is included within the two itemised above. Building in robust resilience allows us to quickly adapt to disruptions, maintain continuous business operations and safeguard our people, our customers and our assets. Incident preparedness through to response and recovery remains core to ensuring our business remains resilient. This is supported by our Anglian Water Force members who are our trained incident response community.

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
				•WINEP, •Partnership working on pluvial and fluvial flood risk, •Risk of sewer flooding in a storm.	

Key transitional risks

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
The pace of grid decarbonisation **Short and medium term**	Future energy policy direction affecting future electricity markets. Premiums for green electricity. Grid pricing mechanisms. Planning challenges for onshore wind and solar PV.	Changes in the pace of grid decarbonisation will impact the magnitude of our residual emissions as well as the cost effectiveness of future energy efficiency measures. Uncertainty in the future financial balance between the cost in investing in energy efficiency and the cost of low carbon energy.	Continue wider market engagement to better understand future grid electricity tariff scenarios, especially green electricity and sleeving, to have a more informed electricity procurement strategy. Continued engagement with our solar investors, EPC contractors and district network operators, to ensure solar portfolios are delivered. Monitoring of planned solar investments in our region (outside our own land), to identify and benefit from annual solar generation by 2030 and beyond.	The most relevant Ofwat PCLs for this key risk are: • Operational carbon • Capital carbon	Demand for green energy has been rising in recent years, with both domestic and non-domestic customers driving this increase. For companies to report on the amount of green energy they have procured and used from the grid, they need to demonstrate that the energy used has been generated from renewable sources. Renewable Energy Guarantees of Origin (REGO) certificates are obtained to show this. As more companies choose to procure green energy from the grid, the increase in demand is reflected in the price of REGOs. Spot trading prices increased from ca. £0.20-£0.30 per REGO in the late 2010s, to a peak of

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			Continued engagement with local authorities, to monitor planning risks for onshore wind in our region. Encouraging staff to challenge and report areas where energy efficiency can be improved.		ca.£25 per REGO in September 2023. The market is still experiencing volatility and it's expected that this will continue into the future. During the year, we have signed two corporate-purchase power agreements (see page 23 of AIR), to procure renewable energy directly from generators via the grid and to reduce our reliance upon standard "brown" grid energy, where the generation mix is dominated by fossil fuels.
Societal and legislative views on environment and Net Zero carbon **Short, medium and long term**	Increased media interest and changing public attitudes to environmental issues may increase focus	Potential for increased investment in environmental protection schemes. As an energy intensive sector and with GHG emissions associated with water treatment potential for increased costs.	The delivery of infrastructure affords the opportunity to deliver other positive environmental outcomes – for example Nature Based Solutions – and through our partnership work such as Future Fens.	The most relevant Ofwat PCLs for this key risk are: • Operational carbon • Capital carbon	Customers, quite rightly, want us to ensure a sensible balance between ambition, affordability and intergenerational fairness. While necessary increases to investment will raise bills in the long-term, we have tested our proposals with customers and

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	on improved environmental policies. Changing Government tax income may lead to a focus on carbon as a mechanism to raise tax income.		Strong relationship with delivery partners to deliver low carbon solutions as seen through our historic and ongoing commitment to reducing the capital carbon in our assets. Regular engagement with the UK Government, regulators and other stakeholders to shape policy outcomes.		stakeholders, to make sure they reflect the things that matter most to them and that they represent the best value for our region. For those customers who are struggling to pay we have a wide range of support available, in the year we have helped 389,371 customers through a £136.9 million support package. We will continue to provide such support into the future.
Investment levels required Short, medium and long term	Higher levels of investment required to meet more stringent environmental standards, improve resilience adapt to climate change	Increase to how much customers will have to pay, with has the potential to affect affordability for those struggling financially.	Taking affordability into account, as part of the planning and investment process — through customer consultation and macroeconomic analysis. Assisting the most-vulnerable customers, through a range of packages. Carefully planning investments, to deliver optimum outcomes,	The most relevant Ofwat PCLs for this key risk are: Abstraction incentive mechanism Bathing waters attaining excellent status Smart metering delivery	Following consultation with our customers and other key stakeholders, our PR24 Business Plan contains proposed investments — in relation to Net Zero — of £152 million in AMP8. The LTDS contains proposed investments over the longer term.

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	and meet long term targets The current regulatory model means that such investment will ultimately be funded through customer bills.		while keeping costs to a minimum.	Internal interconnector delivery Partnership working Priority services register Value for money	This reflects the wider societal priorities and identification of the need to invest in the environment for long-term prosperity.
Nitrous Oxide Emissions Short, medium and long term	Uncertainty over the emissions factor for Nitrous Oxide emissions.	Potential increase in reported Nitrous Oxide emissions resulting in an increase in overall reported CO2e emissions.	The historic mechanism for calculating Nitrous Oxide emissions from waste water treatment is under review in the UK and internationally. Monitoring is underway in Anglian Water and the wider UK water sector to understand the robustness of the current emissions calculation methodology. Following the completion of this research, a	The most relevant Ofwat PCL for this key risk is: • Operational carbon	Our PR24 business plan contains £17m of proposed enhancement investments, in various Nitrous Oxide reduction approaches. This investment will reduce emissions and provide valuable learnings that can be applied to our various sites, such that reductions can be achieved in the most cost-effective way. If the Nitrous Oxide emissions factor increases, the investment improves in tonnes

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			decision will be taken as to the accuracy of the current methodology and if the current emissions factor should change. Our PR24 business plan contains proposed investments in various Nitrous Oxide reduction approaches which will deliver over 5,000 tCO2e by 2030.		CO2e saved/£ invested, but the size of reported emissions increases. Our LTDS contains details of investments required in 2030 and beyond.

Key opportunities

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
Spend to save programme **Short and medium term**	Increased cost of energy.	• Reduction in operating costs • Reduction in operational and capital carbon • Reduction in energy consumption • Reduction in reliance on grid power, increasing grid resilience	We have a dedicated initiative to identify opportunities to reduce energy, carbon and cost. Funding is made available for this initiative, providing it pays back in five years or fewer. We also consider investments which may pay back over a longer period of time.	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.
Correlation of reducing, carbon reduces cost **Short and medium term**	Need to reduce carbon footprint and alignment with our net zero targets.	• Reduction in capital investment required on projects • Reduction in operational and capital carbon	Our strategy is consistent with the international standard for capital carbon management, PAS 2080 — we assisted BSI in development of this standard. PAS 2080 aims to achieve a systematic process for infrastructure delivery, in which carbon management — under the direct control of the value chain — is the main focus.	The most relevant Ofwat PCL for this key opportunity is Capital Carbon.

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
Uptake of renewable energy **Short, medium and long term**	The rising cost of grid power and the increasing appetite for renewable power.	• Reduction in operating costs • Increase in green-energy consumption • Reduction in the energy required to be imported and opportunities to export	Investment in the optimisation of our combined heat and power (CHP) programme, biomethane programme and solar photovoltaic installations at our sites. Long-term renewable energy procurement.	The most relevant Ofwat PCL for this key opportunity is Operational Carbon.

Financial Impact

Historically, we have ring-fenced an element of the Opex budget centrally, to ensure this is available when we incur additional costs as a result of weather events. In light of the weather extremes experienced in recent years, this ring-fenced budget was increased for the year to March 2024.

We had very little rainfall in 2022, resulting in dry ground conditions. This impacted our leakage performance and we experienced increased costs as a result. We had stable weather for the first half of 2023/24, however, the last six months gave way to extremely wet weather, which put pressure on our water recycling operations and impacted us across pollutions, spills and flooding. In cost terms, this translated in additional operating costs of £9.3 million, as a result of the wet weather, offset by the unwind of the prior-year drought-related costs not repeating (12.6 million).

Furthermore, we have not reached our regulatory targets for some key measures. As a result, we are in a penalty of £37.6 million. Read more about our Ofwat-related performance commitments on page 72.

The impact of climate change is incorporated into our key assumptions and significant judgements on page 111 to 114. This discusses the risks in relation to our water mains network, in conjunction with our proposed investment for climate vulnerable mains — as highlighted in the risks table above.

Green finance

We have developed a Sustainability-Linked Finance Framework to issue finance instruments tied to our sustainability objectives, including carbon reductions. The investments made through the Green Bonds issued to date are expected to support a 63% reduction from the company's 2010 capital carbon baseline.

Greenhouse Gas Report

Our annual Greenhouse Gas Report charts the decline in intensity factors used to indicate the decarbonisation of our services. Where relevant, we have also aligned with industry best practice for emissions measurement and reporting. This approach has been verified, since 2010, by CEMARS as being measured, managed and reduced in accordance with ISO 14064. Our strategy for operational carbon reduction has been verified against ISO-14064 since 2010 and in 2021 were awarded Platinum status on Achilles Carbon Reduce.

Transition to Net Zero

By 2030 we aim to be a net zero carbon business. This is defined as net zero emissions where we have operational control as set out in our Net Zero Carbon Routemap 2030. This means we will reduce our carbon emissions through, for example, the consumption of renewable electricity, transitioning away from fossil fuel vehicles and reducing our energy consumption. In 2030 we will likely have some residual emissions, for example from process emissions from waste water treatment and Heavy Goods Vehicles, which will be offset through carbon offsetting mechanisms.

Our Net Zero 2030 Strategy contains more detail on the risks associated with transitioning to a net zero carbon business. Overall, we have a comprehensive approach to climate change, of which our transition risks form a key part. Key documents outlining our plans include our: Net Zero 2030 Strategy; Water Resources Management Plan; Drainage and Wastewater Management Plan; Strategic Direction Statement; Climate Change Adaptation Report; and Long Term Delivery Strategy.

Drainage and Wastewater Management Plan (DWMP)

This year, building on our experience of assessing flood risk, we undertook our most detailed flood-risk assessment ever for our Drainage and Wastewater Management Plan (DWMP). We followed a three step process:

Step one used a range of climate change scenarios, including UKCP18 RCP2.6 and RCP 8.5, four time horizons (2025, 2030, 2035 and 2050) and six storm return periods (1:30, 1:75, 1:100, 1:250, 1:500 and 1:1,000). This identified the likelihood of flooding at our sites.

Step two established priority sites, based on risk and consequence.

Step three developed solutions that would protect our assets for submission as part of our PR24 business plan.

The results clearly show the impact of climate change as we look ahead to 2050. Using the RCP8.5 scenario (broadly equivalent to a 4 degree C temperature rise), we can see that fluvial flood risk (when a river bursts its banks) reduces slightly, while pluvial flooding (when heavy rainfall overwhelms the ability of the ground to absorb or drain water) increases slightly.

The likely cause of this is that base river flows may be lower in summer, due to reduced rainfall, while more-intense summer storms will increase the risk of surface-water flooding. This analysis allows us to take a more nuanced view of our risk, enabling us to make informed decisions about the risk of flooding and take an adaptive approach to investment, where required.

Water Resources Management Plan (WRMP)

We develop a Water Resources Management Plan (WRMP) every five years, setting out how we plan to manage water supplies in our region to meet current and future needs over a 25 year period. Our WRMP24 is our biggest and boldest yet – it includes two new reservoirs, a reuse scheme, transfers and a demand management strategy underpinned by our ambitious smart metering roll-out.

In preparing our WRMP we conducted the most robust level of climate change assessment (Tier 3 in the Water Resources Planning Guideline supporting guidance) for our whole system.

We used climate-change projections, based on UKCP18, through 12 bias-corrected Regional Climate Model (RCM) factors for RCP8.5. This modelling was carried out for each Water Resources Zone (WRZ) within our system.

The results of the climate-change-scenario analysis identified that two of our 28 WRZ are particularly vulnerable to climate change and that there would be a material impact on the supply demand balance in another five WRZs. Climate-change impacts were combined with other factors, such as growth, to understand the total impact on the supply/demand balance in each WRZ. This has helped inform better resilience strategies for the WRZs.

Addressing climate-related supply challenges

We began engaging with our supply chain on climate change in 2007, when we invited our key partners to HRH The Prince of Wales' first Mayday Summit. Since then, we've worked with our design and construction partners to reduce capital carbon by more than 64%.

In 2023 we brought our value chain together to discuss climate change resilience and adaptation and our journey to net zero carbon. The event opened with a keynote speech from Chris Stark, the then Chief Executive of the Climate Change Committee. A number of collaborative workstreams were taken forward after the event.

We're focused on reducing the carbon associated with the materials used to build our assets. In 2016 we became the first organisation to be verified against PAS 2080, the world's first standard for managing carbon in infrastructure. Designed to drive best practice in managing carbon across the supply chain, in 2023 PAS 2080 was revised. We have been verified against this revised standard.

An example of value-chain collaboration is our Ofwat-funded research project to better understand Whole Life Carbon – that is the carbon associated with constructing, operating, maintaining and managing the end of life of our assets. Whole Life Carbon will integrate carbon and cost models into a single digital approach, enabling users to consider options that avoid construction of new assets, through re-using existing infrastructure, or selecting lower-carbon materials. The project has already identified future opportunities to combine carbon and climate resilience.

@one

In 2023, the Anglian Water @one Alliance was awarded the Saint Gobain's Sustainability Leadership Award. Saint-Gobain designs, manufactures and distributes materials and services for the construction and industrial markets. The @one Alliance team has collaborated with Saint Gobain, to use the UK's first 100% recycled ductile iron pipe from Saint Gobain's new low-carbon electric arc furnace.

Water UK Carbon Network

In November 2023, we were instrumental in restarting the Water UK Carbon Network, which is co-chaired by our Head of Carbon Neutrality. This group meets monthly with a purpose of sharing of best practice, knowledge and development for carbon practitioners, shaping of net zero policy and strategy from a water sector perspective.

CreDo

Alongside working with our supply chain, we are partnering across sectors to build climate resilience. In 2021 the Climate Change Committee assessed infrastructure interdependencies as having a low-quality plan and found that infrastructure owners were making slower progress than needed to manage risk.

Our assets operate in an interrelated infrastructure system. We are reliant on the power network for electricity, the telecoms network for communications and the road system for access. In turn, the power and telecoms networks are in some cases reliant on the water network. A failure in one of these elements of the system can lead to cascade failure, where other elements of this linked infrastructure network fail as a consequence. Extreme weather events can cause this failure.

Since 2021, we've partnered with British Telecom and UK Power Networks on a project, led by the National Digital Twin programme (NDTp) and Connected Places Catapult, known as the Climate Resilience Demonstrator (CreDo).

Initially funded by BEIS and Innovate UK —and now having secured innovation funding from both Ofwat and Ofgem — CreDo is combining datasets from Anglian Water, BT and UKPN into one system model, to develop a cross-sector picture of extreme weather events. In bringing together data and insights across sectorial and organisational boundaries, the project shows how we can collaborate on a national network of connected digital twins, to create resilient infrastructure.

The project originally focused on the impacts of extreme flooding and creating a working model for effective data-sharing between the partners. In 2023, the project expanded to investigate extreme-heat events. Funded by the Ofwat Water Breakthrough challenge, the second phase of the project examines the potential impact of such extreme heat scenarios on the wider infrastructure network. The CReDo team now has a working digital twin, which provides a greater understanding of the interconnectedness of the networks, along with an increased understanding of how more-extreme climate events could impact this system of systems.

The next phase is preparing the digital twin architecture, to scale the working model to become UK-wide. We're also considering other future scenarios, including extreme wind and storm events and involving more asset owners, to cover infrastructure such as roads.

Innovating to reduce carbon emissions

Our Research & Innovation Team invests around £30 million per year in ground-breaking research and projects. This includes the Ofwat-funded Triple Carbon Reduction project, which is exploring how to reduce process emissions — after electricity, these are our biggest source of emissions. The project is also looking at reducing energy consumption in water recycling and producing hydrogen, with hydrogen having the potential to result in significant carbon reductions. Currently, there is uncertainty surrounding how this new model may work.

As part of Ofwat's Water Breakthrough Challenge, we are leading on seven projects and have secured £20.4 million in Ofwat Innovation funding, to create solutions to our industry's biggest challenges, including process emissions.

In December 2023, Ofwat visited the Cambridge Water Recycling Centre in Milton to hear about the Triple Carbon Reduction project. The project aims to evidence a step-change reduction in greenhouse-gas emissions and electricity used in the water treatment process, which could significantly reduce the amount of emissions created. The project uses renewable-energy-powered hydrolysis, to produce hydrogen and oxygen from water. The hydrogen is collected to be used as a fuel, while the oxygen is used to replace traditional aeration. The results of this trial will feed into the development of our hydrogen strategy over the coming years.

Michael Taylor, Innovation Integration Manager at Anglian Water said: “The Ofwat Innovation Fund has allowed us to have genuine ambition in taking big strides towards a transformed water sector.

“The Triple Carbon Reduction project is a great example of a complex innovation tackling barriers in technologies, processes, systems and markets, in parallel. The collective approach, at this scale, wouldn’t be possible without support from the Ofwat Innovation Fund. I cannot wait to see what is possible, through our continued collaboration on mobilising transformational projects.”

Although still in the early stages, two projects funded via the Ofwat innovation fund have now been through their full lifecycle and are delivering benefits via changes to our investment planning, early-stage capital delivery processes and operational strategies.

Generating renewable energy

The vast majority of our operational emissions are associated with the electricity used to pump, treat and recycle water. One of the opportunities for reducing our emissions – and our costs – is to generate renewable energy from our sewage sludge, and to generate renewable power on our sites from wind and solar. Not only does generating renewable energy reduce our impact on the environment, it also mitigates the transition risk associated with changes in policy and cost linked to decarbonising the UK’s electricity.

Since 2004, we have grown our fleet of combined heat and power generation sites. We have ten sites producing 100-120GWh per annum, subject to asset performance. We generate around 13GWh from three wind turbines installed at Tetney Newton Marsh and March Water Recycling Centres. In terms of solar, our partners operate solar arrays across 15 operational sites, generating around 17GWh per annum – of which we consume approximately 15GWh.

The past year also saw the advancement of our activities in the procurement of corporate Power Purchase Agreements. Supported by framework partners appointed in early 2023, we have procured 71.6GWh from accredited renewable energy installations in and around our region. Further CPPA supply contracts are forecast to commence in 2024/25.

Our aspiration is that, by 2030, we will use 100% renewable energy, with 25% of our electricity being delivered from renewable sources generated at our own sites. We’re also working towards upgrading three sludge treatment centres to export biogas to the grid.

Energy efficiency

As well as generating our own renewable energy, we're also pursuing other opportunities to reduce our carbon emissions and reduce costs. These include an energy efficiency Spend-to-Save programme, designing carbon out of the new assets we build and reducing travel emissions.

This programme was launched in 2006 and delivered savings of more than £10 million within four years.

We continue to reduce energy consumption across the business, targeting 13 GWh in reductions by 2024/25.

Climate-related risk management

Identifying and assessing climate-related risks

We outline our 13 principal risks on page 66. Climate change is a consideration in each. Identification of current and emerging climate risks, including risks presented through implementation of change, is undertaken as part of our embedded risk processes. Our process utilises expert judgement, historical data, external data and forward-looking analysis. We use scenarios to inform our future direction.

The assessment and management of climate-related risks is consistent with the approach used to manage risk throughout the business. Climate-related risks were identified and assessed during the production of our latest Climate Change Adaptation Report. Climate risks are also identified and managed through the preparation of long-term plans and the delivery of individual investments. We review the current risk level and how our controls provide confidence and assurance around our management of that risk.

Our Long Term Delivery Strategy (LTDS) sets out how we will achieve our future vision, with our core pathway outlining the investments we expect to make to 2050. We have used Ofwat's common reference scenarios — technology, demand, climate change and abstraction reduction — to test our future plans. And we have looked to the future through a variety of lenses — including digital, innovation, partnership working and place-based approaches — to ensure we have considered every possible solution. This enables us to create a core pathway and a set of alternative routes, in the event circumstances change.

Managing climate-related risks

The management of climate-related risks is consistent with our approach to manage risk throughout the business. More in our Risk section on pages 105 to 108 of AIR.

Integrating climate-related risk into overall risk strategy

Our approach to climate-related risks are fully integrated within our overall risk strategy, as outlined on page 108 of AIR.

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

Climate-related metrics and targets

We've developed a process to assess and manage the climate resilience of our investments.

Our Six Capitals Framework is used to consider the broadest value we can create through investment decisions. And our approach has been externally validated by sustainability consultants, Route 2. These metrics have been incorporated into our value framework — which attributes a notional financial value to elements such as biodiversity and amenity value — and into our risk, opportunity and value tools and process. Investments are then assessed for climate resilience, operational-carbon performance and capital-carbon performance, throughout the process.

As an organisation, our belief is that reducing carbon results in cost reductions, whereas previously, it was seen as an additional expense or burden. This mindset shift, alongside ambitious targets (65% capital carbon reduction target by 2025 and 70% by 2030 against a baseline of 2010) which is underpinned by a rigorous process verified to PAS 2080 has proven much more effective in driving down emissions.

This is most clearly seen in the delivery of our five year plans, in accordance with PAS 2080.

The data collected on our carbon versus cost saving can be used to estimate an implicit financial value for a tonne of carbon.

The Performance Commitments section, pages 72 to 86, contains a set of metrics and targets we are using to understand progress against climate-related risk. Performance against these metrics is set out annually in our Annual Performance Report. Our Climate Change Adaptation Report also includes other key metrics we use to measure and mitigate our impact. An updated report will be published in 2024.

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

Metrics and targets

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

	Units	2022/23	2023/24	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,073,538,749	1,069,978,529	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
SCOPE 1 – Gas and fuel oil consumption	Tonnes CO2e	10,541	10,945	Fossil fuel combusted, natural gas and biogas

	Units	2022/23	2023/24	Inclusions
SCOPE 1 – Process and fugitive emissions	Tonnes CO2e	85,859	84,780	Water and waste water treatment, biogas
SCOPE 1 – Owned transport	Tonnes CO2e	21,904	21,759	Fleet vehicles and company cars
SCOPE 1 – Total	Tonnes CO2e	118,304	117,483	
SCOPE 2 – Purchased electricity	Tonnes CO2e	121,994	134,597	Grid electricity – location-based electric for vehicles
SCOPE 2 – Total	Tonnes CO2e	121,994	134,597	
SCOPE 3 – Business travel	Tonnes CO2e	621	740	Private cars, public transport
SCOPE 3 – Outsourced transport	Tonnes CO2e	13,144	18,434	Outsourced tankers
SCOPE 3 – Purchased electricity	Tonnes CO2e	11,154	11,632	Transmission & distribution
SCOPE 3 – Total significant	Tonnes CO2e	24,920	30,806	We have not included commuting, capital carbon and emissions from use of water in customers' homes.
TOTAL ANNUAL GROSS EMISSIONS	Tonnes CO2e	265,219	282,886	
Exported renewables	Tonnes CO2e	-6,334	-6,549	Exported renewables REGO certified
Green tariff	Tonnes CO2e	0		
TOTAL ANNUAL NET EMISSIONS	Tonnes CO2e	258,884	276,337	
INTENSITY RATIO – water treated	Kg CO2e per Ml	192.48	191.99	
INTENSITY RATIO – recycled water	Kg CO2e per Ml	409.54	454.7	

	Units	2022/23	2023/24	Inclusions
INTENSITY RATIO – recycled water	Kg CO2e per Ml	227.79	236.1	Full flow to treatment

Methodology:

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

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

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

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

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

Organisational targets to manage climate-related risks and opportunities

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

- Be a net zero carbon business by 2030 (emissions where we have operational control and as set out in our Net Zero Carbon 2030 Routemap);
- Deliver a 65% reduction in capital carbon by 2025 against our 2010 baseline;
- Deliver a 70% reduction in capital carbon by 2030 against our 2010 baseline;
- Deliver a 10% reduction in operational carbon by 2025 against a 2020 baseline; and
- Between 2020 and 2025 ensure that a climate change resilience assessment is completed for all relevant investments.

Operational carbon is the carbon emitted as a consequence of the day-to-day operations of our business – energy use, process emissions from the water recycling process, emissions from our vehicle fleet, etc. Capital carbon is the carbon emitted as consequence of the manufacture and installation of assets we construct, for example, our new strategic pipeline or, a new treatment facility.

From 2022/23, a proportion of senior leader remuneration is linked to performance against these climate-related targets: 2.5% of senior leaders' bonuses are linked to the achievement of our annual net zero carbon performance target and 2.5% is linked to the achievement of our annual capital carbon performance target. See more in our Renumeration report on page 148 of AIR.

Our longer-term climate-related targets are in line with our purpose and Strategic Direction Statement to 2050:

- Resilient to the risk of drought and flood;
- Enabling sustainable economic and housing growth;
- Work with others to achieve significant improvements in ecological quality of catchments;
- A carbon neutral business.

In terms of our carbon emissions, we intend to:

- Develop a strategy to further reduce our capital carbon beyond 70% post 2030.
- By 2050, our ambition is to move beyond net zero and become a carbon positive business, reducing rather than contributing to the UK's emissions.
- Develop a hydrogen strategy to best understand how we could generate hydrogen, use any oxygen generated from hydrolysis and understand how our HGV fleet could be powered using hydrogen.

OUR NATURE-RELATED DISCLOSURES

As stewards of a natural resource, we rely on and impact the natural environment. Water underpins ecosystems, nourishes biodiversity and continues to shape our natural environment. This means managing the impacts, dependencies, risks and opportunities we have in relation to nature is not only the right thing to do, but fundamental to our business.

Being in a heavily-regulated industry also means there is a substantial overlap in our current reporting of nature-related issues and voluntary nature-related disclosure standards such as TNFD (Taskforce on Nature-related Financial Disclosures). In addition to the existing environmental reporting in this report, we are in the process of preparing a nature-related disclosure, drawing insight from the TNFD recommendations and other disclosure frameworks. We'll share more on this later this year and will continue to review and enhance our nature-related reporting, as standards evolve.

Navigate to the relevant sections of our AIR, across the following four pillars: Governance, Strategy, Risk and impact management, Metrics and targets.

Governance

Page 92 Our management of nature uses a similar governance process to that of climate, drawing on many of the same governance groups and principles.

Page 84 We set out our stakeholder considerations and engagement in our Section 172 Statement.

Page 80 Our nature-related advocacy can be found within 'National and local government' in our stakeholder section.

Page 87 Relevant policies, documents or reports that govern our approach to Human Rights can be found in our non-financial information statements.

Strategy

Page 44 We cover our broad impacts and dependences on nature in the Environment section of this report.

Page 14 'Our year in context' sets out our response to key nature-related dependencies and impacts during the reporting year, including flooding, pollutions and spills and our key infrastructure projects.

Page 110 The business' key environmental risks are summarised within our Principal risks under 'Environment'.

Page 11 Nature considerations are integrated into our Business Model and Strategic direction through our six capitals approach to decision making.

Page 77 In this part of the report, we cover how we engage with our alliances and wider supply chain.

Risk and Impact Management

Page 101	As with our climate-related risks, our approach to identifying, assessing and managing nature-related risks is aligned and fully integrated within our overall risk strategy, as described in our TCFD disclosure.
Page 105	The business' risk management approach is set out in more detail in the Risk Management section of this report.

Metrics and targets

Page 37	Many of our performance commitments help us assess and manage nature-related impacts and dependencies. These, along with information on how we monitor our progress and how we have performed against our targets during the reporting year, are detailed in 'Delivering our outcomes'.

RISK MANAGEMENT

Managing risk in line with our strategy

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

Risk management approach

We have an established Risk Management process in place with defined Principal Risk Areas and regularly reviewed risk appetite statements which are reviewed regularly. Our top tier and business stream risks are aligned to our Principal Risk areas and are enabled by our risk management process and supporting activities.

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

Risk appetite

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

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

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

We have a structured approach to risk assessment, with the Board reviewing and challenging management's assessment of risk, together with the mitigation measures in place to manage principal risks in the context of our obligations to keep employees safe and provide an essential and efficient service to customers. The Board's assessment of risk determines what level of risk it is willing to accept, which helps senior management to understand the mitigating activities required to control risk likelihood and impact to acceptable levels.

For principal risks, we review the current risk level and how our controls provide confidence and assurance around our management of that risk. Where a gap exists between our current position and our mitigated aspiration, we instigate new or revised actions to close or reduce any risk gap. Peer review and discussion at the Board or Management Board form the basis for establishing our overall principal risk status. There may be occasions when a higher level of risk is acceptable, but this is only in cases where the risks are well understood and can be demonstrably managed. The Board regularly reviews Anglian Water's internal controls and risk management processes to support its decision making.

Principal risks

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

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

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

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

The past year we have continued to experience unprecedented level of change and disruption, both in the UK and globally. Anglian Water has faced significant challenges due to complex and interrelated issues, including global instability from ongoing conflicts and increased tensions in the seas. Energy costs, although decreasing, remain volatile, and the continued impacts from the ongoing cost-of-living crisis. Additionally, our region has been affected by extreme weather events such as consistent high levels of rainfall. Our risk profile has changed as a result and in response to our evolving risk profile, we have implemented additional controls and mitigating measures to address and stabilise our risk position.

Principal risk	Current risk profile	Trend	Predicted Outlook	Business outcome
1. Customer proposition	Medium – Low Risk	↔	↔	Delighted customers
2. Environment	Medium risk	↑	↔	Flourishing environment
3. Water supply and quality	Medium risk	↔	↔	Safe, clean water
4. Health and safety	Medium – Low Risk	↑	↔	Our people: healthier, happier, safer
5. People	Medium risk	↔	↓	Our people: healthier, happier, safer
6. Technology	Medium – Low Risk	↔	↔	Resilient business/Investing for tomorrow
7. Finance	Medium risk	↔	↔	Fair charges, fair returns/ Investing for tomorrow
8. Reputation	High risk	↑	↑	Delighted customers
9. Asset infrastructure	Medium risk	↔	↔	Investing for tomorrow
10. Business resilience	Medium – Low Risk	↔	↔	Resilient business
11. Commercial and third-party	Medium risk	↔	↔	Business resilience
12. Strategic execution	Medium risk	↔	↔	Investing for tomorrow
13. Legislation	Medium – Low Risk	↔	↔	Resilient business

Risk profiles

- High risk
- Medium risk
- Medium – Low Risk
- Low risk

Risk movement

- ↔ No change
- ↑ Risk increasing
- ↓ Risk decreasing

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

Emerging risks

We define emerging risks as a new risk, or a familiar risk in a new or unfamiliar context (re-emerging) which is changing in nature, and where the likelihood and impact is not widely understood. These risks are more likely to have a longer-term impact. However, there is potential for the velocity to significantly increase within a shorter time frame and affect our performance. Anglian Water continually scans the horizon for emerging risks.

Emerging risks	Related PRA
ENERGY COSTS Consumers have seen a reduction in energy costs leading into 2024. However the market remains volatile due to geopolitical tensions causing disruption to supply chains, changes in demand and oil-price fluctuations.	Customer proposition People Financial Business resilience Commercial and third-party
COST OF LIVING The UK continues to feel pressure from the increased costs of living which is putting significant strain on household wallets. Low-income families have already been hit the hardest by increasing household bills and food prices and are the most likely to have seen both their financial circumstances and their health deteriorate. Local cost pressures and supply challenges are not set to ease anytime soon with a lot of pressure still on the economy.	Customer proposition People Financial Business resilience
CYBER ATTACK Geopolitical instability has heightened the risk of cyber-attacks. Also, as businesses move their data and infrastructure to the cloud and increase reliance on third-party software applications and service provides, they are significantly increasing the risk of cyber-attacks and breaches from third parties.	Water quality and supply Technology Financial Business resilience Commercial and third-party
CYBER ATTACK ON CRITICAL NATIONAL INFRASTRUCTURE Geopolitical tensions are heightening the risk of large scale cyber-attacks. The threat of attacks is heightened for critical national infrastructures such as water supply systems, energy companies and transport networks. This maybe direct or indirectly such as on a critical supplier.	Technology Financial Business resilience
EMPLOYEE WELLBEING According to ONS, there are over 2.8 million workers out of the labour force due to long term sickness which will mean employers will continue to face challenges during 2024. The cost-of-living crisis may see employees struggling to manage the threat of financial security and this could provoke direct feelings of anxiety and worsening mental health.	People Financial Business resilience
DISRUPTIONS IN GLOBAL SUPPLY CHAINS Ongoing, new conflicts and tensions in the oceans is adding further pressures and disruption to supply chains.	Financial Business resilience Commercial and third-party

Emerging risks	Related PRA
CLIMATE ACTION FAILURE We face the reputational impact of not being seen to contribute towards the mitigation of climate change via achievement of net zero emissions by 2030.	Environment Water quality and supply Financial Strategic execution
CHEMICAL RESILIENCE The chemical industry has been a major contributor to businesses and global trade growth for decades. The industry has been hit hard by recent trade barriers, increased levels of protectionism and the COVID-19 pandemic. With current global instability, the need for a resilient supply chain in the chemical industry has never been greater.	Environment Water quality and support Business resilience Commercial and third-party
ARTIFICIAL INTELLIGENCE/BIG DATA Data is increasingly being used to provide meaningful insights for companies, to support key decision making. The fast-paced evolution of generative AI tools, alongside the opportunities it brings, raises concerns around lack of transparency, over reliance, bias and discrimination, vulnerability attacks, lack of human oversight, high cost and privacy concerns. This, coupled with the digital skills gap/shortage, increases the risk.	Water quality and supply Technology Strategic execution
EXTREME WEATHER Meteorologists warn extreme weather is set to continue in the UK and the risk of failing to deal with the impact of extreme and/or unpredictable weather events on our assets and infrastructure is increasing.	Customer proposition Environment Financial Asset infrastructure Business resilience
SHORTAGE OF SKILLED WORKERS/DIGITAL SKILLS GAP There is currently a shortage of skilled workers at a time of high demand for labour. With the increasing use of technology, it is reported that over the next 10 – 20 years, 90% of all jobs will require some form of digital skill.	Water quality and supply People Financial Business resilience Strategic execution
GEOPOLITICAL INSTABILITY Geopolitical shocks continue to impact globally in 2024 with overarching themes such as ongoing on emerging conflicts, energy security, supply chain disruptions, resource shortages, and a heightened risk of cybersecurity threats. The upcoming elections, could create an uncertain political environment regarding future policies and regulations.	Financial Business resilience Commercial and third-party
INFECTIOUS DISEASES Infectious diseases continues to be a global risk. This risk has been increasing over the last 20 years and every year the risk increases further.	People Financial Business resilience

Emerging risks	Related PRA
REGULATORY REFORM The upcoming elections and possibility of a different governmental leadership, create uncertainty regarding future policies and regulations. There is potential regulatory reform/changes to the number of regulators governing the water industry, or a merger. We could see the introduction of financial penalties for accountable individuals, bigger fines, or criminal proceedings for failing to meeting regulatory requirements/expectations.	Environment Water quality and supply People Financial Business resilience
AGING POPULATION According to the health organisation, in the next 25 years, the number of people older than 85 will double to 2.6 million. A rise in the elderly population will place greater pressure on public finances, as a relatively smaller working-age population supports growing spending on health, social care, and pensions. An aging population could lead to a shortage of workers and push up wages, causing wage inflation.	People Financial Business resilience

GENDER AND ETHNICITY PAY GAP REPORTING

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

Gender pay gap

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

As reported in detail in our full Gender Pay Gap Report 2023, our workforce composition — as of April 2023 — was 33.5% women, 66.3% men and 0.2% other. Our mean gender pay gap for the period was 6.5%, a reduction of 3.0% from 2022, while our median gender pay gap was 14.0%, down 3.0% from 16.4% in 2022.

Although there has been improvement to our gender pay and bonus gaps in the last year, significant change will only be possible once there is a substantial shift in gender balance at all levels of the business. As outlined on page 166 of the Annual Integrated Report, we have a multi-stage, long-term plan to shift the balance towards greater inclusion.

Steps we're taking steps to address our gender pay gap include:

- Setting annual and mid-term (to 2025) targets, to improve gender equity across the business.
- Ensuring pay and reward processes are transparent and free from bias. Our reward team monitors pay according to gender, investigating any gaps in excess of 5%.
- Working to address and eradicate bias at each stage of internal and external recruitment, including advertising placement, imagery, wording of job descriptions and gender composition of interview panels.
- Encouraging young women to apply for our apprenticeship and graduate programmes, through dedicated outreach programmes and recruitment drives .

- Ensuring we're an attractive employer for women and minority genders of all ages and stages. We offer enhanced maternity and adoption leave, shared parental leave, paternity leave, flexible working and part-time working. This is underpinned by a suite of supportive policies, such as pregnancy loss, transgender and transition and domestic abuse policies. As a result of our efforts, we're seeing more women hired across the business:
  - In 2022/23, 40% of new hires were women, exceeding our target of 36%.
  - 38% of senior manager positions are now held by women, exceeding our target of 36%. This is an improvement from our 35% baseline for both, when we first set targets in 2021.
  - We've seen an increase in the number of women employed in STEM-related roles: 21% in 2023 (13% in 2022).

Senior Leadership at Anglian Water

We have several key senior women on both our Anglian Water Board of Directors and Management Board. Board of Directors in 2023/24:

- Five out of eleven are women (45%)

Management Board

- Five out of 12 are women (42%)

This year, we welcomed to our Board Dr Ros Rivaz as the first female Chair of our Board.

Ethnicity pay gap

We published our second Ethnicity Pay Gap Report in April 2024 as part of our ongoing commitment to transparency and improving the diversity of our employees.

Unlike gender pay gap reporting, ethnicity pay gap reporting is completed on a voluntary basis. This year the number of employees who self-reported their identity rose to 73% (2022: 70%) which gave us a slight increase on the available reporting data. As a result, our data is increasingly representative of our actual ethnically-diverse population, and more employees overall have been included in the reported figures. However, the ethnicity of the remaining 27% of our employees is still outstanding and for this reason, we believe the actual figures may differ.

This year, we have seen a slight increase in our reported pay gap figures compared to 2022. As this is only our second reporting year, it is too early to say whether the fluctuation is related to the increased level of recorded ethnicity, however this is something we will be monitoring in future years.

In calculating our ethnicity pay gap, we have used the same principles that are applied to statutory gender pay gap reporting. The ethnicity pay gap shows the difference in the average pay between people from Ethnically Diverse Communities (EDC), which includes people who are Black, Asian and Mixed Race, compared to White employees (including those that identify as White Other).

Steps we're taking to close the ethnicity pay gap

We're working to build an organisation that is diverse and inclusive, with equality and representation at all levels. We're taking the following actions to improve the ethnic diversity in our workforce:

Actively recruiting for a diverse workforce and setting diversity hire targets.

Target	Target for 2023	2023 Outcome	End of AMP7 target (2025)
Increase the percentage of new hires from ethnically diverse communities (EDCs) to better reflect the wider demographic of our region	To increase new EDC hires by 5% in 2023, bringing the total number of EDC hires to 14% (in 2022 new hires from EDC was 9%)	10%	By the end of 2025 we want 20% of all new hires to be from EDCs
Increase the number of senior positions held by people from EDCs, reflecting our broader employee percentage (4.8%)	To increase the number of senior positions held by employees from EDCs to 4% (in 2022 3% of roles were held by employees from EDCs)	5%	By the end of 2025 we want 8% of senior positions held by employees from EDCs

In addition we are:

- Introducing independent volunteers to review and constructively challenge conscious and unconscious bias anywhere in the recruitment process – from the writing of adverts all the way through to offer stage.
- Piloting mandatory independent panel member on interview panels, with the sole purpose of challenging bias for the hiring of specific roles (typically in operations).
- Changing the way we recruit graduates and apprentices, focusing on the skills and behaviours that really matter. We've also improved our in-person assessments to make sure they're fair and welcoming environments where everyone can shine.
- Working to address and eradicate bias at each stage of internal and external recruitment, including advertising placement, imagery, wording of job descriptions and gender composition of interview panels.
- Directing hiring managers to undertake unconscious bias training as part of our Recruitment and Interviewing Skills training course.
- Strongly recommending to hiring managers to make interview panels diverse.
- Closely monitoring the ethnicity split at application as well as at various stages within the assessment and selection pipeline (particularly for early careers) to ensure we are attracting from as wide a talent pool as possible.
- Publishing key policies on our careers website, including our maternity leave policy, flexible working policy, shared parental leave policy and transgender and transition policy.

For more information please see our Ethnicity Pay Gap Report 2023.

ANGLIAN WATER PERFROMANCE COMMITMENTS DASHBOARD

To measure our progress towards our 2020–2025 outcomes, we set targets as part of our business planning process with our regulator Ofwat.

Known as Performance Commitments, these are summarised below, with information on how we monitor our progress, how we've performed this year, and whether rewards or penalties are attached to each commitment. Most common Performance Commitment Levels (PCL) are the same for companies whose systems are mainly in England or in Wales.

This year is the fourth of our current five-year regulatory cycle (AMP7). While we've achieved strong performance in many areas, we have not reached our targets across all PCLs. An explanation is given in each section. Our net outcome for 2023/24 is -£37.57 million. We received £4.58 million* in reward and £42.15 million* penalties.

Despite the many challenges we've faced this year, we've seen strong performance across a number of areas, most notably, CMeX, PSR and Water Quality Contacts. We've continued to invest in what matters most to our customers, drinking water quality, alongside future-proofing water supplies to protect the environment; creating our vast interconnecting network of pipelines through our Strategic Interconnector Grid, preparing for two new reservoirs and making progress to Get River Positive.

Furthermore, we are making extensive use of new monitoring technologies to help us manage our assets and asset performance. We are seeing sustainable improvements as a result. Harnessing data on our performance also gives us richer insights, enabling us to prevent potential issues. Greater insight is enabling us to make more effective interventions, with clear benefits to customers and the environment.

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

Supply meets demand

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Leakage	A percentage reduction in the amount of water lost to leakage across the region in megalitres per day (Ml/d). One megalitre is a million litres.	6.2% reduction (against a 2019/20 baseline)	6.2% reduction (against a 2019/20 baseline	12.4% reduction (against a 2019/20 baseline)	-£8.40 million
Per capita consumption (PCC)	A percentage reduction in the average water consumption per household per day for properties in our region.	2.5% increase	2.2% reduction	4.5% reduction	n/a
Smart metering delivery	The number of smart water meters that are installed at customer properties.	543,686	806,307	877,118	n/a
Internal interconnector delivery	The number of megalitres per day extra capacity delivered to ensure that customers in the region have sufficient water in the future.	6.5Ml/d	8.9 Ml/d	0 Ml/d	n/a
Elsham DPC (Underperformance)	Measures the progress in implementing a direct procurement for customers process to support the appointment of a competitively appointed provider to construct and finance the Elsham treatment works and transfer scheme.	n/a	n/a	n/a	n/a
Elsham DPC (Outperformance)		n/a	n/a	n/a	n/a

Leakage: This year we achieved an in-year leakage result of 182.1 megalitres a day which saw our lowest three-year rolling average ever recorded (a 6.2% reduction from the 2017-2020 three-year baseline period). In calculating our 2023/24, figures, we needed to make an adjustment to our 2022/23 figures because of a minor error in the coding we use to calculate non-household consumption. This means we've incurred an extra £1.9 million penalty for year three (2022/23). We have notified Ofwat, and an adjustment has been made to our penalty, which will be shared back with customers in next year's bills.

Per capita consumption: We achieved in-year performance of 132.0 litres per person per day, a reduction of over 6 litres a day, compared to 2022/23 (138.4). This reduction is underpinned by our large scale roll out of smart meters.

Smart metering delivery: We have a target to install over 1 million smart meters by the end of this AMP. We fitted 262,621 smart meters in 2023/24. This brings the total number of installations for the AMP to 806,307. In June 2023 we were given funding to install a further 60,000 smart meters under Defra's Accelerated Infrastructure Delivery programme. Those smart meters are in addition to the numbers quoted above. We plan to fit the additional 60,000 smart meters in 2024/25.

Internal interconnector delivery: Timescales for the delivery of our Strategic Interconnector Grid, being delivered by our Strategic Pipeline Alliance (SPA) are being rephased. A number of external factors have worked against us: Covid-19, to the war in Ukraine, inflation, and more recently some of the wettest weather on record. It will now be completed during the next AMP cycle, 2025-2030, rather than by the end of 2025, as originally planned within the AMP7 Performance Commitment. Delivery by the end of the current AMP was a hugely ambitious timeframe for such a complex and important infrastructure programme.

Delighted customers

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Customer Measure of Experience (CmeX)	Customer survey conducted for Ofwat called CmeX which assesses the experience the company provides to residential customers.	78.8/100, putting us in 10th place	77.5, putting us in 7th place	This is a comparative measure — we aim to perform in the top 25% of companies (4th position or higher)	£0.86 million

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Developer Measure of Experience (DmeX)	Survey conducted for Ofwat called DmeX which assesses the experience the company provides to developer services customers who build new homes.	87.3/100, putting us in 9th place	91.22, putting us in 4th place	This is a comparative measure — we aim to perform in the top 25% of companies (4th position or higher)	£2.15 million
Properties at risk of persistent low pressure	Number of properties that are affected by persistent low pressure. Persistent low water pressure is an ongoing low pressure problem rather than short-term low pressure caused by a water mains burst or unusual peak in demand for water.	53	65	150	£0.54 million
Internal sewer flooding	The number of times that properties are flooded internally per 10,000 customer connections to the sewer.	1.69	2.27	1.44	-£9.08 million

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
External sewer flooding	The number of times that properties are flooded externally.	4,673	6,564	4,041	-£9.38 million
Non-householdretailer satisfaction	This measure assesses the service provided by the company to non-household retailers.	86.7	81.3	78.0	n/a
Water supply interruptions	Average length of supply interruptions per property (for interruptions over 3 hours).	14m 35s	9m 8s	5m 23s	-4.30 million

Customer Measure of Experience (CmeX): We finished 7th in the industry, and 5th in the Water and Sewerage Companies table (WaSCs). We're one of only a small handful of companies bucking the trend and improving our scores by sharing our stories around reducing pollutions and focusing on the environment.

Developer Measure of Experience (DmeX): With our improving qualitative score and our quantitative performance contributing to our overall score, we ended the year in 4th place, our highest year end position this AMP. The score is a significant improvement on 2022/23, jumping up five places and putting us in reward. Our success this year can be put down to collaboration across each of our workstreams, building new and developing existing relationships, sharing best practice and technical experience with the customer at the forefront.

Properties at risk of persistent low pressure: The number of reportable properties on the register is 65. This is well within the PCL of 150 properties. During the year, 19 properties were added to the register and we removed 7 properties as a result of capital works, such as installing a booster pump or switching the supplying for a property to a different zone.

Internal and External Sewer flooding: Saturated ground and high ground water levels across our region has meant that high volumes of excess rainwater was carried into already full-to-bursting rivers, ditches and storage, resulting in widespread and prolonged internal and external flooding. Throughout this year, we've doubled the operations of our pumping stations compared to usual levels to manage excess rainwater. And, as we head into the last year of this AMP, we have developed a new, multi-agency approach to prevent flooding impacts.

Non-household retailer satisfaction: This year we have outperformed our Retailer Satisfaction commitment. The metric is comprised of three parts. The first, the Retailer Net Promotor Score, is a 64 point positive rating. The second, Market Performance Standards, measures how quickly and accurately we update our data in the Non Household Market, and we achieved a score of 97.45%. Finally, for Operational Performance Standards, we achieved a score of 82.52%. This is our most challenging area of performance, and we are focusing efforts to improve all metering related activities.

Water supply interruptions: Two significant events in October resulted in us being off target, with customers being off water for an average time of 9 minutes 8 seconds. In October, Storm Babet brought heavy rains and flooding to parts of Suffolk and Norfolk. During Storm Babet, one event was a result of one of our assets being flooded during the storm. Aside from these events, we maintained a steady service of supply to customers, staying close to our Ofwat target throughout the year. We are committed to delivering a good service for our customers, and are investing in technology to monitor pressure on our network so we can pinpoint and reduce risk.

Fair charges, fair returns

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Managing void properties	The percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged by the company.	0.10	0.08	0.30	£1.04 million
Value for money	A survey of customers by the Consumer Council for Water about the value for money provided by the Company.	81% agree we provide value for money	77% agree we provide value for money	82% agree we provide good value for money	n/a

Managing void properties: This is the percentage of properties that are falsely identified as void properties. This means that they are occupied and should be charged. The Ofwat target was 0.30% and we out-turned at 0.08%, resulting in an reward of £1 million. The performance shows the continuing impact of the considerable work we put in to identify false voids. Activities in the year have included reviewing all properties void for more than four months, reviewing water consumption data, sharing data with water only companies, using bureau and land registry data, making doorstep visits and sending letters and emails.

Value for money: We have scored highest in the industry for value for money for our sewerage service, with 78% of customers agreeing that they were “satisfied” or “very satisfied” when asked by Consumer Council for Water about our services. We also scored highly for our water services with our score of 76% being only one off the top score of 77% and ahead of the industry average of 69%. Our weighted average score is 77%. Despite the overall downward trend across the industry, we have maintained a strong position as we regularly engage with customers on value for money.

Safe, clean water

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Water quality (Compliance Risk Index)	This is the key measure used by the Drinking Water Inspectorate to determine our overall compliance with stringent regulatory drinking water standards.	2.92	3.57*	0.000	-£1.63 million
Water quality contacts	The number of complaints from customers about water quality per thousand people served.	1.01	0.86	0.85	-£0.03 million
Event Risk Index	This assessment looks at the Company’s approach to risk mitigation of water quality events.	2.771	109.415*	15.000	n/a

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

Water quality contacts: This year, we built on our best-ever ‘acceptability’ score, achieving 0.86, narrowly missing our 0.85 target. Acceptability scores are based on the number of customer contacts about the appearance, taste or smell of their water per thousand people served. This remains our best performance to date and is indicative of an improving trend over the past decade.

Compliance Risk Index: Our Compliance Risk Index (CRI) score demonstrates how we manage water quality. Our provisional CRI score is 3.57. We have missed our Ofwat target of 1.5. We expect our water quality performance to continue to be strong relative to our peers when looking at the provisional Drinking Water Inspectorate (DWI) results. We comply with very strict regulations on drinking water quality, which means we report each of these failures to the DWI. We also carry out full investigations on each failing sample. Overall, 99.95% of our samples passed this year. We have a plan to address failures on our assets, such as through installing enhanced water quality monitoring at 25 of our highest risk sites (90% are now installed).

As an additional step, we are proactively running flow cytometry on all regulatory final water and storage point water samples via our laboratory, enabling us to develop a more accurate picture of risk. Some failing samples were found to be from bacteria on customers' taps, not in their drinking water. Poor tap hygiene is usually the most common culprit for this.

Event Risk Index*: ERI scores consider the type of event, population impacted and duration of the event. Our provisional ERI score in 2023 is 109 – above Ofwat's target of 15 and a provisional industry average of 1,958. This year's ERI score was impacted by a one-off event at Heigham, Norwich. When taps were run for a long time, for example when filling a bathtub, the water had a slight colour. The event was a result of the wet weather, which can negatively impact the quality of the water we take out of rivers and reservoirs. To tackle this, we are changing our abstraction regimes, protecting our customers from such events. And, to prevent this from happening in future, we're working with our catchment team to support positive catchment management. Throughout this time, our water met all regulatory microbiological and chemical standards.

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

Resilient business

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Risk of severe restrictions in drought	The percentage of properties at risk of service restrictions in the event of a 1-in-200-year drought.	5.2%	5.2%	21.8%	n/a
Risk of sewer flooding in a storm	The percentage of properties that we serve that are at risk of sewer flooding during an extreme wet weather event.	0.74%	0.75%	9.75%	n/a
Percentage of population supplied by single supply system	Percentage of population served by a single supply system. Our goal is to increase the number of properties supplied by more than one water treatment works so that if something goes wrong at one works, our customers' water supplies are protected.	22.3%	22.3%	20.0%	£0

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Cyber security	Percentage of risks mitigated against the cyber threat to operational technology (OT) and to comply with the network and information systems (NIS) regulations.	Ongoing	Ongoing	100% by 2025	n/a

Risk of severe restrictions in drought: The percentage of the population we serve that would experience severe supply restrictions during a drought is 5.2%, based on 25-year prediction modelling. This result has not changed from the previous year.

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

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

Cyber security: Our cyber security performance commitment is not assessed until 2024/25. We have conducted an estate-wide risk assessment across 388 Water Supply sites to determine areas of high risk. The risk assessment has identified one water system containing 19 operational sites with a higher risk profile and these sites are to be remediated via our AMP7 NIS Compliance Programme. The Compliance Programme's structure and governance have been implemented, with site surveys and design efforts focusing on the high-risk sites currently in progress. We will deliver remediation to all high-risk sites by the end of AMP7.

A Smaller footprint

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Operational carbon	Percentage reduction in carbon emissions from day-to-day operations compared to a 2019/20 baseline.	6.0%	-1.6%	8%	n/a
Capital carbon	Percentage reduction in carbon emissions from construction activity measured in tonnes of CO_2 equivalent compared to a 2010 baseline.	63.2%	64.2%	64.0%	n/a

Operational carbon: Our operational carbon target of 10% reduction is phased over the AMP. This year we have increased by 1.6% against our target. As more large consumers have chosen to procure renewables directly, the proportion of renewables remaining in the 'residual' grid mix for standard grid electricity has declined. This increases the carbon emissions associated with all the grid electricity we consume that isn't directly from renewables. It's important to emphasise that, while the emissions from standard grid electricity is outside of our control, we have increased our consumption from renewable energy from 25% to 28%. We continue to switch to more renewables - with an aim to power 45% of our electricity requirement from renewable sources by 2025.

Flourishing environment

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Pollution incidents	Number of pollution incidents due to escapes from our sewerage network per 10,000 km of sewer network.	33.36	40.16*	22.40	-£7.90 million
Bathing waters attaining 'Excellent' status	Number of recognised bathing waters in our region rated 'Excellent' (based on standards set by the European Bathing Water Directive).	32	29	35	n/a

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Abstraction Incentive Mechanism	An incentive to reduce the water we take from sensitive rivers or wetlands during very dry periods.	17 Ml	29 Ml	-87 Ml	-£0.06 million
WINEP	The progress of the Company in delivering its agreed Water Industry National Environment Programme (WINEP) schemes in a timely manner.	1,399	1,533*	1,577	-£0.62 million
WINEP delivery		Not met	Not met	Met	n/a
Natural capital	This measures progress towards meeting improvements in natural capital within our region.	Fail	Fail	On track	n/a
Regional collaboration	This measures progress towards the development of a regional approach to assessing and considering natural capital.	On track	On track	On track	n/a
Sludge treatment capacity	This measures progress towards delivering additional sludge treatment capacity.	0%	0.0	100% by 2025	n/a

Pollution incidents*: In 2023, we had 40 pollutions per 10,000km of sewer network. We are disappointed with our performance as it does not reflect the hard work taking place across the business. The investment and action taken in line with our Pollution Incident Reduction Plan are paying off: our lead measures on pollutions and spills are showing improvements.

Bathing waters attaining 'Excellent' status: There are currently 51 designated bathing sites across the Anglian Water region. In 2023, 30 of our bathing waters attained 'Excellent' status, compared to 32 in 2022. Four beaches moved from Excellent to Good. We have investigated the reasons behind declining water quality and we are working with Local Authorities and the Environment Agency to better understand these reasons and where future improvements can be made. Where bathing water quality has been impacted by spills from our assets this year, a result of the prolonged wet weather, we will prioritise WINEP spill reduction schemes in these areas to make improvements.

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

Water Industry National Environment Programme (WINEP): Since 2020, we have delivered 1,533 obligations through WINEP. Our PCL is based on figures originally proposed in 2019, which have since been reprofiled. Against the revised profile agreed for 2023/24 we missed three schemes, which, although physically delivered, did not pass Environment Agency inspections due to operational issues. These issues have now been resolved. Our focus over the next twelve months is to conclude our WINEP obligations for AMP7. We will conclude almost 500 obligations, the majority of which relate to sustainable abstraction and reducing nutrients in the water we return to the environment.

Abstraction Incentive Mechanism: In 2023/24 we have had limited opportunities for active Abstraction Incentive Mechanism management due to operational issues, owing to the high rainfall during 2023.

Sludge treatment capacity: We are enhancing our capacity to treat bioresources and have planned a scheme to do so at Whitlingham Sludge Treatment Centre near Norwich. Designs are complete and work has started on site. The scheme is scheduled to be complete by March 2025.

Natural capital: The Natural Capital Impact PCL captures the improvements we have made through four sub-measures. The ground water quality, surface water quality and biodiversity sub-measures are all on-track but the water quantity sub-measure remains behind target. This is due to the ongoing impact of the Covid-19 pandemic on demand. All sub-measures must be on track to meet the PCL.

Positive impact on communities

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Priority services for customers in vulnerable circumstances	The percentage of customers recorded as requiring priority services due to being in vulnerable circumstances and the percentage of people contacted to ensure records are kept up to date.	11.4% reach 62.4% actual contact 100% attempted contact	12.7% reach 56.2% actual contact 96.9% attempted contact	6.1% reach 35% actual contact 90% attempted contact	n/a
Customers aware of the PSR	Percentage of customers made aware of our Priority Services Register (PSR) and how they can benefit from being on it.	61.8%	63.4%	61.0%	n/a

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Helping those struggling to pay	The number of customers who are struggling to pay their water bill and who receive financial support through one of the Company's financial support schemes.	344,483	389,371	296,618	n/a
Community investment	The percentage increase in community investment programmes through which the Company adds social value to its communities (compared to 2020/21).	10.4%	81.4%	3.5%	n/a
Customer trust	The improvement in Company score for a survey of customers by the Consumer Council for Water about the trust that customers place in the Company.	0.09	0.08	0.03	n/a
BSI Standard for Inclusive Service	To maintain certification for the British Standard for Inclusive Service Provision (BS 18477).	Maintained	Maintained	Maintained	n/a

Priority services for customers in vulnerable circumstances: We are significantly ahead of target on all areas relating to our support for vulnerable customers, including, most notably, take-up of our Priority Services Register, which has already met the full AMP target. 12.7% of customers are signed-up to the PSR against a national average of 5-6%.

Customers aware of the PSR: This year we exceeded our end of year performance with 63.4% of customers aware of priority services compared to our target of 61%. This is a result of our extensive customer engagement strategy and proactive signposting of priority services.

Helping those struggling to pay: This year we exceeded our target of 296,618 by over 90,000, providing financial support to 389,371 customers.

Community investment: This year there was a 81.4% increase in the number of people we directly reached or supported through our community investment activities (compared to 2020/21) which add social value to our communities. We have exceeded our target of 3.5%. In total, an estimated 51,826 people were directly reached or supported by Anglian Water and our Alliance partners.

Customer Trust: Levels of customer trust in water companies fell in 2023. However, trust in Anglian Water was higher than the average for the industry, and we have outperformed this year's PCL.

Partnership working on pluvial and fluvial flood risk: This PCL encourages us to work with partner organisations to protect our waste water treatment sites and water recycling network from pluvial, fluvial and coastal flooding. Our PCL is to complete 92 schemes by the end of 2024/25. We completed 12 schemes in 2023/24, which brings our total number of completed schemes for the AMP to 61.

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

Investing for tomorrow

What are we measuring?	How are we measuring it?	Prior year performance (2022/23)	Current year performance (2023/24)	Current year target (2023/24)	Reward or penalty outcome for 2023/24
Mains repairs	Number of repairs made to water mains per 1,000 km of total water mains.	173.2	123.0	134.2	£0
Unplanned outage	Percentage of maximum water treatment works output unavailable during the year.	1.91%	2.05%	2.34%	£0
Sewer collapses	Number of sewer collapses per 1,000 km of sewers.	5.19	5.43	5.50	£0
Treatment works compliance	Percentage of water and sewage treatment works meeting permits for the quality of water discharged to the environment.	98.6%	98.4%*	100%	-£0.75 million
Reactive mains bursts	Reactive bursts are those that are identified and reported by a customer or third party before they are identified by the Company.	5,140	3,444	3,063	n/a

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

Mains repair and reactive mains bursts: We have improved our performance against this measure this year.

Sewer collapses: There were 308 sewer collapses in 2023/24 compared to 259 in 2022/23. This measure also includes 114 reactive burst rising mains (which is a reduction compared to 2022/23). The total is 422 for 2023/24 which is divided by the total length of sewer reported for 2023/24 (77,780km), resulting in a rate of 5.43. This is an increase in total compared to 2022/23 . The decrease in burst rising mains in 2023/24 is due to our proactive sewer monitoring alerts within our network, which inform us of rising mains that are operating under higher than normal pressure and allow us reduce the pressure before they burst.

Treatment works compliance: Our compliance was 98.5% in 2023 compared to 98.6% in 2022. This is classified as Amber in the EPA, and continues to be a significant area of focus. In 2022 we had 12 failing works and in 2023 we had 13, with prolonged wet weather putting pressure on our systems at the end of the year.

Unplanned outages: Our unplanned outage figure showed a small increase compared to 2022-23 (1.91%). Of the 38 contributing events, three contributed over half the score. A number of capital investments have been completed in that time which will reduce the number of future outages.

Approval of the Strategic Report

This Strategic Report was approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

Claire Russell
Company Secretary

Group income statement

for the year ended 31 March 2024

Notes		Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
4	**Revenue**	**1,628.7**	1,497.5
	Other operating income	**15.8**	16.0
5	Operating costs		
	Operating costs before depreciation, amortisation and loss allowance for expected credit losses	**(807.0)**	(691.4)
	Depreciation and amortisation	**(388.7)**	(379.3)
	Loss allowance for expected credit losses	**(38.7)**	(30.1)
	Total operating costs	**(1,234.4)**	(1,100.8)
	Operating profit	**410.1**	412.7
6	Finance costs	**(593.6)**	(774.7)
6	Finance income including fair value gains on derivative financial instruments	**265.4**	684.4
	Net finance costs	**(328.2)**	(90.3)
	Loss before fair value losses on derivative financial instruments[1]	**(123.0)**	(322.9)
6	Fair value profit on derivative financial instruments	**204.9**	645.3
	Profit before tax from continuing operations	**81.9**	322.4
7	Tax charge	**(18.6)**	(73.5)
	Profit for the year from continuing operations	**63.3**	248.9

[1] As defined in note 19

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

Osprey Acquisitions Limited

Group statement of comprehensive income

for the year ended 31 March 2024

Notes		Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
	Profit for the year	**63.3**	248.9
	Other comprehensive (expense)/income		
	Items that will not be reclassified to income statement		
21	Actuarial losses on retirement benefit surplus	**(28.5)**	(206.5)
7	Income tax on items that will not be reclassified	**7.1**	51.7
		(21.4)	(154.8)
	Items that may be reclassified subsequently to income statement		
23	(Losses)/gains on cash flow hedges recognised in equity	**(36.5)**	27.9
23	(Losses)/gains on cost of hedge relationships	**(2.7)**	1.8
23	Gains/(losses) on cash flow hedges transferred to income statement	**32.3**	(31.1)
7	Income tax on items that may be reclassified	**1.9**	0.2
		(5.0)	(1.2)
	Other comprehensive expense for the year, net of tax	**(26.4)**	(156.0)
	Total comprehensive income for the year	**36.9**	92.9

Osprey Acquisitions Limited

Group balance sheet

as at 31 March 2024

Notes		At 31 March 2024 £m	At 31 March 2023 £m
	Non-current assets		
10	Goodwill	**445.8**	445.8
11	Other intangible assets	**256.7**	253.9
12	Property, plant and equipment	**11,414.9**	10,704.5
13	Investment properties	**0.2**	0.3
19	Derivative financial instruments	**233.1**	194.4
21	Retirement benefit surplus	**64.0**	89.0
		12,414.7	11,687.9
	Current assets		
	Inventories	**26.9**	27.4
15	Trade and other receivables	**629.3**	569.5
	Current tax receivables	**0.6**	0.6
14	Investments – cash deposits	**552.1**	316.7
16	Cash and cash equivalents	**505.7**	373.2
19	Derivative financial instruments	**0.9**	55.8
		1,715.5	1,343.2
	Total assets	**14,130.2**	13,031.1
	Current liabilities		
17	Trade and other payables	**(733.9)**	(694.2)
18	Borrowings	**(539.6)**	(669.3)
19	Derivative financial instruments	**(92.8)**	(53.4)
	Provisions	**(4.5)**	(5.8)
		(1,370.8)	(1,422.7)
	Net current assets/(liabilities)	**344.7**	(79.5)
	Non-current liabilities		
18	Borrowings	**(8,557.6)**	(7,336.7)
19	Derivative financial instruments	**(796.5)**	(893.8)
20	Deferred tax liabilities	**(1,431.7)**	(1,420.8)
21	Retirement benefit deficit	**(30.8)**	(33.0)
	Provisions	**(5.2)**	(4.7)
		(10,821.8)	(9,689.0)
	Total liabilities	**(12,192.6)**	(11,111.7)
	Net assets	**1,937.6**	1,919.4

Osprey Acquisitions Limited

Group balance sheet (continued)

as at 31 March 2024

Notes		At 31 March 2024 £m	At 31 March 2023 £m
	Capital and reserves		
22	Stated capital	**876.2**	876.2
	Share premium	**596.5**	596.5
	Retained earnings	**450.4**	427.2
23	Hedging reserve	**14.9**	17.8
23	Cost of hedging reserve	**(0.4)**	1.7
	Total equity	**1,937.6**	1,919.4

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

The financial statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

Peter Simpson
Chief Executive

Anthony Donnelly
Chief Financial Officer

Company number: 0591589

Osprey Acquisitions Limited

Company balance sheet

as at 31 March 2024

Notes		At 31 March 2024 £m	At 31 March 2023 £m
	Non-current assets		
14	Other investments	**3,541.8**	3,541.8
		3,541.8	3,541.8
	Current assets		
15	Trade and other receivables	**24.7**	22.3
16	Cash and cash equivalents	**-**	0.3
		24.7	22.6
	Total assets	**3,566.5**	3,564.4
	Current liabilities		
17	Trade and other payables	**(0.1)**	(0.1)
18	Borrowings	**(85.8)**	(84.4)
		(85.9)	(84.5)
	Net current liabilities	**(61.2)**	(61.9)
	Non-current liabilities		
18	Borrowings	**(935.5)**	(934.0)
		(935.5)	(934.0)
	Total liabilities	**(1,021.4)**	(1,018.5)
	Net assets	**2,545.1**	2,545.9
	Capital and reserves		
22	Stated capital	**876.2**	876.2
	Share premium	**596.5**	596.5
	Retained earnings	**1,072.4**	1,073.2
	Total equity	**2,545.1**	2,545.9

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

The Company had a profit in the year of £17.9 million (2023: £109.8 million).

The financial statements were approved by the Board of Directors on 10 June 2024 and signed on its behalf by:

Peter Simpson
Chief Executive

Anthony Donnelly
Chief Financial Officer

Company number: 0591589

Osprey Acquisitions Limited

Group statement of changes in equity

for the year ended 31 March 2024

Notes		Stated capital £m	Share premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	**Total equity £m**
	At 1 April 2022	876.2	596.5	469.1	20.4	0.3	1,962.5
	Profit for the year	-	-	248.9	-	-	248.9
	Other comprehensive (expense)/income						
21	Actuarial losses on retirement benefit obligations	-	-	(206.5)	-	-	(206.5)
7	Income tax charge on items that will not be reclassified	-	-	51.7	-	-	51.7
23	Gains on cash flow hedges	-	-	-	27.9	-	27.9
23	Gains on cost of hedge relationships	-	-	-	-	1.8	1.8
23	Amounts on hedging reserves transferred to income statement	-	-	-	(31.1)	-	(31.1)
23	Deferred tax movement on hedging reserves	-	-	-	0.6	(0.4)	0.2
		-	-	(154.8)	(2.6)	1.4	(156.0)
	Total comprehensive income/(expense)	-	-	94.1	(2.6)	1.4	92.9
	Dividends	-	-	(136.0)	-	-	(136.0)
	At 31 March 2023	876.2	596.5	427.2	17.8	1.7	1,919.4
	Profit for the year	-	-	63.3	-	-	**63.3**
	Other comprehensive (expense)/income						
21	Actuarial losses on retirement benefit obligations	-	-	(28.5)	-	-	**(28.5)**
7	Income tax charge on items that will not be reclassified	-	-	7.1	-	-	**7.1**
23	Losses on cost of hedging	-	-	-	(36.5)	-	**(36.5)**
23	Losses on cost of hedge relationships	-	-	-	-	(2.7)	**(2.7)**
23	Amounts on hedging reserves transferred to income statement	-	-	-	32.3	-	**32.3**
23	Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	**1.9**
		-	-	(21.4)	(2.9)	(2.1)	**(26.4)**
	Total comprehensive income/(expense)	-	-	41.9	(2.9)	(2.1)	**36.9**
	Dividends	-	-	(18.7)	-	-	**(18.7)**
	At 31 March 2024	**876.2**	**596.5**	**450.4**	**14.9**	**(0.4)**	**1,937.6**

Company statement of changes in equity

for the year ended 31 March 2024

	Stated capital £m	Share premium £m	Retained earnings £m	**Total equity £m**
At 1 April 2022	876.2	596.5	1,099.4	2,572.1
Profit for the year	-	-	109.8	109.8
Total comprehensive income	-	-	109.8	109.8
Dividends	-	-	(136.0)	(136.0)
At 31 March 2023	876.2	596.5	1,073.2	2,545.9
Profit for the year	-	-	17.9	**17.9**
Total comprehensive income	-	-	17.9	**17.9**
Dividends	-	-	(18.7)	**(18.7)**
At 31 March 2024	**876.2**	**596.5**	**1,072.4**	**2,545.1**

Aigrette Financing Limited

Cash flow statement

for the year ended 31 March 2024

Notes		Group Year ended 31 March 2024 £m	Group Year ended 31 March 2023 £m	Company Year ended 31 March 2024 £m	Company Year ended 31 March 2023 £m
	Operating activities				
	Operating profit/(loss)	**410.1**	412.7	**(0.4)**	(0.5)
	Adjustments for:				
	Depreciation and amortisation	**388.7**	379.3	**-**	-
	Assets adopted for £nil consideration	**(48.2)**	(46.0)	**-**	-
	Profit on disposal of property, plant and equipment	**(1.5)**	(3.9)	**-**	-
	Difference between pension charge and cash contributions	**(3.0)**	(28.8)	**0.4**	-
	Net movement in provisions	**(1.8)**	1.5	**-**	-
	Working capital:				
	Decrease/(increase) in inventories	**0.5**	(4.1)	**-**	-
	Increase in trade and other receivables	**(65.8)**	(47.3)	**(2.6)**	(1.0)
	Increase in trade and other payables[1]	**61.0**	34.1	**-**	(0.1)
	Cash generated from/(used in) operations	**740.0**	697.5	**(2.6)**	(1.6)
	Income taxes received	**1.3**	0.8	**-**	-
	Net cash flows from/(used in) operating activities	**741.3**	698.3	**(2.6)**	(1.6)
	Investing activities				
	Purchase of property, plant and equipment	**(942.7)**	(588.9)	**-**	-
	Purchase of intangible assets	**(51.4)**	(75.8)	**-**	-
	Proceeds from disposal of property, plant and equipment	**2.0**	4.4	**-**	-
	Interest received	**46.8**	19.2	**1.5**	1.1
	Decrease/(increase) in investments - cash deposits	**(235.4)**	114.0	**-**	35.0
	Dividends received from subsidiaries	**-**	-	**61.9**	151.0
	Net cash (used in)/from investing activities	**(1,180.7)**	(527.1)	**63.4**	187.1
	Financing activities				
	Interest paid	**(266.1)**	(243.3)	**(41.8)**	(42.7)
	Debt issue costs paid	**(16.8)**	(1.3)	**(1.6)**	(0.6)
	Interest paid on leases	**(1.2)**	(1.0)	**-**	-
	Proceeds from amounts borrowed	**1,421.0**	1,042.8	**41.5**	302.0
	Repayment of amounts borrowed	**(527.6)**	(1,005.8)	**(40.5)**	(337.0)
	Repayment of principal on derivatives	**(11.5)**	-	**-**	-
	Repayment of principal on leases	**(7.2)**	(6.7)	**-**	-
	Dividends paid	**(18.7)**	(136.0)	**(18.7)**	(136.0)
	Net cash from/(used in) financing activities	**571.9**	(351.3)	**(61.1)**	(214.3)
	Net increase/(decrease) in cash and cash equivalents	**132.5**	(180.1)	**(0.3)**	(28.8)
	Cash and cash equivalents at 1 April	**373.2**	553.3	**0.3**	29.1
16	**Cash and cash equivalents at 31 March**	**505.7**	373.2	**-**	0.3

[1]Excluding movement in capital creditors which is presented in investing activities.

1. Accounting policies

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

a) Basis of accounting

The Group and company financial statements have been prepared (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB the Company financial statements have been prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

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

b) Basis of preparation

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

Business combinations

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

1. Accounting policies (continued)

b) Basis of preparation (continued)

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

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

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

Going concern

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

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

The Directors have considered the potential impacts of the current market volatility and uncertainties within the sector in relation to proposed PR24 Business Plan to Ofwat, and on-going investigations.

The base forecast, which has been updated for the latest internal and external information has been subjected to a range of severe but plausible downside scenarios as noted below. These forecasts include the additional £350 million Totex over and above what was allowed by Ofwat.

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

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of lower inflation and higher interest rates, as well as specific risks to the business, such as cyber-attacks or increased costs/reduced revenue due to adverse weather events.

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

1. **Accounting policies** (continued)

b) Basis of preparation (continued)

- Liquidity – the Group holds sufficient liquidity to cover the going concern period even under the most severe downside scenario. There is no requirement for the business to raise further debt in the period and therefore the volatile market conditions have limited impact.
- Debt covenants – The business has significant headroom against Default Events (where EBITDA to net interest cover ratio is less than 2.0x or where net debt to RCV ratio is less than 95 per cent) under its securitised covenants with no plausible scenario identified that would cause an Event of Default. Whilst undesirable, a Trigger Event would not impact on the going concern assumption for the reasons noted below.

While certain worst-case scenarios indicate the potential for a Trigger Event, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments.

In October, the business submitted its PR24 Business Plan for consideration by Ofwat. Whilst this falls outside of the going concern period it is worth noting that the plan submitted is financeable and financially resilient to downside stress tests performed.

In addition to the impact of current volatility in debt markets on interest rates the Directors have considered the ability of the Company to raise debt and note that there is no requirement to do so in the Going Concern period.

Based on the above, the Directors believe that the business has sufficient liquidity to meet its liabilities as they fall due. For these reasons, the Directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

New Standards, amendments and interpretations effective or adopted for the first time this period

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective

c) Foreign currencies

The Group's consolidated financial statements are presented in British pound sterling, which is also the parent company's functional currency. Individual transactions denominated in foreign currencies are translated into local currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the period and monetary assets and liabilities are dealt with in the income statement except for transactions where hedge accounting has been applied in accordance with IFRS 9 'Financial Instruments'.

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

1. Accounting policies (continued)

d) Segmental reporting

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

e) Revenue recognition

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

Principal source of income

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

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

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

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

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

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

Secondary source of income

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

1. Accounting policies (continued)

e) Revenue recognition (continued)

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

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

ii *Self-lay, requisitions and adoption fees*
Revenue recognition is consistent with new connection charges (see (i) above).

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

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

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

Non-appointed activities

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

Other sources of revenue

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

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

1. Accounting policies (continued)

e) Revenue recognition (continued)

iii *Property development*

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

f) Research and development

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

g) Exceptional items

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

h) Operating profit

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

i) Taxation

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

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

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

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

1. Accounting policies (continued)

j) Dividends

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

k) Intangible assets

i *Goodwill*

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

ii *Other intangible assets*

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

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

Software-as-a-Service (SaaS) arrangements

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

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

l) Property, plant and equipment

Property, plant and equipment comprises:

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

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

1. **Accounting policies** (continued)

l) Property, plant and equipment (continued)

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

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

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

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

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

m) Investment properties

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

n) Leased assets

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

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

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

1. Accounting policies (continued)

n) Leased assets

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

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

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

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

o) Investments

Subsidiaries

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

Joint ventures

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

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

1. Accounting policies (continued)

o) Investments (continued)

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

Investments – cash deposits

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

p) Inventories

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

q) Financial assets and liabilities

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

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

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

- where credit risk is low or has not increased significantly since recognition ('Stage 1');
- where it has increased significantly since initial recognition ('Stage 2'); and
- where the financial asset is credit impaired (Stage 3).''12-month expected credit losses' are recognised for Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2.

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

1. Accounting policies (continued)

q) Financial assets and liabilities (continued)

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

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

r) Trade receivables

Trade receivables are initially recognised at their transaction price.

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

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

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

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

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

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

- Where the customer has absconded and attempts to trace the customers whereabouts prove unsuccessful;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the debt is subject to insolvency proceedings and there are insufficient funds to settle the debt;
- Where the value and/or age of debt make it uneconomic to pursue;
- Where debt becomes statute barred.

We also write off debts following a settlement arrangement on an outstanding balance and for eligible customers on our debt forgiveness scheme (Back on Track) as part of payment matching.

Debt that is still subject to enforcement activity is not written off unless it becomes uneconomic to pursue.

1. Accounting policies (continued)

s) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less, and outstanding bank overdrafts.

Other short-term deposits with a tenor of more than three months are classified as investments – cash deposits.

t) Trade and other payables

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are normally settled at the end of the following month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

v) Derivative financial instruments

Derivative instruments are used for hedging purposes in line with the Group's risk management policy and no speculative trading in financial instruments is undertaken.

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the master netting agreements on the Group's financial position is disclosed in note 19. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1. Accounting policies (continued)

v) Derivative financial instruments (continued)

The Group designates certain derivatives as either a fair value or cash flow hedge in accordance with IFRS 9 'Financial Instruments'. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with how the hedge aligns with the Group's risk management strategy. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

In some hedge relationships, the Group excludes, from the designation, the currency basis spread of cross currency hedging instruments. In such cases, the fair value change of the currency basis element of the cross currency interest rate swap is recognised in other comprehensive income and accumulated in the cost of hedging reserve, and reclassified from equity to profit or loss on a straight-line basis over the term of the hedging relationship. The treatment for the currency basis element is optional and the option is applied on an individual hedge relationship basis.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL).

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

1. Accounting policies (continued)

v) Derivative financial instruments (continued)

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

i *Fair value hedge*
Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement within 'fair value gains/(losses) on derivative financial instruments', together with changes in the fair value of the hedged asset or liability attributable to the hedged risk.

If a fair value hedge is discontinued, the hedged item is not adjusted for any subsequent movements in the hedged risk. The cumulative amount of fair value adjustment on the hedge item at the point of discontinuation is then amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

ii *Cash flow hedge*
The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value gains/(losses) on derivative financial instruments'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, in the periods when interest income or expense is recognised, or when the forecast hedged cost takes place).

When a cash flow hedge is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

1. Accounting policies (continued)

v) Derivative financial instruments (continued)

iii *Derivatives that do not qualify for hedge accounting*
Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting. Such derivatives are classified at fair value through profit and loss, and changes in fair value are recognised immediately in the income statement.

w) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

Regarding onerous lease costs, a provision is made for the expected future costs associated to property and other leases, not included in the calculation of the ROU asset, to the extent that these costs are not expected to be of future benefit to the business, net of any recoveries from sub-leases.

x) Retirement benefit obligations

i *Defined benefit schemes*
For defined benefit schemes, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The current service cost, which is the increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period, is charged to operating costs.

The net interest on the schemes' net assets/(liabilities) is included in other finance charges. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

ii *Defined contribution schemes*
The cost of defined contribution schemes is charged to the income statement in the period in which the contributions become payable.

2. Key sources of estimation uncertainty and critical accounting judgment

In preparing these consolidated financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 1, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Climate change

A key consideration, but not one which the Group views as representing a material estimation uncertainty or judgement, is climate change. The risks associated are long-term in nature, and whilst they are likely to have a material impact on future investment requirements, which will be fully funded through the regulatory pricing structure, we deem there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements. Based on the nature of this funding, and the impact it may have on strategy, there is the potential for this to change future treatment, as such, we are aware of the ever-changing risks associated to climate change and will continue to regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

For further detail, see strategic ambitions, risk and Taskforce for Climate-related Financial Disclosure sections of the Annual Report.

Climate change is embedded into everything we do and the risks associated are fully integrated in our strategy and our long-term strategy effectively identifies, manages and mitigates these key risks. Consideration has been given to the impact of climate-related risks on management's judgements and estimates, including the carrying value of our assets and their useful economic Lives (UEL) as a result of our 2030 net zero route map.

In assessing the impact of climate change we have considered not just the impact on our asset base as a result of no action but also the impact of our 2030 net zero route map has been incorporated into our normal assessment of asset UEL. Nothing has been identified within our net zero plan which has the potential to impact on our existing assets base or their net book values. We have also set out the risks posed by climate change and how we will address them in our latest Adaptation Report.

As a result of the impact of severe weather events there is the risk of impairment to our assets. There have been no such adjustments in the current financial year this therefore supporting our current UEL policy. This will be kept continuously under review to ensure appropriate treatment.

Area of Higher Risk

Infrastructure assets within property plant and equipment, specifically in relation to the water mains network, are at higher risk. These have a net book value of £3,126.9 million and an associated annual depreciation charge of £33.9 million (£3,091.0 million, £32.8 million 31 March 2023). The impact of climate change on these assets is highly dependent on several factors, including but not limited to, the geology of the region these assets go through and the material they are made from.

2. Key sources of estimation uncertainty and critical accounting judgment (continued)

As part of our PR24 submission we have put forward an investment to renew 668km of climate vulnerable mains in AMP8 as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable main by 2060. The Group's intention is to accelerate the depreciation on these assets once certainty is given over funding in the Final Determination. No adjustment has been made in the current year financial statements as our current funding arrangements would be to repair rather than replace, therefore recording such costs within the income statement.

a) Critical accounting judgements

The areas where the most critical judgements have been applied are as follows:

i Capitalised expenditure

Additions to intangible assets, and to property, plant and equipment, include £158.6 million (2023: £132.5 million) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefit will flow to the Group.

ii Asset lives

The property, plant and equipment used in the Group is primarily the infrastructure and operational assets of the regulated water business. Infrastructure and operational assets have estimated useful lives of between 30 and 160 years and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset.

Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

iii *Recognition of grants and contributions*

a) Income from connections to the water and wastewater network

The Group receives income from developers for new connections to the water and wastewater networks either in the form of cash or infrastructure assets. The significant components are as follows:

1) New connection charges £13.4 million (2023: £14.2 million) – developer request for the provision of new connections to the network;
2) Infrastructure charges £11.4 million (2023: £18.6 million) – developers' contribution to offsite network reinforcement as permitted by the Water Industry Act;
3) Self-lay, requisitions and adoption fees £10.9 million (2023: £7.1 million) – providing the developer with assistance in the construction of assets which enable the development to be connected to the network;
4) Adopted assets at nil consideration £48.2 million (2023: £46.0 million) – developer contributes assets on a nil consideration basis that have been installed on a new development.

2. Key sources of estimation certainty and critical accounting judgment (continued)

a) Critical accounting judgements (continued)

Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question.

For 1 and 2 above, all communication is between the Group and the developer/site owner and the agreement is signed by said developer/site owner. The agreements set out components of the charge and what is to be delivered. Our conclusion is therefore that the developer is the customer and our obligation to the developer is met when properties are connected to the network, and therefore this is considered the relevant trigger for income recognition. We believe the ongoing obligation to maintain the connection to the property is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer.

For 3 and 4 it is the developer who constructs and transfers the asset, and therefore similar to the above, the agreement is between ourselves and the developer. The occupants of the properties served are unaware of the transaction and indifferent to who is maintaining the asset, they receive no benefit from the transaction.

Our obligation is to inspect and adopt the assets. As such, the Group considers that the ongoing obligation to maintain the assets is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer. Therefore, revenue from these streams should be recognised at a point in time when the contract with the developer is fulfilled; on connection, completion, or adoption.

Our obligations to maintain and reinforce our infrastructure do not constitute performance obligations as these are imposed on us by the regulator. A performance obligation involves a transfer of control of benefit from the seller to the customer; however, maintenance and reinforcement of the infrastructure does not transfer any benefit outside of Anglian Water, because the assets being maintained or reinforced are Anglian Water's own assets. The promise to the customer is to provide water/sewerage services, the promise to the developer is to provide a connection and there is no performance obligation in respect of upkeep of the assets.

b) Diversions

The Group also receives income from various authorities which is reimbursing the cost of diverting assets due to them presenting an obstruction to the construction or upgrade of infrastructure such as roads or rail. Diversion income within the year amounted to £13.9 million (2023: £6.8 million).

A similar revenue recognition approach is taken with diversions. The obligation here is that we divert the sewer or water main at the request of the relevant authority or agency, and our obligation is fully met once the diversion is completed, and therefore the contribution is fully recognised as revenue at that point in time.

2. Key sources of estimation uncertainty and critical accounting judgments (continued)

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key area involving estimation is outlined below.

i Retirement benefit actuarial assumptions

The Group operates a number of defined benefit schemes (which are closed to new members and future accruals) as well as a defined contribution scheme and an unfunded arrangement for former employees. Under IAS 19 'Employee Benefits', the Group has recognised an actuarial loss of £28.5 million (2023: loss of £206.5 million) in respect of the defined benefit schemes which affects other comprehensive income and net assets. The actuarial valuation of the scheme liabilities is reliant on key assumptions which include: the discount rate, salary inflation and life expectancy. The main assumptions and associated sensitivities are set out in note 21 of the financial statements.

c) Other area involving estimation

i Expected credit loss on trade receivables

IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

Management apply judgement when determining impact of the wider economy on future cash collection (macro-economic).

The extent to which future cash collections will be impacted by macro-economic trends is uncertain. Management have estimated the potential impact through scenario analysis considering the correlation between cash collection rates against unemployment rates. Office of National Statistics and Bank of England forecasts for these measures have then been utilised to forecast changes in future cash collection rates.

2. Key sources of estimation uncertainty and critical accounting judgments (continued)

c) Other area involving estimation (continued)

The Bank of England forecast at February 2024 now predicts unemployment to peak at 5% and The Office for Budget Responsibility forecast for RHDI predicts a peak of £22.0k per person in the medium term. Based on management's calculations, this is consistent with predictions at March 2023 the additional provision required against bills raised to the balance sheet date has remained broadly the same, at £6.0m.

Sensitivity of +/- 1% for employment and £1k per person for RHDI has been modelled to assess the impact on the figure. +/- 1 has been used as this reflects a reasonable market movement based on historical and forecast data. Unemployment shows a range of -13.3 million to +8.0 million and RHDI shows a range of -11.8 million to +13.8 million when applying the sensitivity. This therefore gives a range from a low of £13.3 million to a high of £13.8 million.

ii Measured income accrual

For Anglian Water the measured income accrual is an estimation of the amount of main water and wastewater charges unbilled at the year end. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon historical billing information. The calculation is sensitive to estimated consumption for measured domestic customers. For 2023/24 the average consumption for measured household customers was 96 cubic meters, a fall or rise of two cubic metres (2 per cent) in average annual consumption will reduce or increase revenue by approximately £14.2 million respectively.

iii Level 3 derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. Level 3 derivative financial instruments comprise CPI-linked inflation swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 can be found in note 19.

3. Segmental information

By class of business for the year ended 31 March 2024

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'.

At 31 March 2024 the Group was organised into the following main businesses:

- Anglian Water – regulated water and water recycling services provider to customers in the east of England and Hartlepool.
- Head Office and Other – comprises head office and other Group functions, including Property.

There has been no change in the basis of segmentation or in the measurement of segmental profit or loss in the year.

No operating segments have been aggregated to form the above reportable operating segments.

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'. Segmental performance is evaluated based on both profit and loss and cash flows (see table below). Segmental assets and liabilities do not form part of the Board's performance assessment and, as such, are not included in the segmental information.

Inter-segment revenues and profits are fully eliminated on consolidation and are shown separately in the following tables. The segment result represents operating profit.

By class of business for the year ended 31 March 2024

	Anglian Water £m	Head Office and Other £m	**Total £m**
Revenue			
External	1,626.6	2.1	**1,628.7**
	1,626.6	**2.1**	**1,628.7**
Segment result			
EBITDA	819.5	(20.7)	**798.8**
Depreciation and amortisation	(388.6)	(0.1)	**(388.7)**
	430.9	**(20.8)**	**410.1**
Cash flows			
Operating cash flow	767.1	(27.1)	**740.0**
Capital expenditure	(992.3)	0.2	**(992.1)**
Net debt excluding derivative financial instruments	(6,976.9)	(1,062.5)	**(8,039.4)**

3. Segmental information (continued)

By class of business for the year ended 31 March 2023

	Anglian Water £m	Head Office and Other £m	**Total £m**
Revenue			
External	1,494.9	2.6	1,497.5
	1,494.9	2.6	1,497.5
Segment result			
EBITDA	802.8	(10.8)	792.0
Depreciation and amortisation	(379.1)	(0.2)	(379.3)
	423.7	(11.0)	412.7
Cash flows			
Operating cash flow	710.9	(13.4)	697.5
Capital expenditure	(660.0)	(0.3)	(660.3)
Net debt excluding derivative financial instruments	(6,247.9)	(1,068.2)	(7,316.1)

By geographical segment

The Group's revenue, segment result and non-current assets are all derived from the United Kingdom.

3. Segmental information (continued)

Reconciliation of segmental information

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Segment result	**410.1**	412.7
Finance costs	**(593.6)**	(774.7)
Finance income	**265.4**	684.4
Profit before tax from continuing operations	**81.9**	322.4
Total operating cash flow by segment	**740.0**	697.5
Income taxes received	**1.3**	0.8
Net cash flows from operating activities	**741.3**	698.3
Purchase of property, plant and equipment	**(942.7)**	(588.9)
Purchase of intangible assets	**(51.4)**	(75.8)
Proceeds from disposal of property, plant and equipment	**2.0**	4.4
Capital expenditure spend by segment	**(992.1)**	(660.3)
Cash and cash equivalents	**505.7**	373.2
Cash deposits	**552.1**	316.7
Borrowings due within one year	**(539.6)**	(669.3)
Borrowings due after more than one year	**(8,557.6)**	(7,336.7)
Net debt by segment	**(8,039.4)**	(7,316.1)
Derivative financial instruments [1]	**(633.9)**	(697.7)
Net debt	**(8,673.3)**	(8,013.8)

(1) Derivative financial instruments exclude the net liabilities of £21.4 million (2023: net asset of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

4. Revenue

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Water and water recycling services:		
Anglian Water		
Household - measured	**961.0**	859.9
Household - unmeasured	**239.8**	223.7
Non-household - measured	**290.8**	260.6
Grants and contributions	**97.8**	106.0
Other	**37.2**	44.7
	1,626.6	1,494.9
Property revenue	**2.1**	2.6
	1,628.7	1,497.5

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the year, see our accounting policy in note 1 for further details.

Included in Grants and contributions are adopted assets of £48.2 million (2023: £46.0 million) which are non-cash.

Other includes £25.6 million (2023: £25.9 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income see note 6.

Revenue recognised which exceeds the amounts billed is recorded as a contract asset while payments received prior to delivering the service is recorded as a contract liability. Refer below for the movement in contract assets and liabilities:

	Group and Company	
	2024 £m	2023 £m
Contract liability		
At 1 April	**(345.5)**	(338.3)
Revenue recognised	**1,200.8**	1,083.6
Cash received in advance	**(1,185.6)**	(1,090.8)
At 31 March	**(330.3)**	(345.5)
Contract asset		
At 1 April	**331.5**	310.0
Revenue recognised	**1,251.8**	1,120.5
Amounts billed	**(1,176.8)**	(1,099.0)
At 31 March	**406.5**	331.5

5. Operating costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Raw materials and consumables	**37.3**	37.6
Staff costs	**322.7**	291.2
Research and development	**7.5**	7.9
Contribution to Anglian Water Assistance Fund	**0.8**	1.5
Short-term lease costs	**2.9**	3.2
Hired and contracted services	**279.2**	261.5
Rates	**69.5**	59.1
Power	**165.4**	89.7
Regulatory fees	**29.7**	32.7
Insurance	**10.8**	10.8
Vehicles and fuel	**17.7**	16.8
Other operating costs	**23.6**	15.8
Own work capitalised	**(158.6)**	(132.5)
Profit on disposal of property, plant and equipment [1]	**(1.5)**	(3.9)
Operating costs before depreciation, amortisation and loss allowance for expected credit losses	**807.0**	691.4
Depreciation of property, plant and equipment	**333.1**	332.8
Amortisation of intangible assets	**55.5**	46.5
Depreciation of investment properties	**0.1**	-
Depreciation and amortisation	**388.7**	379.3
Loss allowance for expected credit losses	**38.7**	30.1
Operating costs	**1,234.4**	1,100.8

(1) The profit on disposal of property, plant and equipment relates to various sales of surplus land and assets.

During the year the Group obtained the following services from the Company's Auditor:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Fees payable to the Company's Auditor for the audit of the consolidated financial statements	**0.1**	0.1
Fees payable to the Company's Auditor for the audit of the subsidiaries	**0.5**	0.4
Fees payable to the company's Auditor for other services		
Non-audit services	**0.4**	0.3
	1.0	0.8

5. Operating Costs (continued)

The Company's Auditor for the year ended 31 March 2023 and 31 March 2024 was Deloitte LLP. Audit related assurance services predominantly relate to regulatory reporting to Ofwat and the review of the Group's half-year results, and other agreed-upon procedures throughout the year.

6. Net finance costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Finance costs		
Interest expense on bank loans and overdrafts	**(27.6)**	(13.9)
Interest expense on other loans including financing expenses	**(270.0)**	(233.7)
Indexation[3]	**(359.9)**	(561.4)
Amortisation of debt issue costs	**(6.0)**	(5.8)
Interest on leases	**(1.2)**	(1.0)
Total finance costs	**(664.7)**	(815.8)
Less: amounts capitalised on qualifying assets	**71.1**	41.1
	(593.6)	(774.7)
Finance income		
Interest income on short-term bank deposits	**46.8**	20.0
Amortisation of fair value adjustments	**11.1**	12.9
Defined benefit pension scheme interest	**2.6**	6.2
	60.5	39.1
Fair value gains/(losses) on derivative financial instruments		
Hedge ineffectiveness on fair value hedges [1]	**1.9**	0.3
Derivative financial instruments not designated as hedges	**207.8**	654.2
Recycling of de-designated cash flow hedge relationship[2]	**(4.8)**	(9.2)
	204.9	645.3
Finance income, including fair value gains on derivative financial instruments	**265.4**	684.4
Net finance costs	**(328.2)**	(90.3)

(1) Hedge ineffectiveness on fair value hedges comprises fair value losses on hedging instruments of £22.5 million (2023: loss of £35.2 million), offset by fair value gains of £24.4 million on hedged risks (2023: gains of £35.5 million).

(2) Please refer to note 23 for breakdown of hedging reserve.

(3) Indexation comprise of £229.9 million in borrowings (2023: £363.0 million) and £130.0 million in derivatives (2023: £198.4 million).

7. Taxation

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Current tax:		
In respect of the current period	**(1.3)**	(0.9)
Total current tax credit	**(1.3)**	(0.9)
Deferred tax:		
Origination and reversal of temporary differences	**23.7**	72.8
Adjustments in respect of previous periods	**(3.8)**	1.6
Total deferred tax charge	**19.9**	74.4
Total tax charge on profit from continuing operations	**18.6**	73.5

The current tax credit for both years reflects receipts from other group companies for losses surrendered to those group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest.

The deferred tax charge for this year mainly reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years.

The deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations.

The amounts included for tax liabilities in the financial statements include estimates and judgements. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom substantively enacted the tax legislation related to the top-up tax on 20 June 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 ‘International Tax Reform – Pillar Two Model Rules’ were endorsed by the UK Endorsement Board on 19 July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a significant impact on the financial statements.

7. Taxation (continued)

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (2023: 19%) to the profit before tax from continuing operations as follows:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Profit before tax from continuing operations	**81.9**	322.4
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (2023: 19%)	**20.5**	61.3
Effects of recurring items:		
Items not deductible for tax purposes		
Depreciation and losses on assets not eligible for tax relief	**0.7**	0.6
Disallowable expenditure	**1.2**	0.9
	22.4	62.8
Effects of non-recurring items:		
Effect of capital allowance super deduction	**-**	(10.8)
Effects of differences between rates of current and deferred tax	**-**	19.9
Adjustments in respect of prior periods	**(3.8)**	1.6
Tax charge for the year	**18.6**	73.5

In addition to the tax charged to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Deferred tax:		
Defined benefit pension schemes	**(7.1)**	(51.7)
Cash flow hedges	**(1.9)**	(0.2)
Total deferred tax credit	**(9.0)**	(51.9)
Total tax credit recognised in other comprehensive income	**(9.0)**	(51.9)

8. Employee information and Directors' emoluments

a) Employee information

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Staff costs		
Wages and salaries	**271.4**	242.8
Social security costs	**27.5**	26.3
Pension costs - defined contribution	**23.7**	22.0
Pension costs - defined benefit	**0.1**	0.1
	322.7	291.2

Staff costs for the year ended 31 March 2024 in the table above are shown inclusive of £75.9 million (2023: £101.2 million) of costs that have been capitalised, as shown within 'own work capitalised' in note 5.

Average monthly number of full-time equivalent persons (including Executive Directors) employed by the Group:

	Year ended 31 March 2024	Year ended 31 March 2022
Anglian Water	**5,531**	5,295
Other	**72**	66
	5,603	5,361

The Company

The Company has no employees (2023: none).

8. Employee information and Directors' emoluments (continued)

b) Directors' emoluments

	Year ended 31 March 2024 £'000	Year ended 31 March 2022 £'000
Aggregate emoluments	**1,890**	2,425

Aggregate emoluments of the Directors comprise salaries, taxable benefits, cash payments in lieu of company pension contributions and amounts payable under annual bonus schemes. No retirement benefits are accrued for Directors (2023: none) under a defined benefit pension scheme. Retirement benefits are accruing to two Directors (2023: two Directors) under a defined contribution pension scheme.

c) Highest paid director

	Year ended 31 March 2024 £'000	Year ended 31 March 2022 £'000
Aggregate emoluments	**1,304**	1,391

9. Profit of the parent company

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The Company had a profit in the year of £17.9 million (2023: £109.8 million).

10. Goodwill

	Group	
	2024	2023
	£m	£m
Cost		
At 1 April and 31 March	**935.4**	935.4
Accumulated impairment		
At 1 April and 31 March	**(489.6)**	(489.6)
Net book amount		
At 31 March	**445.8**	445.8

Allocation of goodwill

All goodwill is allocated to the Anglian Water business segment, the Group's UK regulated water and water recycling services provider.

Impairment testing of goodwill allocated to Anglian Water

The recoverable amount of the Anglian Water segment is determined based on a fair value less cost to sell methodology.

This calculation uses a multiple of Regulatory Capital Value (RCV) with reference to the recent transactions that have taken place in the sector and the market value of the listed companies in the sector. The basis applied has been deemed appropriate as it is consistent with the economic value as assessed by management and other market participants.

The current comparable transactions in the sector indicate that current multiples have been between 1.14x to 1.48x RCV in recent years. The implied multiples for the listed water companies are also around 1.1x to 1.7x on a non-controlling basis, based on current market capitalisation.

Adopting a current market average RCV multiple of 1.16x at 31 March 2024 results in headroom of £2,001.8 million (2023: 1.25x, £2,756 million). The headroom at 31 March 2024 is eliminated at an RCV multiple of 0.97x (2023: 0.97x).

Goodwill is also assessed using forecast discounted cashflows which also demonstrates that there is headroom above the carrying value.

11. Other intangible assets

	Computer Software £m	Other intangibles £m	Intangible assets under construction £m	Group Total £m
Cost				
At 1 April 2023	417.4	146.7	121.6	**685.7**
Additions	-	0.1	58.2	**58.3**
Transfer on commissioning	19.2	22.2	(41.4)	**-**
Disposals	-	(115.2)	-	**(115.2)**
At 31 March 2024	**436.6**	**53.8**	**138.4**	**628.8**
At 1 April 2022	370.9	143.4	101.3	**615.6**
Additions	-	-	82.4	**82.4**
Transfer on commissioning	58.8	3.3	(62.1)	**-**
Disposals	(12.3)	-	-	**(12.3)**
At 31 March 2023	417.4	146.7	121.6	685.7
Accumulated amortisation				
At 1 April 2023	(301.3)	(130.5)	-	**(431.8)**
Charge for the year	(44.6)	(10.9)	-	**(55.5)**
Disposals	-	115.2	-	**115.2**
At 31 March 2024	**(345.9)**	**(26.2)**	**-**	**(372.1)**
At 1 April 2022	(281.9)	(115.7)	-	**(397.6)**
Charge for the year	(31.7)	(14.8)	-	**(46.5)**
Disposals	12.3	-	-	**12.3**
At 31 March 2023	(301.3)	(130.5)	-	**(431.8)**
Net book amount				
At 31 March 2024	**90.7**	**27.6**	**138.4**	**256.7**
At 31 March 2023	116.1	16.2	121.6	253.9

For increased clarity, and for consistency with note 12, Property, plant and equipment, the above table has been reformatted this year to separate out intangible assets in the course of construction. Of those intangible assets under construction, £98.7 million (2023: £65.4 million) relates to software systems under development and £39.7 million (2023: £56.1 million) to internally generated assets.

Included in the intangible asset under construction balance is £74.0 million (2023: £43.5 million) in relation to our SAP replacement project which is now expected to go live in 2025.

Other intangible assets mainly comprise capitalised development expenditure.
Included within additions above is £6.8 million (2023: £6.4 million) of interest that has been capitalised on qualifying assets, at an average rate of 9.5 per cent (2023: 8.6 per cent).

Intangible assets with a cost of £115.2 million and a net book value of nil were disposed during the year (2023: £12.3 million, nil net book value). The 2024 retirement mostly represented a house-keeping exercise, where fully depreciated data-models and other similar assets were retired from our fixed asset register.

11. Other intangible assets (continued)

The Company

The Company has no intangible assets (2023: none).

12. Property, plant and equipment

	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Assets under construction £m	Group Total £m
Cost						
At 1 April 2023	97.6	7,446.5	6,728.3	1,128.4	854.8	**16,255.6**
Additions	-	-	-	-	1,043.9	**1,043.9**
Transfers on commissioning	1.5	255.3	275.7	140.6	(673.1)	**-**
Disposals	(0.3)	-	(34.5)	(34.8)	-	**(69.6)**
At 31 March 2024	**98.8**	**7,701.8**	**6,969.5**	**1,234.2**	**1,225.6**	**17,229.9**
At 1 April 2022	93.1	7,282.1	6,507.5	1,048.0	637.3	15,568.0
Additions	-	-	-	-	733.5	733.5
Transfers on commissioning	4.9	164.4	233.7	113.0	(516.0)	-
Disposals	(0.4)	-	(12.9)	(32.6)	-	(45.9)
At 31 March 2023	97.6	7,446.5	6,728.3	1,128.4	854.8	16,255.6
Accumulated depreciation						
At 1 April 2023	(23.7)	(963.0)	(3,864.9)	(699.5)	-	**(5,551.1)**
Charge for the year	(4.0)	(62.0)	(200.8)	(66.3)	-	**(333.1)**
Disposals	0.3	-	34.4	34.5	-	**69.2**
At 31 March 2024	**(27.4)**	**(1,025.0)**	**(4,031.3)**	**(731.3)**	**-**	**(5,815.0)**
At 1 April 2022	(20.0)	(900.3)	(3,674.4)	(668.9)	-	(5,263.6)
Charge for the year	(4.1)	(62.7)	(202.9)	(63.1)	-	(332.8)
Disposals	0.4	-	12.4	32.5	-	45.3
At 31 March 2023	(23.7)	(963.0)	(3,864.9)	(699.5)	-	(5,551.1)
Net book amount						
At 31 March 2024	**71.4**	**6,676.8**	**2,938.2**	**502.9**	**1,225.6**	**11,414.9**
At 31 March 2023	73.9	6,483.5	2,863.4	428.9	854.8	10,704.5

Property, plant and equipment at 31 March 2024 includes land of £31.4 million (2023: £30.2 million), which is not subject to depreciation. Included within additions above is £64.3 million (2023: £34.4 million) of interest that has been capitalised on qualifying assets, at an average rate of 9.5 per cent (2023: 8.6 per cent).

12. Property, plant and equipment (continued)

Right-of-use assets held under leases

Included within the amounts shown above are the following amounts in relation to right-of-use assets held under leases:

	Group				
	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Total £m
At 31 March 2024					
Opening net book value	24.9	5.0	35.6	9.1	**74.6**
Additions	-	-	-	3.6	**3.6**
Disposals	(0.1)	-	-	(3.7)	**(3.8)**
Depreciation charge	(3.1)	(0.1)	(1.2)	(3.1)	**(7.5)**
Depreciation on disposals	0.1	-	-	3.7	**3.8**
Net book value	**21.8**	**4.9**	**34.4**	**9.6**	**70.7**
At 31 March 2023					
Opening net book value	28.1	5.0	36.9	5.5	75.4
Additions	0.1	-	-	6.0	6.1
Disposals	-	-	-	(0.2)	(0.2)
Depreciation charge	(3.3)	-	(1.3)	(2.3)	(6.9)
Depreciation on disposals	-	-	-	0.2	0.2
Net book value	24.9	5.0	35.6	9.1	74.6

The Company

The Company has no property, plant and equipment (2023: none).

13. Investment properties

	Group	
	2024 **£m**	2023 £m
Cost		
At 1 April	**0.4**	0.4
At 31 March	**0.4**	0.4
Accumulated depreciation		
At 1 April	**(0.1)**	(0.1)
Charge for the year	**(0.1)**	-
At 31 March	**(0.2)**	(0.1)
Net book amount		
At 31 March	**0.2**	0.3

Investment properties are accounted for using the cost model, in line with the accounting policy for property, plant and equipment.

The fair value of investment properties is not materially different from their book value.

The Company

The Company has no investment properties (2023: none).

14. Investments

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Non-current				
Subsidiary undertakings	**-**	-	**3,541.8**	3,541.8
	-	-	**3,541.8**	3,541.8
Current				
Cash deposits	**552.1**	316.7	**-**	-
	552.1	316.7	**-**	-

Cash deposits disclosed within investments represent short-term bank deposits with maturities at the point of deposit of three to six months.

a) Joint ventures

A full listing of Group's joint ventures can be found in note 31, none of which are material to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed.

b) Subsidiary undertakings

	Shares in subsidiary undertakings £m	Total £m
Cost		
At 1 April 2022, 31 March 2023 and at 31 March 2024	**3,541.8**	3,541.8

The Directors are of the opinion that the value of the investments is supported by the underlying assets.

Subsidiary undertakings are listed in note 31.

15. Trade and other receivables

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Trade receivables	**384.6**	438.9	**-**	-
Loss allowance for expected credit losses	**(212.1)**	(258.1)	**-**	-
Net trade receivables	**172.5**	180.8	**-**	-
Amounts receivable from group undertakings	**5.9**	4.5	**24.0**	21.9
Other amounts receivable	**32.1**	41.1	**0.7**	0.2
Prepayments	**12.3**	-	**-**	
Accrued income	**406.5**	343.1	**-**	**-**
	629.3	569.5	**24.7**	22.1

15. Trade and other receivables (continued)

Accrued income as at 31 March 2024 includes water and water recycling income not yet billed of £405.0 million (2023: £331.5 million). Of the trade receivables, £376.2 million (2023: £427.3 million) relates to Anglian Water Services residential customers, £1.4 million (2023: £0.7 million) relates to Anglian Water Services non-household retailer balances and the remaining balance relates to developer services and other receivables. The majority of non-household customers are billed in arrears and are therefore included within accrued income above.

Other amounts receivable includes £22.1 million VAT debtor (2023: £19.4 million).

There is not fixed payment date for amounts owed by Group undertakings from the Company and no interest is applied. Amounts are payable on demand.

The Group manages its risk from trading through the effective management of customer relationships. By far the most significant business unit of the Group is Anglian Water, which represents 99.9 per cent of the Group's revenue and 99.6 per cent of its net trade receivables. Concentrations of credit risk with respect to household trade receivables are limited due to the Anglian Water customer base consisting of a large number of unrelated households. The Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises including domestic dwellings. However, allowance is made by the water regulator in the price limits at each price review for a proportion of debt deemed to be irrecoverable. Considering the above, the Directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables.

Following the introduction of market reform on 1 April 2017, the provision of water and wastewater services to non-household customers was transferred to a relatively small number of licenced retailers. Anglian Water bills the retailers on a monthly basis, and they are contractually obliged to pay in full within one month and therefore the credit risk is limited to one month's revenue relating to non-household customers.

The principal retailer that Anglian Water transacts with is Wave Ltd, with £nil receivables (2023: £nil) and £13.4 million of income accrued at 31 March 2024 (2023: £8.3 million).

The movement on the expected credit loss provision, all of which relates to trade receivables, was as follows:

	Group	
	2024	2023
	£m	£m
At 1 April	**258.1**	236.4
Loss allowance for expected credit losses	**38.7**	30.1
Amounts written off during the year	**(84.9)**	(8.6)
Amounts recovered during the year	**0.2**	0.2
At 31 March	**212.1**	258.1

15. Trade and other receivables (continued)

The following table details the risk profile of trade receivables and accrued income based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments. The majority of non-household customers are billed in arrears and are therefore included within accrued income.

At 31 March 2024				**Group and Company**
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	**£m**		**£m**
Not past due	1.4%	445.3	(6.2)	439.1
Up to 1 year past due	34.8%	99.9	(34.8)	65.1
Up to 2 years past due	53.9%	57.0	(30.7)	26.3
Up to 3 years past due	58.9%	47.5	(28.0)	19.5
Up to 4 years past due	72.8%	39.7	(28.9)	10.8
Up to 5 years past due	71.5%	35.8	(25.6)	10.2
Up to 6 years past due	81.8%	30.2	(24.7)	5.5
More than 7 years past due	100%	35.7	(35.7)	-
Miscellaneous loss allowance adjustments			2.5	2.5
		791.1	**(212.1)**	**579.0**

At 31 March 2023				**Group and Company**
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£m		£m
Not past due	1.0%	363.3	(3.6)	359.7
Up to 1 year past due	29.9%	101.6	(30.4)	71.2
Up to 2 years past due	46.6%	59.0	(27.5)	31.5
Up to 3 years past due	60.9%	47.0	(28.6)	18.4
Up to 4 years past due	64.7%	41.6	(26.9)	14.7
Up to 5 years past due	75.6%	36.1	(27.3)	8.8
Up to 6 years past due	78.5%	30.3	(23.8)	6.5
More than 7 years past due	100%	91.5	(91.5)	-
Miscellaneous loss allowance adjustments			1.5	1.5
		770.4	**(258.1)**	**512.3**

16. Analysis of net debt

						Group
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents [1]	Investments - cash deposits	Borrowings	Derivative financial instruments [2]	Total liabilities from financing activities	Net debt
	£m	£m	£m	£m	£m	£m
At 1 April 2023	373.2	316.7	(8,006.0)	(697.7)	(8,703.7)	(8,013.8)
Cash flows						
Interest paid	(266.1)	-	-	-	-	**(266.1)**
Issue costs paid	(16.8)	-	17.3	-	17.3	**0.5**
Interest on leases	(1.2)	-	-	-	-	**(1.2)**
Increase in amounts borrowed	1,421.0	-	(1,421.0)	-	(1,421.0)	**-**
Repayment of amounts borrowed	(527.6)	-	527.6	-	527.6	**-**
Repayment of principal on derivatives	(11.5)			11.5	11.5	**-**
Repayment of principal on leases	(7.2)	-	7.2	-	7.2	**-**
Non-financing cash flows [3]	(458.1)	235.4	-	-	-	**(222.7)**
	132.5	235.4	(868.9)	11.5	(857.4)	**(489.5)**
Movement in interest accrual on debt	-	-	(31.4)	-	(31.4)	**(31.4)**
New lease agreements	-	-	(4.0)	-	(4.0)	**(4.0)**
Amortisation of issue costs	-	-	(6.0)	-	(6.0)	**(6.0)**
Amortisation of fair value adjustments	-	-	11.1	-	11.1	**11.1**
Indexation of borrowings and RPI swaps	-	-	(229.9)	(130.0)	(359.9)	**(359.9)**
Foreign exchange gains and losses	-	-	49.0	(49.0)	-	**-**
Fair value gains and losses	-	-	(11.1)	231.3	220.2	**220.2**
At 31 March 2024	**505.7**	**552.1**	**(9,097.2)**	**(633.9)**	**(9,731.1)**	**(8,673.3)**
Net debt at 31 March 2024 comprises:						
Non-current assets	-	-	-	231.6	231.6	**231.6**
Current assets	505.7	552.1	-	-	-	**1,057.8**
Current liabilities	-	-	(539.6)	(79.6)	(619.2)	**(619.2)**
Non-current liabilities	-	-	(8,557.6)	(785.9)	(9,343.5)	**(9,343.5)**
	505.7	**552.1**	**(9,097.2)**	**(633.9)**	**(9,731.1)**	**(8,673.3)**

16. **Analysis of net debt** (continued)

						Group
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents [(1)]	Investments - cash deposits	Borrowings	Derivative financial instruments [(2)]	Total liabilities from financing activities	Net debt
	£m	£m	£m	£m	£m	£m
At 1 April 2022	553.3	430.7	(7,667.1)	(1,162.0)	(8,829.1)	(7,845.1)
Cash flows						
Interest paid	(243.3)	-	27.6	(3.5)	24.1	(219.2)
Issue costs paid	(1.3)	-	1.7	-	1.7	0.4
Interest on leases	(1.0)	-	-	-	-	(1.0)
Increase in amounts borrowed	1,042.8	-	(1,042.8)	-	(1,042.8)	-
Repayment of amounts borrowed	(1,005.8)	-	1,005.8	-	1,005.8	-
Repayment of principal on leases	(6.7)	-	6.7	-	6.7	-
Non-financing cash flows [(3)]	35.2	(114.0)	-	-	-	(78.8)
	(180.1)	(114.0)	(1.0)	(3.5)	(4.5)	(298.6)
Movement in interest accrual on debt	-	-	7.7	-	7.7	7.7
New lease agreements	-	-	(6.0)	-	(6.0)	(6.0)
Amortisation of issue costs	-	-	(5.8)	-	(5.8)	(5.8)
Amortisation of fair value adjustments	-	-	12.9	-	12.9	12.9
Indexation of borrowings and RPI swaps	-	-	(363.0)	(198.4)	(561.4)	(561.4)
Fair value gains and losses and foreign exchange	-	-	16.3	666.2	682.5	682.5
At 31 March 2023	373.2	316.7	(8,006.0)	(697.7)	(8,703.7)	(8,013.8)

(1) Included within cash and cash equivalents is £6.5 million (2023: £6.7 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund;

(2) Derivative financial instruments exclude the liability of £21.4 million (2023: asset £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;

(3) Non-financing cash flows comprise: net cash flows from operating activities of £741.3 million (2023: £698.3 million), less net cash from investing activities of £571.9 million (2023: used in £351.3 million) and dividends paid of £18.7 million (2023: £136.0 million).

16. Analysis of net debt (continued)

Energy hedges, excluded from net debt, are included within derivative financial instruments as follows:

	2024	2023
	£m	£m
Non-current assets	**1.5**	11.5
Current assets	**0.9**	18.4
Current liabilities	**(13.2)**	(21.9)
Non-current liabilities	**(10.6)**	(7.3)
	(21.4)	0.7

Current asset investments above comprise £552.1 million (2023: £316.7 million) of short-term cash deposits with an original maturity of more than three months.

At 31 March 2024, £474.1 million (2023: £335.1 million) of the Group's cash and cash equivalents and £530.0 million (2023: £298.0 million) of the short-term deposits were held by Anglian Water and its financing subsidiary. In order for these amounts to be made available to the rest of the Group, Anglian Water Services Limited must satisfy certain covenants, which were put in place on 30 July 2002 following a financial restructuring, prior to declaring dividends. A further £0.2 million (2023: £0.2 million) of the Group's cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £2.2 million (2023: £0.8 million) of the Group's cash and cash equivalents and £2.1 million (2023: £3.5 million) of the short-term deposits were held by Rutland Insurance Limited (the Group's captive insurance company) in order to maintain its required solvency ratio.

16. Analysis of net debt (continued)

	Current asset		Liabilities from financing activities			**Company**
	Net cash and cash equivalents[1]	investments - cash deposits	Borrowings	Derivative financial instruments [2]	Total liabilities from financing activities	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 April 2023	0.3	-	(1,018.4)	-	(1,018.4)	**(1,018.1)**
Cash flows						
Interest paid	(41.8)	-	-	-	-	**(41.8)**
Issue costs paid	(1.6)	-	1.6	-	1.6	**-**
Increase in amounts borrowed	41.5	-	(41.5)	-	(41.5)	**-**
Repayment of amounts borrowed	(40.5)	-	40.5	-	40.5	**-**
Non-financing cash flows [3]	42.1	-	-	-	-	**42.1**
	(0.3)	-	0.6	-	0.6	**0.3**
Movement in interest accrual on debt	-	-	(0.6)	-	(0.6)	**(0.6)**
Amortisation of issue costs	-	-	(2.9)	-	(2.9)	**(2.9)**
At 31 March 2024	**-**	**-**	**(1,021.3)**	**-**	**(1,021.3)**	**(1,021.3)**
Net debt at 31 March 2024 comprises:						
Current liabilities	-	-	(85.8)	-	(85.8)	**(85.8)**
Non-current liabilities	-	-	(935.5)	-	(935.5)	**(935.5)**
	-	**-**	**(1,021.3)**	**-**	**(1,021.3)**	**(1,021.3)**
At 1 April 2022	29.1	35.0	(1,055.2)	-	(1,055.2)	(991.1)
Cash flows						
Interest paid	(42.7)	-	-	-	-	(42.7)
Issue costs paid	(0.6)	-	0.7	-	0.7	0.1
Increase in amounts borrowed	302.0	-	(302.0)	-	(302.0)	-
Repayment of amounts borrowed	(337.0)	-	337.0	-	337.0	-
Non-financing cash flows [2]	49.5	(35.0)		-	-	14.5
	(28.8)	(35.0)	35.7	-	35.7	(28.1)
Movement in interest accrual on debt	-	-	2.9	-	2.9	2.9
Amortisation of issue costs	-	-	(1.8)	-	(1.8)	(1.8)
At 31 March 2023	0.3	-	(1,018.4)	-	(1,018.4)	(1,018.1)

16. Analysis of net debt (continued)

(1) Included within cash and cash equivalents is £6.5 million (2023: £7.6 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund;

(2) Non-financing cash flows comprise: net cash flows used in operating activities of £2.6 million (2023: £1.6 million), less net cash from in investing activities of £63.4 million (2023: £187.1 million) and dividends paid of £18.7 million (2023: £136.0 million).

17. Trade and other payables

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Trade payables	**47.0**	32.2	**0.1**	-
Capital creditors and accruals	**155.9**	189.5	**-**	-
Receipts in advance	**371.0**	345.5	**-**	-
Amounts owed to group undertakings	**5.2**	4.2	**-**	-
Other taxes and social security	**-**	6.7	**-**	-
Accruals and deferred income	**138.6**	100.6	**-**	0.1
Other payables	**16.2**	15.5	**-**	-
	733.9	694.2	**0.1**	0.1

Receipts in advance includes £330.3 million (2023: £301.7 million) relating to payments on account in advance of work being completed.

Accruals and deferred income is made up of £131.5 million accruals (2023: £93.3 million) with the remainder attributable to deferred income.

Amounts relating to capital creditors and accruals have been separately presented in the above table to aid consistency with the presentation required by Ofwat in the Annual Performance Report of Anglian Water Services Limited.

The Directors consider that the carrying values of trade and other payables are not materially different from their fair values.

There is no fixed payment date for amounts owed to group undertakings and no interest is applied. Amounts are payable on demand.

18. Loans and other borrowings

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
£200 million 6.875% fixed rate 2023	**-**	209.2	**-**	-
US$170 million 3.84% fixed rate 2023	**-**	138.8	**-**	-
£93 million 3.537% fixed rate 2023	**-**	94.5	**-**	-
£75 million 3.666% RPI index-linked 2024	**163.8**	151.3	**-**	-
£100 million 1.588% fixed rate 2024	**100.4**	100.4	**-**	-
£250 million 1.625% fixed rate 2025	**240.2**	233.8	**-**	-
£200 million 4.5% fixed rate 2026	**196.3**	194.8	**-**	-
£55 million 2.93% fixed rate fixed rate 2026	**55.5**	55.5	**-**	-
US$150 million 3.29% fixed rate 2026	**115.6**	118.4	**-**	-
£20 million 2.93% fixed rate 2026	**20.1**	20.1	**-**	-
US$35 million 1.16% fixed rate 2026	**25.3**	25.6	**-**	-
£75 million EIB amortising 0.53% RPI index-linked 2027	**35.8**	45.6	**-**	-
£75 million EIB amortising 0.79% RPI index-linked 2027	**35.8**	45.6	**-**	-
£200 million 2.6225% fixed rate 2027	**193.5**	191.7	**-**	-
£250 million 4.5% fixed rate 2027	**253.9**	253.6	**-**	-
£150 million EIB amortising 0% RPI index-linked 2028	**92.8**	110.5	**-**	-
£73.3 million 4.394% fixed rate 2028	**67.4**	66.2	**-**	-
£200 million 6.625% fixed rate 2029	**208.9**	210.2	**-**	-
£85 million 2.88% fixed rate 2029	**85.0**	84.9	**-**	-
US$53 million 4.27% fixed rate 2029	**42.1**	43.0	**-**	-
£65 million EIB amortising 0.41% RPI index-linked 2029	**48.8**	55.8	**-**	-
£65 million 2.87% fixed rate 2029	**65.6**	65.5	**-**	-
£125 million EIB amortising 0.1% RPI index-linked 2029	**102.0**	114.9	**-**	-
£300 million 2.75% fixed rate 2029	**301.2**	300.8	**-**	-
£75 million floating rate 2029	**76.1**	75.6	**-**	-
£60 million EIB amortising 0.01% RPI index-linked 2030	**53.2**	59.1	**-**	-
£246 million 6.293% fixed rate 2030	**261.6**	262.1	**-**	-
£25 million 3.0% fixed rate 2031	**25.0**	25.0	**-**	-
£35 million floating rate fixed rate 2031	**34.8**	34.8	**-**	-
£300 million 5.875% fixed rate 2031	**311.4**	-	**-**	-
£200 million wrapped 3.07% RPI index-linked 2032	**458.0**	424.0	**-**	-
£60 million wrapped 3.07% RPI index-linked 2032	**124.2**	119.7	**-**	-
C$ 350 million 4.525% fixed rate 2032	**204.1**	209.1	**-**	-
£75 million floating rate 2032	**75.8**	75.6	**-**	-
£50 million 2.05% RPI index-linked 2033	**78.4**	74.8	**-**	-
£25 million 6.875% fixed rate 2034	**25.1**	25.0	**-**	-
JPY 8.5 billion 1.917% fixed rate 2034	**44.2**	-	**-**	-
£402 million 2.4% RPI index-linked 2035	**549.4**	505.8	**-**	-
£50 million 1.76% fixed rate 2035	**50.0**	50.0	**-**	-
£26.1 million 0.01% CPI index-linked 2035 - 1	**34.7**	33.4	**-**	-
£26.1 million 0.01% CPI index-linked 2035 - 2	**34.5**	33.2	**-**	-
£35 million 2.14% fixed rate 2036	**25.8**	26.1	**-**	-
£40 million 2.14% fixed rate 2036	**29.5**	29.9	**-**	-
Sub-total carried forward	**4,945.8**	4,993.9	**-**	-

18. Loans and other borrowings (continued)

	2024 £m	2023 £m	2024 £m	2023 £m
Sub-total brought forward	**4,945.8**	4,993.9	**-**	-
£242 million 6.07% fixed rate 2037	**247.8**	247.8	**-**	-
£24 million 6.07% fixed rate 2037	**24.6**	24.6	**-**	-
JPY 7 billion 0.855% fixed rate 2039	**36.6**	42.7	**-**	-
£560 million 6.0% fixed rate 2039	**578.6**	-	**-**	-
£65 million amortising 0.835% CPI index-linked 2040	**78.9**	75.9	**-**	-
£100 million 2.427% CPI index-linked 2040	**99.6**	-	**-**	-
£100 million amortising 3.017% CPIH index-linked 2040	**107.3**	103.0	**-**	-
JPY 7 billion 0.85% fixed rate 2040	**25.8**	32.6	**-**	-
£35 million 1.141% RPI index-linked 2042	**53.7**	51.1	**-**	-
£110 million floating rate 2043	**110.5**	110.4	**-**	-
£375 million 5.75% fixed rate 2043	**372.6**	-	**-**	-
£130 million 2.262% RPI index-linked 2045	**223.7**	213.2	**-**	-
£50 million 1.7% RPI index-linked 2046 - 1	**102.9**	95.0	**-**	-
£50 million 1.7% RPI index-linked 2046 - 2	**102.0**	95.2	**-**	-
£60 million 1.7903% RPI index-linked 2049	**126.2**	117.3	**-**	-
£50 million 1.52% RPI index-linked 2055	**90.4**	81.0	**-**	-
£40 million 1.7164% RPI index-linked 2056	**85.0**	79.3	**-**	-
£50 million 1.6777% RPI index-linked 2056	**105.8**	98.6	**-**	-
£50 million 1.3825% RPI index-linked 2056	**96.2**	89.3	**-**	-
£100 million wrapped floating rate 2057	**100.9**	100.6	**-**	-
£100 million 1.3784% RPI index-linked 2057	**192.5**	178.7	**-**	-
£75 million 1.449% RPI index-linked 2062	**135.5**	121.1	**-**	-
IFRS 16 leases	**33.6**	36.7	**-**	-
RCF £550 million	**(1.8)**	(1.7)	**-**	-
RCF £375 million	**(0.4)**	(0.7)	**-**	-
RCF £50 million bilateral - 1	**(0.1)**	(0.1)	**-**	-
RCF £50 million bilateral - 2	**(0.1)**	-	**-**	-
Liquidity facilities	**0.4**	0.3	**-**	-
£240 million 4.0% fixed rate bond 2026	**240.1**	239.8	**240.1**	239.8
£100 million floating term facility 2027	**100.6**	100.1	**100.6**	100.1
£300 million 2.0% fixed rate bond 2028	**300.1**	299.2	**300.1**	299.2
£105 million 2.2% private placements 2028	**105.2**	105.1	**105.2**	105.1
£100 million 2.37% private placements 2031	**100.5**	100.4	**100.5**	100.4
£100 million 6.96% private placement 2033	**100.1**	100.3	**100.3**	100.3
RCF Facilities OAL	**74.3**	73.3	**74.3**	73.3
Loan notes	**0.2**	0.2	**0.2**	0.2
Other loans	**1.6**	1.8	**-**	-
Total loans and other borrowings	**9,097.2**	8,006.0	**1,021.3**	1,018.4
Included in:				
Current liabilities	**539.6**	669.3	**85.8**	84.4
Non-current liabilities	**8,557.6**	7,336.7	**935.5**	934.0
Of which are leases:				
Current liabilities	**5.4**	5.7	**-**	-
Non-current liabilities	**28.2**	31.0	**-**	-

18. Loans and other borrowings (continued)

The value of the capital and interest elements of the index-linked loans is linked to movements in inflation. The increase in the capital value of index-linked loans during the year of £229.9.0 million (2023: £363.0 million) has been taken to the income statement as part of interest payable.

These loans are shown net of issue costs and borrowings premium of £44.6 million (2023: £35.1 million). The issue costs are amortised at the effective interest rate based on the carrying amount of debt over the life of the underlying instruments.

A security agreement dated 30 July 2002 between Anglian Water Services Financing Plc, Anglian Water Services Limited, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Holdings Limited and Deutsche Trustee Company Limited (as Agent and Trustee for itself and each of the Finance Parties to the Global Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water Services Limited to the extent permissible under the Water Industry Act 1991. In addition there is a fixed charge over the issued share capital of Anglian Water Services Financing Plc, Anglian Water Services Limited and Anglian Water Services UK Parent Limited. At 31 March 2024, this charge applies to £7,947.7 million (2023: £6,845.0 million) of the debt listed above.

A security agreement dated 31 January 2011 between Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and Deutsche Trustee Company Limited (as agent and trustee for itself and each of the Finance Parties to the Guaranteed Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water (Osprey) Financing Plc and Osprey Acquisitions Limited. In addition there is a fixed charge over the issued share capital of Anglian Water (Osprey) Financing Plc and AWG Parent Co Limited. At 31 March 2024, this charge applies to £1,021.1 million (2023: £1,018.4 million) of the debt listed above.

Loans and other borrowing liabilities disclosed within borrowings on the balance sheet are the only instruments designated as fair value hedge items by the Group.

All of the company’s borrowings are payable to Anglian Water (Osprey) Financing Plc, but on terms set out above.

18. Loans and other borrowings (continued)

The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

			Group
	Carrying value	Proportion hedged	Accumulated hedge adjustment [1]
	£m	%	£m
2024			
£250 million Green Bond 1.625% 2025	240.2	100	11.8
£200 million 4.5% fixed rate 2026	196.3	50	4.1
US$150 million 3.29% private placements 2026	115.6	76	4.5
US$35 million 1.16% private placements 2026	25.3	100	2.3
£200 million 2.6225% fixed rate 2027	193.5	41	7.3
£73.3 million 4.394% private placements 2028	67.4	100	7.4
£246 million 6.293% fixed rate 2030	251.4	20	3.9
£35 million 2.14% fixed rate 2036	25.8	100	9.3
£40 million 2.14% fixed rate 2036	29.5	100	10.6
JPY 7 billion 0.85% fixed rate 2040	25.8	100	10.6
	1,170.8		**71.9**
2023			
US$170 million 3.84% private placements 2023	138.8	94	1.4
£250 million Green Bond 1.625% 2025	233.8	100	17.8
£200 million 4.5% fixed rate 2026	194.8	50	5.3
US$150 million 3.29% private placements 2026	118.4	76	4.5
US$35 million 1.16% private placements 2026	25.6	100	2.6
£200 million 2.6225% fixed rate 2027	191.7	41	8.9
£73.3 million 4.394% private placements 2028	66.2	100	8.6
£246 million 6.293% fixed rate 2030	250.3	20	4.8
£35 million 2.14% fixed rate 2036	26.3	100	9.0
£40 million 2.14% fixed rate 2036	29.9	100	10.2
JPY 7 billion 0.85% fixed rate 2040	32.6	100	9.9
	1,308.4		83.0

[1] The accumulated hedge adjustment noted above is included within the carrying value of each instrument. The movement in the accumulated hedge adjustment is shown within fair value losses on derivative financial instruments in the income statement.

19. Financial instruments

Financial assets by category

	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	Group Total £m
At 31 March 2024					
Investments					
Current - cash deposits	-	-	-	552.1	**552.1**
Cash and cash equivalents					
Current	-	-	505.7	-	**505.7**
Trade and other receivables					
Current	-	-	594.9	-	**594.9**
Derivative financial instruments					
Current	-	0.9	-	-	**0.9**
Non-current	216.9	16.2	-	-	**233.1**
	216.9	**17.1**	**1,100.6**	**552.1**	**1,886.7**
At 31 March 2023					
Investments					
Current - cash deposits	-	-	-	316.7	316.7
Cash and cash equivalents					
Current	-	-	373.2	-	373.2
Trade and other receivables					
Current	-	-	557.8	-	557.8
Derivative financial instruments					
Current	7.9	47.9	-	-	55.8
Non-current	129.1	65.3	-	-	194.4
	137.0	113.2	931.0	316.7	1,497.9

Trade and other receivables above exclude prepayments and VAT.

19. Financial instruments (continued)

Financial assets by category (continued)

					Company
	Assets at fair value through profit and loss	**Derivatives used for hedging**	**Assets at amortised cost and cash equivalents**	**Investments at amortised cost**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 31 March 2024					
Investments					
Non-current	-	-	-	3,541.8	**3,541.8**
Cash and cash equivalents					
Current	-	-	-	-	**-**
Trade and other receivables					
Current	-	-	24.5	-	**24.5**
	-	**-**	**24.5**	**3,541.8**	**3,566.3**
At 31 March 2023					
Investments					
Non-current	-	-	-	3,541.8	3,541.8
Cash and cash equivalents					
Current	-	-	0.3	-	0.3
Trade and other receivables					
Current	-	-	22.1	-	22.1
	-	-	22.4	3,541.8	3,564.2

Trade and other receivables above exclude prepayments and VAT.

19. **Financial instruments** (continued)

Financial liabilities by category (continued)

				Group
	Liabilities at fair value through profit and loss £m	**Derivatives used for hedging £m**	**Other liabilities held at amortised cost £m**	**Total £m**
At 31 March 2024				
Borrowings				
Current	-	-	539.6	**539.6**
Non-current	-	-	8,557.6	**8,557.6**
Trade and other payables				
Current	-	-	355.8	**355.8**
Derivative financial instruments				
Current	79.6	13.2	-	**92.8**
Non-current	689.9	106.6	-	**796.5**
	769.5	**119.8**	**9,453.0**	**10,342.3**
At 31 March 2023				
Borrowings				
Current	-	-	669.3	669.3
Non-current	-	-	7,336.7	7,336.7
Trade and other payables				
Current	-	-	342.0	342.0
Derivative financial instruments				
Current	24.6	28.8	-	53.4
Non-current	807.7	86.1	-	893.8
	832.3	114.9	8,348.0	9,295.2

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

19. Financial instruments (continued)

Financial liabilities by category

	Company	
	Other liabilities held at amortised cost £m	**Total £m**
At 31 March 2024		
Borrowings		
Current	85.8	**85.8**
Non-current	935.5	**935.5**
Trade and other payables		
Current	0.1	**0.1**
Derivative financial instruments		
	1,021.4	**1,021.4**
At 31 March 2023		
Borrowings		
Current	84.4	84.4
Non-current	934.0	934.0
Trade and other payables		
Current	0.1	0.1
	1,018.5	1,018.5

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

19. Financial instruments (continued)

Derivative financial instruments

				Group
		2024		2023
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Designated as cash flow hedges				
Interest rate swaps	**-**	**(0.2)**	31.3	(0.6)
Cross currency interest rate swaps	**7.1**	**(19.4)**	16.0	(6.2)
Energy swaps	**2.4**	**(23.8)**	29.9	(29.2)
	9.5	**(43.4)**	77.2	(36.0)
Designated as fair value hedges				
Interest rate swaps	**-**	**(54.8)**	0.9	(64.1)
Cross currency interest rate swaps	**7.6**	**(21.6)**	35.1	(14.8)
	7.6	**(76.4)**	36.0	(78.9)
Derivative financial instruments designated as hedges	**17.1**	**(119.8)**	113.2	(114.9)
Derivative financial instruments not designated as hedges				
Interest rate swaps and swaptions	**69.1**	**(80.2)**	0.4	(104.9)
RPI swaps	**129.3**	**(484.3)**	121.9	(505.0)
CPI swaps	**18.5**	**(205.0)**	14.7	(222.4)
Total derivative financial instruments	**234.0**	**(889.3)**	250.2	(947.2)
Derivative financial instruments can be analysed as follows:				
Current	**0.9**	**(92.8)**	55.8	(53.4)
Non-current	**233.1**	**(796.5)**	194.4	(893.8)
	234.0	**(889.3)**	250.2	(947.2)

Derivative financial instruments (continued)

At 31 March 2024, the fixed interest rates vary from 1.70 per cent to 5.86 per cent, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 bps, RPI-linked interest rates vary from 1.27 per cent to 2.97 per cent plus RPI and CPI-linked interest rates vary from negative 1.21 per cent plus CPI to 1.69 per cent plus CPI. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

The Company

The Company has no derivative financial instruments (2023: none).

19. Financial instruments (continued)

In accordance with IFRS 9, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no amounts recorded in the income statement for gains or losses on embedded derivatives for the year ended 31 March 2024 (2023: £nil).

Leases

The minimum lease payments in respect of all leases fall due as follows:

	Group	
	2024	2023
	£m	£m
Within one year	**6.4**	7.2
Between two and five years	**20.0**	21.2
After five years	**14.9**	17.0
	41.3	45.4
Future finance charges on leases	**(7.7)**	(8.7)
Present value of lease liabilities	**33.6**	36.7

19. Financial instruments (continued)

Fair value of financial assets and liabilities

				Group
		2024		2023
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Cash and cash equivalents	**505.7**	**505.7**	373.2	373.2
Current asset investments - cash deposits	**552.1**	**552.1**	316.7	316.7
Borrowings				
Current	**(539.6)**	**(537.3)**	(669.3)	(671.2)
Non-current	**(8,557.6)**	**(8,483.6)**	(7,336.7)	(7,832.8)
Interest and cross currency interest rate swaps - assets				
Current	**-**	**-**	30.0	30.0
Non-current	**83.8**	**83.8**	53.7	53.7
Interest and cross currency interest rate swaps - liabilities				
Current	**(1.1)**	**(1.1)**	(10.7)	(10.7)
Non-current	**(175.1)**	**(175.1)**	(179.9)	(179.9)
RPI swaps - assets				
Current	**-**	**-**	1.9	1.9
Non-current	**129.3**	**129.3**	120.0	120.0
RPI swaps - liabilities				
Current	**(78.5)**	**(78.5)**	(20.3)	(20.3)
Non-current	**(405.8)**	**(405.8)**	(484.7)	(484.7)
CPI swaps - assets				
Current	**-**	**-**	5.5	5.5
Non-current	**18.5**	**18.5**	9.2	9.2
CPI swaps - liabilities				
Current	**-**	**-**	(0.5)	(0.5)
Non-current	**(205.0)**	**(205.0)**	(221.9)	(221.9)
Net debt	**(8,673.3)**	**(8,597.0)**	(8,013.8)	(8,511.8)
Energy derivatives - assets				
Current	**0.9**	**0.9**	18.4	18.4
Non-current	**1.5**	**1.5**	11.5	11.5
Energy derivatives - liabilities				
Current	**(13.2)**	**(13.2)**	(21.9)	(21.9)
Non-current	**(10.6)**	**(10.6)**	(7.3)	(7.3)
	(8,694.7)	**(8,618.4)**	(8,013.1)	(8,511.1)

				Company
		2024		2023
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Cash and cash equivalents	**-**	**-**	0.3	0.3
Borrowings				
Current	**(85.8)**	**(85.5)**	(84.4)	(84.8)
Non-current	**(935.5)**	**(938.1)**	(934.0)	(941.1)
Net debt	**(1,021.3)**	**(1,023.6)**	(1,018.1)	(1,025.6)

19. Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the Group would incur if it elected to repay these borrowings before their maturity dates, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined using discounted cash flow methodology with reference to discounted estimated future cash flows using observable yield curves. The fair value of cross-currency interest rate derivatives is determined using discounted cash flow methodology, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the foreign exchange rate as at 31 March. The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market energy prices at 31 March.

Fair values of other non-current investments, non-current trade and other receivables and non-current trade and other payables have been estimated as being materially equal to carrying value.

Derivative transactions expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The Group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. Level 2 instruments are valued using inputs that are observable for the asset or liability either directly or indirectly. The level 3 instrument valuation relates to CPI-linked transactions where inputs are obtained from a less liquid market. In both cases, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the year. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

Level 3 derivative financial instruments

Level 3 derivative financial instruments comprise CPI-linked inflation swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments.

19. Financial instruments (continued)

Movements in the year to 31 March for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	2024	2023
	£m	£m
At 1 April	**(207.7)**	(322.7)
Net (losses)/gains	**(3.5)**	94.4
Settlements	**24.6**	20.6
At 31 March	**(186.6)**	(207.7)

Gains and losses in the period are recognised in the income statement.

The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

	2024	2023
	£m	£m
Gain/(loss)		
1% increase in inflation rates	**(124.9)**	(143.6)
1% decrease in inflation rates	**108.7**	122.1

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

Control of treasury

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

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

19. Financial instruments (continued)

Financing structure

The Group's regulated water and water recycling business, Anglian Water Services Limited, is funded predominately by debt in the form of long-term bonds and other debt instruments through its financing subsidiary Anglian Water Services Financing Plc. At 31 March 2024, Anglian Water's net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 68.8 per cent (2023: 65.6 per cent).

The Group has also raised finance within Osprey Holdco Limited, and Osprey Acquisitions Limited through its financing subsidiary Anglian Water (Osprey) Financing Plc.

Borrowing covenants

The Group's borrowings are raised by Osprey Holdco Limited, Osprey Acquisitions Limited, Anglian Water (Osprey) Financing Plc and Anglian Water Services Financing Plc. The treasury function monitors compliance against all financial obligations and it is the Group's policy to manage the balance sheet so as to ensure operation within covenant restrictions. There were no covenant breaches in the year. Please refer to compliance certificate sent to security trustee and uploaded on our website[1] for detailed covenants.

Management of financial risk

Financial risks faced by the Group include funding, interest rate, contractual, currency, liquidity and credit risks. The Group regularly reviews these risks and has approved written policies covering treasury strategy and the use of financial instruments to manage risks.

A Finance, Treasury and Energy Policy Group, including the Chief Financial Officer and the Group Treasurer, meets monthly with the specific remit of reviewing treasury matters. Relevant treasury matters are reported to the board.

The Group aims to meet its funding requirements primarily through accessing a range of financial markets such as public bond markets, private placements, bank loans and finance leases. Surplus cash is invested in short-term bank deposits, commercial paper, certificates of deposit, treasury bills and AAA rated money funds.

The Group also enters into derivative transactions (comprising currency, index-linked, interest rate and energy swaps) to economically manage the interest, currency and commodity risks to which the Group is exposed.

a) Market risk

i) Foreign currency

The Group has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The Group's foreign exchange policy allows for a range of hedge instruments, including forward foreign exchange, swaps and options, to hedge such exposures. All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The Group has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the particular operation and has no material net exposure to movements in currency rates.

[1] Our reports (awg.com)

19. Financial instruments (continued)

a) Market risk (continued)

i) Foreign currency

Where exposures arise out of debt issuances in currencies other than sterling, this risk is hedged using cross currency interest rate swaps on the date the debt issuance is contracted. The Group assesses the economic relationship by comparing the currency cash flows on the underlying debt item with the currency cash flows on the hedge instrument to ensure an exact offset of the specific foreign currency flows of the debt is achieved. This results in a notional hedge ratio of one for all foreign currency hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied to manage foreign currency risks as appropriate and detailed below.

				Group
	Within one year m	**Between one and five years m**	**Between five and 25 years m**	**Total m**
At 31 March 2024				
Foreign currency borrowings - hedged item				
JPY	-	-	22,500.0	**22,500.0**
USD	-	238.0	-	**238.0**
CAD	-	-	350.0	**350.0**
Cross currency interest rate swap - cashflow hedge				
JPY	-	-	(15,500.0)	**(15,500.0)**
USD	-	(89.0)	-	**(89.0)**
CAD	-	-	(350.0)	**(350.0)**
Cross currency interest rate swap - fair value hedge				
JPY	-	-	(7,000.0)	**(7,000.0)**
USD	-	(149.0)	-	**(149.0)**
Net currency exposure	**-**	**-**	**-**	**-**
Weighted average spot rate				
JPY	-	-	154.4	**-**
USD	-	1.4	-	**-**
CAD	-	-	1.6	**-**

19. Financial instruments (continued)

a) Market risk (continued)

i) Foreign currency *(continued)*

				Group
	Within one year m	Between one and five years m	Between five and 25 years m	Total m
At 31 March 2023				
Foreign currency borrowings - hedged item				
JPY	-	-	14,000.0	14,000.0
USD	170.0	185.0	53.0	408.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap - cashflow hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	(10.8)	(36.0)	(53.0)	(99.8)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap - fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	(159.2)	(149.0)	-	(308.2)
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	138.3	-
USD	1.5	1.4	1.3	-
CAD	-	-	1.6	-

Hedge ineffectiveness on currency hedging primarily results from situations where we have taken the economic decision (in line with Treasury policy) to change our fixed and floating portfolio mix. Where this has required existing hedged positions to be changed, the existing hedge is de-designated and the replacement hedge will generate effectiveness. This ineffectiveness represents the difference between the amortisation of the effective balance of the hedge on the date of de-designation (released on a straight line basis) and the dynamic change in the value of the derivative as it trends to zero. In addition, ineffectiveness can result from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk).

Fair valuation movements related to foreign currency basis which forms part of the pricing of cross currency interest rate swaps, are treated as a cost of hedging for all foreign currency hedge designations within the Group. As such, it is excluded from hedge relationships and is only a source of ineffectiveness where hedge accounting has been interrupted.

The changes in fair value of the foreign currency basis spread, accumulated in the cash flow hedging reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk

The Group's policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI or CPI), fixed and floating rates of interest. To guard against the adverse movements in interest rates having a detrimental impact on the business and to enable covenanted obligations and credit ratings to be met, the overall underlying debt portfolio is maintained at between 45 and 55 per cent of RCV for index-linked debt and between 5 per cent and 15 per cent for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the Group endeavours to obtain the finest rates (lowest borrowing and finest depositing rates) consistent with ensuring that the relevant treasury objectives are met in full, i.e. the provision of adequate finance for Anglian Water Services Group at all times and maintaining security of principal on investments.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. Treasury manages its interest rate risk by monitoring market rates in relation to the debt (and investment) portfolios, analysing the effect of likely movements in interest rates and taking action as deemed appropriate, within the hedging limits outlined above.

The table below summarises the impact of derivatives on interest rate and inflation risks within the debt portfolio:

				Group
	Debt position £m	**Swap impact £m**	**Post swap position £m**	**Effective interest rate %**
At 31 March 2024				
Fixed	(5,115.4)	1,921.6	(3,193.8)	5.3
Floating	(572.7)	(539.3)	(1,112.0)	7.1
Index-linked	(3,319.3)	(1,735.9)	(5,055.2)	8.8
Leases	(24.1)	-	(24.1)	2.7
	(9,031.5)	**(353.6)**	**(9,385.1)**	
At 31 March 2023				
Fixed	(4,238.6)	1,505.0	(2,733.6)	4.5
Floating	(571.7)	(122.8)	(694.5)	4.3
Index-linked	(3,073.0)	(1,722.1)	(4,795.1)	14.1
Leases	(27.1)	-	(27.1)	2.6
	(7,910.4)	(339.9)	(8,250.3)	

Where exposures arising out of debt issuances are swapped this risk is hedged using cross currency interest rate swaps, interest rate swaps or inflation swaps. The Group assesses the economic relationship by comparing the cash flows on the underlying debt instrument with the offsetting cash flows on the hedge to ensure an exact offset of the specified notional value of the debt is achieved. This results in a notional hedge ratio of one for all interest rate hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied as appropriate.

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk (continued)

Derivatives that do not qualify for hedge accounting primarily consist of those relationships which swap debt into inflation. The table below outlines the Group's exposures to interest rates from derivative swaps in isolation (excluding offsetting debt instrument cashflows).

							Group
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Mark to market £m**	**Interest rate (weighted average) payable**	**receivable**
At 31 March 2024							
Interest rate swaps							
Floating to fixed	-	99.0	250.0	-	(22.3)	4.2	5.3
Fixed to floating	75.0	729.5	645.0	-	(46.5)	6.0	3.4
Fixed to fixed	-	316.2	515.1	-	6.2	3.0	2.5
Inflation swaps							
Floating to RPI	150.0	-	225.0	190.9	(358.4)	3.2	5.7
Fixed to CPI	-	-	565.9	100.0	(157.5)	1.0	3.6
Floating to CPI	-	-	150.4	-	(29.1)	1.0	5.5
Cross currency swaps							
JPY	-	-	145.8	-	(30.4)	4.9	1.3
USD	-	169.8	-	-	14.3	5.0	3.2
CAD	-	-	224.8	-	(10.1)	3.8	4.5
Total	**225.0**	**1,314.5**	**2,722.0**	**290.9**	**(633.8)**		
At 31 March 2023							
Interest rate swaps							
Floating to fixed	-	99.0	450.0	-	1.3	2.8	2.3
Fixed to floating	-	731.2	148.3	-	(76.1)	2.8	1.8
Fixed to fixed	-	218.8	362.5	-	(54.3)	3.5	1.7
Inflation swaps							
Floating to RPI	-	150.0	225.0	190.9	(391.0)	3.5	3.0
Fixed to CPI	-	-	565.9	100.0	(165.1)	0.9	3.6
Floating to CPI	-	-	150.4	-	(42.5)	0.8	2.8
Cross currency swaps							
JPY	-	-	101.2	-	(16.7)	3.2	0.9
USD	110.5	129.7	40.1	-	47.0	3.4	3.5
CAD	-	-	224.8	-	(0.3)	3.8	4.5
Total	110.5	1,328.7	2,268.2	290.9	(697.7)		

19. **Financial instruments** (continued)

a) **Market risk** (continued)

ii) Interest rate and inflation rate risk *(continued)*

We follow critical terms match approach for assessing hedge effectiveness. Hedge ineffectiveness can result from counterparty credit risk (which is present in the derivative but not in the hedged risk). The maturity profile of Interest rate swaps in a cash flow hedge or fair value hedge relationship are given below:

						Group and Company	
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Mark to market £m**	**Interest rate (weighted average) payable**	**receivable**
At 31 March 2024							
Interest rate swaps							
Floating to fixed – Cash flow hedge	-	25.0	-	-	(0.2)	4.1	5.2
Fixed to floating – Fair Value hedge	-	554.5	75.0	-	(54.8)	5.6	1.8
At 31 March 2023							
Interest rate swaps							
Floating to fixed – Cash flow hedge	-	25.0	250.0	-	30.8	1.8	2.3
Fixed to floating – Fair Value hedge	-	481.2	148.3	-	(63.1)	2.9	1.8

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging derivatives. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The sensitivity of the Group's profits and equity, including the impact on derivative financial instruments, to potential changes in interest rates at 31 March is as follows:

		Group
	2024 £m	2023 £m
Increase/(decrease) in equity		
1% increase in interest rates	**0.3**	15.2
1% decrease in interest rates	**(0.2)**	(17.0)
Increase/(decrease) in profit before tax		
1% increase in interest rates	**71.8**	169.0
1% decrease in interest rates	**(90.3)**	(217.8)

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk *(continued)*

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

The following assumptions were made in calculating the interest rate sensitivity analysis:

- cash flow and fair value hedge relationships remain effective;
- the main fair value sensitivity to interest rates is in relation to inflation-linked derivatives;
- cash flow sensitivity is calculated on floating interest rate net debt; and
- all other factors are held constant.

Debt instruments

The following analysis shows the impact of a one per cent change in RPI and a one per cent change in CPI over the 12-month period to the reporting date on index-linked debt instruments.

The finance cost of the Group's index-linked debt instruments and derivatives varies with changes in inflation rather than interest rates. These instruments form an economic hedge with the Group's revenues and regulatory assets, which are linked to RPI and CPI-H inflation.

Inflation risk is reported monthly to the Finance, Treasury and Energy Policy Group, which manages inflation risk by identifying opportunities to amend the economic hedge currently in place where deemed necessary.

The sensitivity at 31 March of the Group's profit before tax to changes in RPI and CPI on debt and derivative instruments is set out in the following tables:

		Group
	2024	2023
	£m	£m
Increase/(decrease) in profit before tax		
1% increase in inflation	**(28.1)**	(22.8)
1% decrease in inflation	**28.1**	22.8

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

RPI-linked derivatives

The fair values of the Group's RPI-linked derivatives are based on estimated future cash flows, discounted to the reporting date, and these will be impacted by an increase or decrease in RPI rates as shown in the following table. The sensitivity to CPI rates has been included in the level 3 disclosure and as such has not been repeated.

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk (continued)

	Group	
	2024	2023
	£m	£m
Increase/(decrease) in profit before tax		
1% increase in RPI	**(137.1)**	(143.2)
1% decrease in RPI	**112.5**	132.3

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

The Group recovers its electricity costs through revenue, set in real terms by Ofwat, to cover costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the Group to volatility in its operating cash flow.

iii) Commodity price risk

The Group's policy is to manage this risk either through forward purchases to fix the cost of future blocks of electricity with the contracted energy supplier, through the purchase of wholesale electricity swaps with financial counterparties, or through direct generation. Where swap contracts are utilised, the Group designates the swaps in cash flow hedge relationships.

	Group			
	Within one year MW	**Between one and five years MW**	**Between five and 25 years MW**	**Mark to market £m**
At 31 March 2024				
Electricity swap	**77.2**	**51.0**	**-**	**(21.4)**
At 31 March 2023				
Electricity swap	92.7	85.5	4.0	0.7

Hedge ineffectiveness primarily results from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk). There is no hedge ineffectiveness on any of our swap contracts.

19. Financial instruments (continued)

a) Market risk (continued)

iii) Commodity price risk*(continued)*

Assuming all energy hedges were in effective hedging relationships, a 10 per cent increase/decrease in commodity prices would have the following impact:

	Group	
	2024	2023
	£m	£m
Increase/(decrease) in equity		
10% increase in original prices	**3.7**	10.3
10% decrease in original prices	**(3.7)**	(10.3)

10 per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

b) Credit risk

Credit risk arises principally from trading and treasury activities. From a trading perspective, the Group has no significant concentrations of credit risk due to minimising the risk through the effective management of customer relationships and through the collateralisation inherent in the licensing of business retail activities. The Group's largest trade receivable balance is in Anglian Water Services Limited, whose operating licence prevents the disconnection of water supply to domestic customers even where bills are unpaid. Irrecoverable debt is taken into consideration as part of the price review process by Ofwat, and therefore no additional provision is considered necessary in excess of the provision for expected credit loss allowance included in note 15.

Placements of cash on deposit expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements that provide protection in the event of counterparty rating downgrade or default. The Group only places cash deposits with banks of upper investment grade (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided. The credit rating applied to all counterparties is reviewed monthly and on an ongoing basis.

All cash and cash deposits are held with institutions with a minimum of two short-term ratings of P1/A1/F1 or higher, or in the case of money market funds with a minimum of two ratings of Aaam MR1+/AAAm/AAAmmf or higher.

In the case of derivatives, the following table sets out the Group's financial assets and liabilities and the impact of any enforceable master netting arrangements.

Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis. Amounts that do not meet the criteria for offsetting on the balance sheet but could be settled net in the event of default of either party have been reflected in the offsetting column below.

19. Financial instruments (continued)

b) Credit risk (continued)

Group policy requires that transactions are only executed with counterparties which are both (a) from the lending Group and (b) rated at least A- (long-term) or A1 (short-term) by Standard & Poor's, Moody's or Fitch.

	Gross Carrying Amounts £m	Net amount presented in the balance sheet £m	Offsetting not presented in the balance sheet £m	Net amount £m
At 31 March 2024				
Derivative financial assets	234.0	234.0	(12.4)	**221.6**
Derivative financial liabilities	(889.3)	(889.3)	12.4	**(876.9)**
At 31 March 2023				
Derivative financial assets	250.2	250.2	(93.1)	157.1
Derivative financial liabilities	(947.2)	(947.2)	93.1	(854.1)

Gross amounts offset represent equal and opposite transactions with the same counterparties and same terms on which no settlements are paid. Offsetting not presented in the balance sheet reflects the extent to which derivative assets and liabilities could be offset with the same counterparty in the event of counterparty default.

At 31 March, the maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset in the Group balance sheet:

		Group
	2024	2023
	£m	£m
Cash and cash equivalents	**505.7**	373.2
Trade and other receivables	**629.3**	569.6
Investments - cash deposits	**552.1**	316.7
Derivative financial assets	**234.0**	250.2

		Company
	2024	2023
	£m	£m
Cash and cash equivalents	**-**	0.3
Trade and other receivables	**24.7**	22.1

Note 2c details the assessment made for the expected credit losses for trade and other receivables. None of the other financial assets are credit impaired.

19. Financial instruments (continued)

b) Credit risk (continued)

The Company, as part of the Anglian Water Services Financing Group, guarantees unconditionally and irrevocably all the borrowings and derivatives of Anglian Water Services Financing Plc, which at 31 March 2024 amounted to 8,911.9 million (2023: 8,080.1 million). The borrowings of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are also guaranteed unconditionally and irrevocably by the Company. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited had no outstanding indebtedness at 31 March 2024 (2023: £nil)

During the period to 31 March 2024, there has been no change to the Group's position from that disclosed in the 31 March 2023 consolidated financial statements.

c) Capital risk management

The prime responsibility of the Group's treasury function is the efficient and effective management of financial resources within the Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. This involves focus on efficiency, quality and effective control to improve cash flow certainty and profitability. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures. The Group does not have externally imposed capital requirements.

Recognising the level of gearing in the Group, and the long-term nature of the Group's asset base, the Group is primarily funded from the debt capital markets. It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets. The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings. The Group does not have any externally imposed capital requirements.

d) Liquidity risk

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

The Group maintains sufficient liquidity to cover 12 months' working capital requirements, and the non-regulated businesses are run on a cash-positive basis. Internal policy is to maintain 18 months' liquidity in terms of capital expenditure and operating costs in Anglian Water Services Limited, and to refinance maturing debt at least three months in advance, to ensure covenant compliance.

19. Financial instruments (continued)

d) Liquidity risk (continued)

The Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

		Group
	2024	2023
	£m	£m
Expires:		
Within one year	**630.0**	375.0
Between two and five years	**1,144.0**	1,225.0
	1,774.0	1,600.0

The Group's borrowing facilities of £1,774.0 million (2023: £1,600.0 million) comprise Class A debt service reserve facilities totalling £294.0 million provided by HSBC Bank Plc, Sumitomo Mitsui Banking Corporation and Assured Guaranty; a £131.0 million operating and capital maintenance expenditure reserve facility provided by Barclays Bank Plc, BNP Paribas Plc, Lloyds TSB Bank Plc and Bank of Nova Scotia; two syndicated loan facilities totalling £925.0 million for working capital and capital expenditure requirements managed by Barclays Bank Plc in the role of facility agent and syndicated to a pool of relationship banks; a bilateral facility of £50 million with MUFG Bank and a bilateral facility of £50.0 million with Bank of China Limited for general corporate purposes. In addition, Osprey Acquisitions Limited Group's borrowing facilities, consists of £324.0 million undrawn revolving loan facilities for general corporate requirements.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payable:

19. **Financial instruments** (continued)

d) **Liquidity risk** (continued)

					Group
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Total £m**
At 31 March 2024					
Trade and other payables	(355.8)	-	-	-	**(355.8)**
Borrowings	(666.6)	(3,717.0)	(8,475.3)	(2,665.8)	**(15,524.7)**
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	**(1,389.9)**
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	**(744.5)**
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	**628.1**
Leases	(6.4)	(20.0)	(11.3)	(3.6)	**(41.3)**
	(1,111.5)	**(3,960.0)**	**(9,447.0)**	**(2,909.6)**	**(17,428.1)**
At 31 March 2023					
Trade and other payables	(342.0)	-	-	-	(342.0)
Borrowings	(830.1)	(2,887.3)	(7,250.1)	(2,802.3)	(13,769.8)
Derivative financial instruments (net settled)	(11.7)	(403.8)	(776.7)	(194.2)	(1,386.4)
Derivative financial instruments (gross settled outflow)	(131.5)	(189.7)	(444.0)	-	(765.2)
Derivative financial instruments (gross settled inflow)	159.5	209.0	391.8	-	760.3
Leases	(7.2)	(21.2)	(13.3)	(3.7)	(45.4)
	(1,163.0)	(3,293.0)	(8,092.3)	(3,000.2)	(15,548.5)

19. **Financial instruments** (continued)

d) **Liquidity risk** (continued)

	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
					Company
At 31 March 2024					
Trade and other payables	(0.1)	-	-	-	**(0.1)**
Borrowings	(83.0)	(879.8)	(235.0)		**(1,197.8)**
	(83.1)	**(879.8)**	**(235.0)**	**-**	**(1,197.9)**
At 31 March 2023					
Trade and other payables	(0.1)	-	-	-	(0.1)
Borrowings	(110.4)	(446.1)	(657.6)		(1,214.1)
	(110.5)	(446.1)	(657.6)	-	(1,214.2)

20. Deferred tax

	Accelerated tax depreciation £m	Financial instruments £m	Retirement benefit obligation £m	Tax losses carried forward £m	Other £m	Total £m
						Group
At 1 April 2023	1,860.0	(94.3)	14.0	(352.3)	(6.6)	**1,420.8**
Charged/(credited) directly to income statement	138.8	54.0	1.4	(173.7)	(0.6)	**19.9**
Charged/(credited) directly to other comprehensive income	-	(1.9)	(7.1)	-	-	**(9.0)**
At 31 March 2024	**1,998.8**	**(42.2)**	**8.3**	**(526.0)**	**(7.2)**	**1,431.7**
At 1 April 2022	1,688.8	(258.7)	57.8	(81.1)	(8.5)	1,398.3
Charged/(credited) directly to income statement	171.2	164.6	7.9	(271.2)	1.9	74.4
Charged/(credited) directly to other comprehensive income	-	(0.2)	(51.7)	-	-	(51.9)
At 31 March 2023	1,860.0	(94.3)	14.0	(352.3)	(6.6)	1,420.8

Deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The Group has the following deferred tax assets that are not recognised in the financial statements:

	2024 £m	2023 £m
		Group
Corporate interest restrictions	**24.5**	24.5

20. Deferred tax (continued)

New legislation was introduced from April 2017, restricting the amount of interest that a group can offset against its tax liabilities in any year. Any amounts restricted are available to carry forward against future tax liabilities, so long as the company has the capacity to do so. The Directors believe it is uncertain that the Group will have the capacity to utilise this disallowed interest, and therefore the Group has not recognised a deferred tax asset in respect of these restrictions.

The Company

The Company has the following deferred tax assets that are not recognised in the financial statements:

		Group
	2024	2023
	£m	£m
Losses carried forward	**23.8**	14.1

The Company has losses available to carry forward against future tax liabilities. However, we believe it is uncertain that the Company will have the capacity to do so.

21. Net retirement benefit surplus

Pension arrangements for the majority of the company's UK employees are of the funded defined benefit type through the AWG Pension Scheme ("AWGPS") Main section and Hartlepool section (a defined benefit scheme for the employees of the former Hartlepool Water Limited, where the pension scheme was transferred on 1 April 2000 which is now a section of the AWGPS). The defined benefit pension arrangements are closed to new pension accrual with effect from 31 March 2018.

The company also manages an unfunded pension arrangement which has been valued by independent actuaries to take account of the requirements of IAS19 as at 31 March 2024. The provision for unfunded pension obligations relates to the cost of enhancements of former employees, over and above their entitlement in the company's pension schemes. The majority of these employees ceased their employment following redundancy programmes principally between 10 and 20 years ago. These pension enhancements are payable until the death of these former employees (or their dependants) and payments are expected to be made over approximately 25 years.

The assets and liabilities relating to the defined benefit scheme for the employees of the former Hartlepool Water Limited are held in a segregated section of the AWGPS. Hartlepool Water Limited was acquired in July 1997, with trade and assets transferred to Anglian Water on 1 April 2000. However, as the Trustees assess the funding requirements of the Hartlepool section separately from the rest of AWGPS, the Hartlepool section has been separately disclosed in the tables below.

On 14 September 2022, the Scheme completed a full buy-in of the MPLAP section, with the result that pensions payable in the MPLAP section are matched by annuity policies.

Within these schemes, employees are entitled to retirement benefits based on their final salary and length of service at the time of leaving, or closure of, the schemes, payable on attainment of retirement age (or earlier death).

21. Net retirement benefit surplus (continued)

On 31 March 2018, following a period of consultation with representatives of all employees, the defined benefit sections of the AWGPS (including the Hartlepool section) were closed for future accruals. From 1 April 2018 all employees now have the option to participate in a new high quality defined contribution scheme which offers an equitable scheme with more flexible benefits.

The Group also has pension obligations to former employees through the Morrison Pension & Life Assurance Plan ('MPLAP'). In addition, pensions in payment to a number of former employees are unfunded.

The administration and investment of the pension funds are maintained separately from the finances of the Group.

Full valuations as at 31 March 2020 have been completed for the AWGPS (including the Hartlepool section) scheme, and for MPLAP, the results of which have been used as a basis for the IAS 19 'Employee Benefits' disclosures as at 31 March 2024.

The Group has a plan in place with the scheme's trustees to address the funding deficit for the Main Section of the AWGPS by 2026, through a series of annual deficit recovery contributions.

During the year, the Group contributed £nil (2023: £21.7 million) deficit reduction payments. There were no deficit reduction payments (2023: none) for the Hartlepool Section due to the funding position on the funding basis at the 31 March 2020 valuation.

Contributions to MPLAP, including an allowance for expenses, were £nil (2023: £4.4 million) during the year.

In the year to 31 March 2025 employers' contributions are expected to be £nil.

The approximate weighted average duration of all the defined benefit obligation for AWGPS is 14 years.

The Group also operates a number of defined contribution schemes in the UK, and contributions to these schemes amounted to £22.9 million (2023: £20.5 million). There is £nil outstanding balance on the defined contribution scheme at year end (2023: £nil).

Court Ruling

A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments between 1997 and 2016 contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. If the ruling stands it will form part of case law and will be applied across other pension schemes. The judgement is subject to appeal with a hearing scheduled for 25 June 2024.

The lawyers for the IMI 2024 Deferred Fund (the Fund), Squire Patton Boggs, in conjunction with the Fund administrators, Wills Towers Watson Ltd, are currently carrying out a review of the past amending deeds. The risk of potential impact remains and continues to be assessed.

21. Net retirement benefit surplus (continued)

a) Principal actuarial assumptions

The liabilities of the Group's pension schemes have been valued using the projected unit method and using the following assumptions:

	Group	
	2024	2023
	% pa	% pa
Discount rate	**4.8**	4.7
Inflation rate		
RPI	**3.3**	3.4
CPI	**2.9/2.7[5]**	2.9/2.7[5]
Increases to deferred benefits during deferment		
RPI	**3.3**	3.4
CPI	**2.9/2.7[5]**	2.9/2.7[5]
Increases to inflation related pensions in payment [1]		
RPI	**3.2**	3.2
CPI	**2.9/N/A[5]**	2.9/N/A[5]
	years	**years**
Longevity at age 65 for current pensioners (years)		
Men	**21.5[3]/21.4[4]**	21.9[3]/21.4[4]
Women	**24.1[3]/23.8[4]**	24.4[3]/23.9[4]
Longevity at age 65 for future pensioners (years)		
Men	**22.8[3]/22.7[4]**	23.2[3]/22.7[4]
Women	**25.5[3]/25.2[4]**	25.8[3]/25.3[4]

(1) For RPI pension increases capped at 5 per cent per annum;
(2) The life expectancy shown for future pensioners is for those reaching 65 in 2044;
(3) Life expectancies for 'AWGPS', 'Hartlepool' and 'Unfunded pensioners';
(4) Life expectancies for 'MPLAP';
(5) Inflation related assumptions for MPLAP.

21. Net retirement benefit surplus (continued)

b) Sensitivity analysis

The following table sets out the sensitivity of the liabilities within the schemes to changes in the financial and demographic assumptions.

	Group and Company				
	Change in assumption	AWGPS £m	MPLAP £m	Unfunded pensions £m	Total £m
At 31 March 2024					
Discount rate	**+/- 0.5 % pa**	**-65/73**	**-9/10**	**-1/2**	**-76/85**
Rate of RPI inflation	**+/- 0.5 % pa**	**66/-60**	**5/-5**	**2/-1**	**73/-66**
Life expectancy	**+/- 1 year**	**34/-31**	**6/-6**	**1/-1**	**41/-38**
At 31 March 2023					
Discount rate	+/- 0.5 % pa	-68/76	-10/11	-2/2	-70/78
Rate of RPI inflation	+/- 0.5 % pa	57/-56	5/-5	2/-1	59/-57
Life expectancy	+/- 1 year	32/-33	7/-6	1/-1	33/-34

Changes to market conditions that influence the assumptions above may also have an impact on the value of the schemes' investment holdings. The extent to which these are managed is discussed in section (c) below. The sensitivities in the table above have been calculated by changing the key assumption and leaving all others fixed, with the exception of the RPI inflation assumption, which has a corresponding impact on Consumer Prices Index ('CPI') inflation, pension increases and salary increases due to the way the assumptions are derived. These changes in assumptions represent a reasonable alternative range, as well as a useful benchmark change.

c) Risk and risk management

The Group's defined benefit pension schemes, in common with the majority of such schemes in the UK, have a number of areas of risk. These areas of risk, and the ways in which the group manages them, are set out below.

The risks are considered below from both a funding perspective (which drives the cash commitments of the Group) and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Asset volatility

For the purpose of setting the contribution requirements, the calculation of the value of the liabilities uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. Under IAS 19, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields.

The schemes hold a proportion of their assets in return-seeking funds. The return on these assets may be volatile and are not correlated to the value of the liabilities. This means that the deficit may be volatile in the shorter term, which may lead to an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the balance sheet.

21. Net retirement benefit surplus (continued)

c) Risk and risk management (continued)

The Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. The schemes' other assets are well diversified by investing in a range of asset classes including government bonds and corporate bonds. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Change in bond yields
A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds and liability-driven investments is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

Price inflation
The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). A significant proportion of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature (corporate bonds and government bonds), or have an indirect link to inflation (equities).

Life expectancy
The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

21. Net retirement benefit surplus (continued)

d) Amounts recognised in comprehensive income

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2024					
Amounts credited/(charged) to finance costs					
Interest income on scheme assets	51.3	-	6.8	-	**58.1**
Interest cost on scheme liabilities	(47.2)	-	(6.8)	(1.5)	**(55.5)**
Net interest income/(expense)	**4.1**	**-**	**-**	**(1.5)**	**2.6**
Amounts credited/(charged) to the income statement	**4.1**	**-**	**-**	**(1.5)**	**2.6**
Amounts (charged)/credited to other comprehensive income					
Return on plan assets (excluding amounts included in net interest)	(56.0)	0.5	(1.9)	-	**(57.4)**
Actuarial losses arising from:					
Changes in financial assumptions	35.1	-	2.4	0.9	**38.4**
Experience adjustments	(8.8)	-	(0.5)	(0.2)	**(9.5)**
Net charge to other comprehensive income	**(29.7)**	**0.5**	**-**	**0.7**	**(28.5)**

	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2023					
Amounts charged to staff costs within operating profit:					
Amounts credited/(charged) to finance costs:					
Interest income on scheme assets	43.2	0.2	6.8	-	50.2
Interest cost on scheme liabilities	(37.4)	(0.1)	(5.4)	(1.1)	(44.0)
Net interest income/(expense)	5.8	0.1	1.4	(1.1)	6.2
Amounts credited/(charged) to the income statement	5.8	0.1	1.4	(1.1)	6.2
Amounts credited/(charged) to other comprehensive income:					
Return on plan assets (excluding amounts included in net interest)	(519.2)	(3.3)	(108.4)	-	(630.9)
Actuarial gains arising from:					
Changes in financial assumptions	439.3	2.3	57.4	9.5	508.5
Experience adjustments	(74.9)	-	(6.9)	(2.3)	(84.1)
Net (charge)/credit to other comprehensive income	(154.8)	(1.0)	(57.9)	7.2	(206.5)

21. Net retirement benefit surplus (continued)

e) Amounts recognised in the balance sheet

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2024					
Equities	88.3	-	-	-	**88.3**
Corporate bonds	326.0	-	-		**326.0**
Government bonds	799.7				**799.7**
Property	33.3	-	-	-	**33.3**
Alternatives	73.1	0.7	-	-	**73.8**
Pooled LDI Investments (with def of LDI)	75.2	-	-	-	**75.2**
Derivatives	(26.5)	-	-	-	**(26.5)**
Repurchases	(425.1)	-	-	-	**(425.1)**
Insurance contract	-	-	145.6	-	**145.6**
Cash and cash equivalents	117.5	0.4	0.4	-	**118.3**
Total assets	1,061.5	1.1	146.0	-	**1,208.6**
Present value of scheme liabilities	(999.0)	-	(145.6)	(30.8)	**(1,175.4)**
Net pension surplus	**62.5**	**1.1**	**0.4**	**(30.8)**	**33.2**
Comprising:					
Pension schemes with a net surplus, included in non-current assets	62.5	1.1	0.4	-	**64.0**
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(30.8)	**(30.8)**
	62.5	**1.1**	**0.4**	**(30.8)**	**33.2**

21. Net retirement benefit surplus (continued)

e) Amounts recognised in the balance sheet (continued)

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2023					
Equities	84.0	-	-	-	84.0
Corporate bonds	297.1	-	-		297.1
Government bonds	1,139.7	0.6	-		1,140.3
Property	67.0	-	-	-	67.0
Alternatives	82.6	-	-	-	82.6
Pooled LDI Investments (with def of LDI)	73.0	-	-	-	73.0
Derivatives	(50.4)	-	-	-	(50.4)
Repurchases	(730.3)	-	-	-	(730.3)
Insurance contract	-	-	149.0	-	149.0
Cash and cash equivalents	155.2	-	0.4	-	155.6
Total assets	1,117.9	0.6	149.4	-	1,267.9
Present value of scheme liabilities	(1,029.9)	-	(149.0)	(33.0)	(1,211.9)
Net pension surplus	88.0	0.6	0.4	(33.0)	56.0
Comprising:					
Pension schemes with a net surplus, included in non-current assets	88.0	0.6	0.4	-	89.0
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(33.0)	(33.0)
	88.0	0.6	0.4	(33.0)	56.0

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. Most of the assets have quoted prices in active markets, but there are corporate bonds, alternative investments and insurance contracts, which are unquoted amounting to £98.8 million (2023: £235.0 million).

21. Net retirement benefit surplus (continued)

f) Reconciliation of fair value of scheme assets

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
At 1 April 2023	1,117.9	0.6	149.4	-	**1,267.9**
Interest income on scheme assets	51.3	-	6.8	-	**58.1**
Employers' contributions	-	-	-	2.9	**2.9**
Benefits paid	(51.7)	-	(8.3)	(2.9)	**(62.9)**
Curtailments/settlements	-	-	-	-	**-**
Return on plan assets (excluding interest income)	(56.0)	0.5	(1.9)	-	**(57.4)**
At 31 March 2024	**1,061.5**	**1.1**	**146.0**	**-**	**1,208.6**
At 1 April 2022	1,632.0	18.5	255.0	-	1,905.5
Interest income on scheme assets	43.2	0.2	6.8	-	50.2
Employers' contributions	21.8	-	4.4	2.7	28.9
Benefits paid	(59.9)	(0.1)	(8.4)	(2.7)	(71.1)
Introduction of insured annuitants	-	(14.7)	-	-	(14.7)
Return on plan assets (excluding interest income)	(519.2)	(3.3)	(108.4)	-	(630.9)
At 31 March 2023	1,117.9	0.6	149.4	-	1,267.9

g) Reconciliation of scheme liabilities

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
At 1 April 2023	(1,029.9)	-	(149.0)	(33.0)	**(1,211.9)**
Interest cost on scheme liabilities	(47.2)	-	(6.8)	(1.5)	**(55.5)**
Benefits paid	51.8	-	8.3	3.0	**63.1**
Actuarial gains	26.3	-	1.9	0.7	**28.9**
Curtailments and settlements	-	-	-	-	**-**
At 31 March 2024	**(999.0)**	**-**	**(145.6)**	**(30.8)**	**(1,175.4)**
At 1 April 2022	(1,416.8)	(17.0)	(202.6)	(41.8)	**(1,678.2)**
Interest cost on scheme liabilities	(37.4)	(0.1)	(5.4)	(1.1)	**(44.0)**
Benefits paid	59.9	0.1	8.5	2.7	**71.2**
Actuarial losses	364.4	2.3	50.5	7.2	**424.4**
Curtailments and settlements	-	14.7	-	-	**14.7**
At 31 March 2023	(1,029.9)	-	(149.0)	(33.0)	**(1,211.9)**

22. Share capital

	Group and Company	
	2024	2023
	£m	£m
Authorised, issued and fully paid		
87,615,751,649 ordinary shares of 1 pence each	**876.2**	876.2
	876.2	876.2

There were no movements in the number of shares allotted, issued and fully paid in either the current or preceding year.

During the year ended 31 March 2024, dividend of £18.7 million (£0.0002 per share) were paid by the Company to its immediate parent undertaking, Osprey Investco Limited (2023: 136.0 million at £0.002 per share). See note 30 for details of dividends declared after the year end.

23. Hedging reserve

	2024	2023
	£m	£m
At 1 April	**17.8**	20.4
Losses on cash flow energy hedges	**(50.2)**	(32.9)
(Losses)/gains on other cash flow hedges	**(0.9)**	49.7
Amounts transferred to the income statement	**27.5**	(40.0)
Amounts transferred to the income statement from discontinuation of cash flow hedges	**4.8**	8.9
Exchange movement on hedging instruments related to debt in cash flow hedges	**14.6**	11.1
Deferred tax movement on cash flow hedges	**1.3**	0.6
At 31 March	**14.9**	17.8

Cost of hedging reserve

	2024	2023
	£m	£m
At 1 April	**1.7**	0.3
(Losses)/gains on hedge relationships	**(2.7)**	1.8
Deferred tax movement on hedge relationships	**0.6**	(0.4)
At 31 March	**(0.4)**	1.7

The hedging reserve represents the cumulative effective portion of gains and losses arising on the change in fair value of hedging instruments, excluding those fair value movements identified as costs of hedging within the specific hedge relationship. The cost of hedging reserve captures the movement in the fair value of the cost of hedging component.

The Company

The Company has no hedging reserve (2023: none).

23. **Hedging reserve** (continued)

The table below provides additional information in relation to the annual movements and cumulative closing positions on the cash flow hedge reserves.

	Annual movements		Cumulative reserves			Group
	Hedged item gain/(loss)	**Hedge ineffectiveness gain/(loss)**	**Total hedge reserves continuing**	**Total hedge reserves discontinued**	**Deferred tax on hedge reserves**	**Total hedge reserves**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 31 March 2024						
Cash flow hedge of interest rate risk	**(75.2)**	**-**	**3.1**	**16.0**	**(4.6)**	**14.5**
At 31 March 2023						
Cash flow hedge of interest rate risk	(26.1)	-	65.2	(39.2)	(6.5)	19.5

24. Capital commitments

The Group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the value outstanding of orders placed at 31 March.

		Group
	2024	2023
	£m	£m
Property, plant and equipment	**305.8**	215.8
Intangible assets	**58.6**	26.3
	364.4	242.1

There were no capital commitments relating to the Group’s share of joint ventures.

The Company

The Company has no such commitments (2023: none).

25. Lease arrangements

The Group leases various items of property, plant and equipment. Right-of-use assets are included within property, plant and equipment on the balance sheet, further details can be found in note 12. Lease liabilities are included within borrowings on the balance sheet, further details can be found in note 18.

	Group	
	2024	2023
	£m	£m
Additions to right-of-use assets	**3.6**	6.1
Depreciation charge for right-of-use assets	**(7.5)**	(6.9)
Carrying amount of right-of-use assets	**70.7**	74.6
Interest expense on lease liabilities	**(1.2)**	(1.0)
Expense relating to short-term leases	**2.9**	3.2
Total cash outflow for leases comprising interest and capital payments	**(8.4)**	(7.7)
Reconciliation of lease liability		
Contractual undiscounted cash flows	**41.3**	45.4
Effect of discounting	**(7.7)**	(8.7)
Lease liability	**33.6**	36.7

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. At 31 March 2024, the Group had £0.4 million (2023: £0.1 million) outstanding commitments in respect of future minimum lease payments under non-cancellable short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

Leases as lessor

The Group leases out its investment properties. During the year to 31 March 2024, rental income of £1.9 million (2023: £2.0 million) was included within revenue.

26. Contingencies

In April 2020, circa 100 property search companies served proceedings on all the Water and Sewerage Undertakers (“WASCs”) in England and Wales, including Anglian Water Services Limited (“Anglian Water”), seeking damages on the basis that information which the search companies had requested should have been provided free of charge or for a nominal fee pursuant to the Environmental Information Regulations (“EIR”). In common with its co-defendants, Anglian Water has filed a robust defense. A first stage trial took place during November and December 2023 during which the court heard arguments focusing on the extent to which the information requested by the Claimants fell within the scope of the EIR. The court also heard evidence regarding the extent to which the information was made available. Judgment is still awaited. This is an industry-wide issue and at this stage the Directors consider, based on current legal advice, that the claim is unlikely to succeed and, in any event, would not to be material to the financial standing of the Company.

Ofwat and the Environment Agency (“EA”) launched industry-wide investigations in 2021 into compliance with conditions of environmental permits. Ofwat’s focus is potential non-compliance with legislation and with license conditions (referred to as the Flow to Full Treatment investigation). In December 2023, Ofwat issued a press release explaining that it had notified Northumbrian Water, Thames Water and Yorkshire Water of its provisional findings in light of the evidence that had been gathered and that it was continuing to progress three further wastewater enforcement cases opened as part of its investigation (including the case against Anglian Water). The EA’s investigation (referred to as Operation Standard) is also ongoing. The Company has provided comprehensive information to both regulators and continues to engage positively with them.

In December 2023, Professor Carolyn Roberts (acting as proposed the Proposed Class Representative) issued proceedings against Anglian Water alleging that the company has abused (and continues to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings have been issued against five other WASCs. Professor Roberts alleges that the WASCs have provided misleading information to the EA and to Ofwat with the result that Ofwat has allowed companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it is proposed to progress the claim as a class action in the Competition Appeal Tribunal on behalf of all relevant customers, the claim will need to be certificated before it can proceed to a substantive trail. The Directors consider that this application of the Competition Act is extremely novel and that there are a number of significant hurdles which must be overcome by the Claimant in connection with this litigation. Accordingly, there is no basis to conclude that the claim will be successful. There is also material overlap between this claim and Ofwat’s and the EA’s investigations (referred to above).

27. Ultimate parent undertaking and controlling party

Osprey Acquisitions Limited is a limited liability company incorporated and domiciled in England and Wales.

Following a reorganisation in May 2021, the company’s immediate parent undertaking is now Osprey Investco Limited, a company registered in England and Wales.

27. Ultimate parent undertaking and controlling party (continued)

The Directors consider Anglian Water Group Limited to be the ultimate parent undertaking and controlling party. Anglian Water Group Ltd is itself owned by a consortium of investors consisting of: CPP Investment Board Private Holdings (6) Inc., Global InfraCo (HK) E. Limited, First Sentier Investors (Luxembourg) Infrastructure (B) GP S.a.r.l. as managing general partner of Infrastructure Lux (B) SCSp, Camulodunum Investments Ltd, and Infinity Investments S.A.

Osprey Holdco Limited is the parent company of the smallest group to consolidate the financial statements of the company, and Anglian Water Group Limited is the parent company of the largest group to consolidate the financial statements of the company. Copies of the Anglian Water Group Limited financial statements can be obtained from the Company Secretary, at the registered office, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

28. Related party transactions

a) Transactions with shareholders

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the company as they each have the ability to influence the financial and operating policies of both the company and the Group.

During the year to 31 March 2024 there were no other transactions with the shareholders of the ultimate parent undertaking.

b) Transactions with key management

Key management personnel comprise all the directors and members of the management board during the year. A scheme is in place to encourage investment in the Group by key management on an equivalent basis as the consortium of shareholders. During the year £0.1 million (2023: £0.3 million) was invested by key management, incurring a loss of £0.2 million (2023: £0.1 million earning) . No repayment was made in the year as part of this scheme. The £1.8 million bond held by key management in previous years has matured and there are no other bonds held by key management as at 31 March 2024.

Remuneration of key management personnel

		Group
	2024	2023
	£m	£m
Short-term employee benefits	6.4	5.9
Post-employment benefits	0.4	0.4
	6.8	6.3

28. Related party transactions (continued)

c) Transactions with joint ventures

During the year the Group did not trade with its joint ventures (2023: £nil). At 31 March 2024, there were no balances due from joint ventures (2023: £nil).

d) Parent company

The Company's related party transactions are summarised below:

	2024	2023
	£m	£m
Management fees paid to		
Fellow subsidiaries of Anglian Water Group Limited	**0.1**	0.1
Interest charged by		
Subsidiaries	**40.8**	40.0
Dividends received from		
Subsidiaries	**61.9**	151.0
Dividends paid to		
Parent company	**(18.7)**	(136.0)
Loans and other borrowings due to		
Subsidiaries	**(1,021.3)**	(1,018.4)

29. Alternative performance measures

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

a) EBITDA

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the company's overall financial performance. Each element of this APM is shown on the face of the income statement.

	Group	
	2024	2023
	£m	£m
EBITDA	**798.8**	792.0
Net finance costs	**(328.2)**	(90.3)
Tax charge	**(18.6)**	(73.5)
Depreciation and amortisation	**(388.7)**	(379.3)
Profit for the period	**63.3**	248.9

29. **Alternative performance measures** (continued)

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains on derivative financial instruments. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2024	2023
	£m	£m
Net finance income/(costs) excluding fair value gains on derivative financial instruments	**123.3**	(555.0)
Fair value gains on derivative financial instruments	**204.9**	645.3
Net Finance costs, including fair value gains on derivative financial instruments	**(328.2)**	(90.3)

c) Adjusted loss before tax/Loss before fair value gains

Calculated as profit before tax excluding fair value gains on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2024	2023
	£m	£m
Adjusted loss before tax/Loss before fair value gains	**(123.0)**	(322.9)
Tax charge	**(18.6)**	(73.5)
Fair value gains on derivative financial instruments	**204.9**	645.3
Profit for the period	**63.3**	248.9

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business. See note 16 and below.

	Group	
	2024	2023
	£m	£m
Net cash and cash equivalents	**505.7**	373.2
Current asset investments	**552.1**	316.7
Borrowings	**(9,097.2)**	(8,006.0)
Net debt excluding derivatives	**(8,039.4)**	(7,316.1)
Derivatives	**(633.2)**	(697.7)
Less: energy derivatives	**(0.7)**	(0.7)
Adjusted net debt	**(8,673.3)**	(8,013.8)

29. **Alternative performance measures** (continued)

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

e) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. The table below shows the operating cash value less RCV depreciation, compared to the net interest paid during the year to show the interest cover.

	Group	
	2024	2023
	£m	£m
Operating cash	**767.1**	710.9
RCV run off	**(475.2)**	(423.5)
	291.9	287.4
Interest cash	**(181.8)**	(184.6)
Net interest income excluded under CTA	**(2.5)**	(0.6)
	(184.3)	(185.2)
Interest cover ratio	**(1.6)**	1.6

f) Capital investment

Capital investment is the total property, plant, and equipment, and intangibles additions less capitalized interest, adopted assets, and capital additions in the non-appointed business. This is used as a measure to help us monitor how we are achieving our Business Plan commitments.

	Group	
	2024	2023
	£m	£m
Property, plant and equipment additions	**1,044.0**	733.4
Intangible assets addition	**58.2**	82.3
Capitalised interest	**(71.0)**	(40.8)
Adopted assets	**(48.2)**	(46.0)
Non-appointed business	**(1.3)**	(1.4)
Items shown as stock	**(18.3)**	(2.5)
Capital investment	**963.4**	725.0

29. **Alternative performance measures** (continued)

g) Free cash flow

Free cash flow is used in determining cash conversion and is calculated as cash from operating activities, less net interest of cash deposits, less capital maintenance.

		Group
	2024	2023
	£m	£m
Operating cash	**767.1**	710.9
Interest on cash	**(181.8)**	(184.6)
Less: net interest income excluded under CTA	**(2.5)**	(0.6)
Capital maintenance	**(341.0)**	(32626.2)
Free cash flow	**241.8**	199.5

30. Events after the balance sheet date

On 10 June 2024, the Board agreed to recommend a interim dividend for 2023/24 of £41.0 million (£0.0005 per share) to the Company's sole member which is to be paid on 14 June 2024.

Other than the above there have been no events between the balance sheet date and the date on which the financial statements were approved by the Board, which would require adjustment to the financial statements or any additional disclosures.

31. Group undertakings

The Group's subsidiary undertakings at 31 March 2024 are shown below. Unless otherwise disclosed, all subsidiary undertakings are incorporated in the UK, are 100 per cent owned, and with a share class of ordinary shares.

	Registered office	Percentage holding
Owned directly by Osprey Acquisitions Limited		
Anglian Water (Osprey) Financing Plc	a	
AWG Parent Co Limited	a	
All subsidiary undertakings		
Alexander Morrison Limited	b	
Ambury Developments Limited	a	
Anglian Water (Osprey) Financing Plc	a	
Anglian Water Direct Limited	a	
Anglian Water International Holdings Limited	a	
Anglian Water Services Financing Plc	a	
Anglian Water Services Holdings Limited	a	
Anglian Water Services Limited	a	
Anglian Water Services UK Parent Co Limited	a	
AWG Business Centres Limited	a	
AWG Central Services Limited	a	
AWG Corporate Services Limited	a	
AWG Group Limited	a	
AWG Land Holdings Limited	a	
AWG Outlet Centers Limited	b	
AWG Parent Co Limited	a	
AWG Property Developments (Ireland) Limited	c	
AWG Property Director Limited	a	
AWG Property Limited	b	
AWG Residential Limited	b	
AWG Shelf 11 Limited	b	
Cambuslang Retail Portfolio Limited	b	
Chester (1995) Limited	a	
CS Amenities Limited	a	97%

31. Group undertakings (continued)

	Registered office	Percentage holding
All subsidiary undertakings (continued)		
DMWS 819 Limited	b	
DMWS 822 Limited	b	
DMWS 823 Limited	b	
DMWS 824 LLP [(1)]	b	
Edmund Homes Limited	a	
Graham Street Airdrie Retail Portfolio Limited	b	
Macrocom (743) Limited	b	
Morrison (Oldco) Limited	b	
Morrison Glosha Limited	b	
Morrison International Limited	b	
Morrison Property Investments Limited	b	
Rutland Insurance Limited	e	
Valuetype Limited	a	
Wave Environmental Limited	a	
Wave Holdings Limited	b	
Wave Utilities Limited	b	
Wave Water Limited	a	

	Registered office	Percentage holding
Joint ventures		
AWG Outlets (Rathdowney) Limited	c	50%
City Road Properties (Chester) Limited	a	50%
Crowwood Grange Estates Limited	b	50%
Hollowstone Limited	a	50%
Kings Waterfront Properties Limited	a	50%
Morrison Gwent Limited	a	50%
Morrison Leneghan IRL Limited	e	60%
Morrison Properties Limited	b	50%
Morrison Residential Properties Limited	b	50%
NVB Rathdowney Limited	c	50%
Rathdowney Shopping Centre Management Company Limited	c	50%

[(1)] The principal place of business of these companies is the same as the registered office address.

31. Group undertakings (continued)

Registered offices

a) Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU, United Kingdom.

b) c/o Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh EH3 8BP.

c) Suite 8, Northwood House, Northwood Business Campus, Santry, Dublin 9, Ireland.

d) 6th Floor, Southbank House, Barrow Street, Dublin 4, Ireland.

e) PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey, Channel Islands.

For all companies, the registered office is located in the country of incorporation.

Dissolved companies

During the year ended 31 March 2024, the following Group subsidiaries were dissolved:

Company Name	Date of Dissolution
Anglian Water Facilities Management Holdings (UK) Limited	20 February 2024
AW Creative Technologies Limited	12 March 2024
AWG (UK) Holdings Limited	12 March 2024
AWG Property Solutions Limited	20 February 2024
H2Go Limited	20 February 2024
Morrison Holdings Limited	20 February 2024

Independent auditor’s report to the members of Osprey Acquisitions Limited

Independent auditor’s report to the members of Osprey Acquisitions Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Osprey Acquisitions Limited (the ‘parent company’) and its subsidiaries (the ‘group’) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2024 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group and company cash flow statement; and
- the related notes 1 to 31

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor’s report to the members of Osprey Acquisitions Limited (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- Understanding the company’s position within the Anglian Water Group and the ability of the Directors to assess the going concern position;
- Testing key controls over the cashflow forecasting and going concern assessment;
- Understanding Management’s process to model the impact of going concern and agreeing relevant data points in the model to supporting documentation;
- Assessing the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by Management;
- Assessing the assumptions used in establishing Management’s base case, including comparison of key assumptions to plans for the remainder of the Asset Management Period (“AMP”) 7, the submitted AMP 8 business plan and independent data sources where relevant;
- Evaluating liquidity, including in the scenario where future financing is restricted;
- Evaluating the external financing to establish and assess the covenant requirements attached to this financing;
- Confirming the availability of committed undrawn borrowing facilities;
- Recalculating and assessing the amount of headroom in the forecasts (liquidity and covenants) and recalculating compliance with covenants during the year ended 31 March 2024;
- Evaluating the sensitivity analysis including downside risks prepared by Management in the context of operational performance challenges, additional spend on capital projects, cyber risks and the broader socio-economic conditions; and
- Assessing the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s and parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group’s industry and its control environment, and reviewed the group’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of Management, internal audit, Audit Committee and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group’s business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Environmental Agency regulations, pensions legislation, tax legislation and the licence conditions imposed by The Water Services Regulation Authority (Ofwat); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax, financial instrument valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

In addressing the risk of fraud through bad debt provisioning, we:

- obtained an understanding of relevant controls within the bad debt provision estimation process;
- utilised data analytics to perform a recalculation of debtor ageing to verify the accuracy of information within the aged debt report in order to assess whether customers are accurately categorised based on information within Management's financial reporting system;
- challenged the base bad debt provision by agreeing the recoverability assumptions to cash collection rates and tested the mechanical accuracy of the calculation;
- assessed whether any discrepancies exist between the provision recognised and that supported by other macro-economic indicators that may impact the ability of customers to make payments;
- assessed whether the provision has been calculated in line with the policy of the group and with IFRS 9 'Financial Instruments'; and
- assessed the accuracy and completeness of the cash collection trends used in the provision rate calculation by reconciling billing and SAP data and tested a sample of cash collections both during the year and post period end.

In addressing the risk of fraud in respect of the inappropriate capitalisation of costs, we:

- obtained an understanding of, and tested, relevant controls around the classification of costs as capital expenditure;
- tested a sample of capital projects by agreeing the costs incurred to third-party documentation and assessing the appropriateness of the classification in accordance with the capitalisation policy

Independent auditor’s report to the members of Osprey Acquisitions Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of Management, internal audit and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports, and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors’ Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

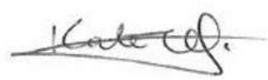
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor’s report to the members of Osprey Acquisitions Limited (continued)

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Hadley (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

10 June 2024