Anglian Water Group Limited
Half-yearly report

for the six months ended 30 September 2016

Anglian Water Group Limited

Half-yearly management report

for the six months ended 30 September 2016

Summary

Results for the six months ended 30 September 2016

	2016 £m	2015 £m
Revenue	**676.6**	621.2
Operating profit	**204.5**	188.9
Underlying profit before tax [1]	**39.6**	25.5
Loss before tax	**(185.1)**	(20.1)

(1) Excludes the exceptional profit of £9.5 million (2015: £nil) on derecognition of joint venture, and fair value losses on derivatives of £234.2 million (2015: £45.6 million).

Group financial performance

Anglian Water Group Limited's principal business is Anglian Water, the group's regulated water and sewerage company, which supplies water and water recycling services to over six million domestic and business customers in the east of England and Hartlepool. The group also includes Anglian Venture Holdings which comprises Anglian Water Business (National) which provides water services to non-household customers in Scotland, Alpheus Environmental which operates industrial and commercial wastewater treatment works in the UK, and Celtic Anglian Water which operates water and wastewater treatment works in the Republic of Ireland.

On 14 June 2016 the group purchased the 50% holding in Celtic Anglian Water Limited that it did not already own. This has resulted in an exceptional profit on derecognition of the original 50% shareholding in Celtic Anglian Water Limited that was previously treated as an investment in a joint venture.

This interim review has been prepared in respect of the six months ended 30 September 2016.

Revenue was £676.6 million, an increase of 8.9% from £621.2 million in 2015. Anglian Water's revenue increased by 2.3%, reflecting the average regulatory tariff increase of 2.35% which includes 1.1% for inflation. Anglian Venture Holdings revenue for the half-year was £52.5 million (2015: £7.4 million), with the increase due to the commencement of a major new contract in Scotland on 1 March 2016, and the impact of the Celtic Anglian Water acquisition.

Operating profit was £204.5 million, an increase of £15.6 million from the £188.9 million profit in 2015.

Anglian Water's operating profit increased by £13.9 million, 7.2%, to £206.9 million, which is consistent with the effect of the regulatory price increase and lower operating costs, partially offset by increased depreciation. Anglian Venture Holdings reported an operating profit of £2.2 million for the period (2015: £0.7 million).

Net finance costs for the period, excluding fair value losses on derivative financial instruments, increased marginally in the period to £165.2 million (2015: £164.1 million).

Resultant underlying profit before tax was £39.6 million (2015: £25.5 million). After the exceptional profit on derecognition of a joint venture, and fair value losses on derivative financial instruments, the loss before tax was £185.1 million (2015: £20.1 million).

Compared to the previous period, the total tax credit has increased by £73.9 million from £8.1 million to £82.0 million. This is mainly due to an increased deferred tax credit on the fair value losses on derivatives, and a deferred tax credit due to a further change to the UK corporation tax rate which reduces the rate by a further 1% to 17% from 1 April 2020.

Cash flow

Operating cash inflow for the group was £318.2 million (2015: £314.3 million), an increase of £3.9 million on the prior period. Anglian Water's operating cash flow was £6.8 million higher than the prior period at £334.0 million (2015: £327.2 million).

Net cash outflow for capital investment was £148.2 million (2015: £130.1 million), which is net of the movement in creditors and accruals in the period. The vast majority of capital expenditure relates to the Anglian Water capital programme where gross regulated capital investment in the six months to 30 September 2016 was £166.1 million, in line with management expectations. Net cash outflow from capital expenditure is after grants and contributions of £18.1 million received towards the capital programme and refers to the actual cash spend.

Net debt

Net debt increased by £309.4 million to £7,942.9 million in the six months to 30 September 2016. During the period new debt of £371.0 million was raised, of which £214.3 million relates to the delayed draw down of a US Private Placement executed in the previous year and £155.0 million being drawings on the group's committed revolving credit facilities. Debt repaid in the period amounted to £394.2 million, primarily in respect of €500 million 6.25% bonds that matured in June 2016.

Pensions

At 30 September 2016 the net deficit for the group was £222.1 million (31 March 2016: £3.0 million). Actuarial assumptions reflect a decrease in the discount rate from 3.5% at March to 2.4% at September 2016 as a result of the UK referendum decision to exit the EU (Brexit) impacting interest rates, as well as a small increase in future inflation. Asset performance across all categories of pension assets has been above expectations during the period. Future additional contributions will continue to be made in line with actuarial advice.

Principal risks and uncertainties

Effective risk management is central to the achievement of strategic priorities. It is managed across our business through a number of formal and informal processes to identify new risks in a timely manner and ensure swift mitigation can be implemented. The principal risks and uncertainties that the business faces over the remainder of this financial year are largely unchanged from those reported in our last annual report and financial statements, listed below:

- Cyber security and data protection
- Climate change and flooding
- Financing our business
- Regional growth
- Water sector reform and other legislation
- Pollutions
- Failure to deliver our AMP6 plan
- Reputation
- Health and safety
- Talent and succession
- Water quality

Further detail on these risks and uncertainties is included in the annual report and financial statements for the year ended 31 March 2016.

Since publishing the annual report and financial statements we have added the risk around the UK leaving the EU (Brexit) and are currently evaluating the risks and opportunities this poses for the group.

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Results for the six months ended 30 September 2016

	2016 **£m**	2015 £m
Revenue	**620.9**	607.2
Other operating income	**7.0**	6.5
Operating costs	**(267.7)**	(273.9)
Depreciation and amortisation	**(153.3)**	(146.8)
Operating profit	**206.9**	193.0
Finance income	**1.4**	2.1
Finance costs [1]	**(133.5)**	(129.8)
Underlying profit before tax	**74.8**	65.3

[1] Shown before fair value losses of £238.7 million (2015: £40.6 million) on derivative financial instruments.

Revenue for the half year was £620.9 million, an increase of £13.7 million (2.3%) on the same period last year. This primarily reflects the average regulatory tariff increase of 2.35% which includes 1.1% for inflation. Demand from existing customers was down slightly compared with last year but this has been partly offset by new customer growth.

Other operating income comprises primarily the amortisation of developer contributions received in respect of new housing developments, with activity up slightly from the prior year.

Operating costs reduced by £6.2 million (2.3%) on the same period last year to £267.7 million in spite of general inflationary pressure. The reduction is explained in the following table:

Increases/(decreases) in operating costs (before depreciation and amortisation)	**£m**
General inflationary increases	3.5
Operating costs of newly commissioned plant	1.3
Reduction in rates due to reassessment of water recycling sites	(1.0)
Decrease in minor repair activities to maintain water and wastewater below ground infrastructure	(2.3)
Efficiency savings achieved	(6.7)
Other cost reductions	(1.0)
Net decrease in operating costs	(6.2)

Included in the overall £6.2 million of cost reductions are non-recurring savings of £2.7 million.

The bad debt charge for the period, expressed as a proportion of revenue, was down from 2.72% to 2.66%.

Depreciation and amortisation is up 4.4% compared with the same period last year, reflecting depreciation on newly commissioned operating assets.

Operating profit has increased by 7.2% to £206.9 million, which is consistent with the effect of the regulatory price increase and lower operating costs, partially offset by increased depreciation.

The underlying net finance charge for the period increased by £4.4 million to £132.1 million. This is consistent with the increase in net debt, less interest earned on cash deposits and less interest being capitalised as a result of more infrastructure projects being commissioned in the period.

The fair value losses on financial derivatives (excluding energy derivatives) of £250.0 million (2015: £39.7 million) is primarily a result of the decrease in long term interest rates experienced in the period. Following the referendum on EU membership the base rate was halved to 0.25% and long term rates are exceptionally low. The fair value losses are non-cash in nature and have no effect on the underlying commercial operations of the business.

The increase in Brent crude oil prices up to September 2016 to above $50/barrel impacting gas contracts and concerns of tighter power generation margins this winter has increased shorter dated electricity prices. This resulted in a net gain of £11.3 million on the fair value of our energy derivatives, compared with a loss

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of £0.9 million for the same period last year. This is a non-cash accounting adjustment which varies in line with future energy prices, and is excluded from the underlying results. Energy derivatives are entered into to fix our wholesale energy costs over the regulatory asset management plan period.

During the period new debt of £369.2 million was raised, of which £214.3 million relates to the delayed draw down of a US Private Placement executed in the previous year and the balance is drawings on the company's committed revolving credit facilities. Debt repaid in the period amounted to £394.0 million in respect of €500 million 6.25% bonds that matured in June 2016.

Gross regulated capital investment in the six months to 30 September 2016 was £166.1 million. This is in line with management expectations.

Operational performance summary

We are now well into the second year of the Asset Management Plan period (AMP) that runs from 2015 to 2020. In preparation for this AMP, we carried out our largest ever consultation with our customers. More than 50,000 told us what matters to them, resulting in the creation of ten outcomes in three broad areas, against which we report our progress[1]. Here, we report on activity against our outcomes in these three broad areas.

Providing the services our customers expect: satisfied customers, fair charges, safe clean water, resilient services

Following the largest percentage drop of any water and sewerage company in England and Wales in April 2015, average annual household bills rose to £411 in April 2016, to fund a 2016/17 investment programme of £444 million. Average annual household bills are still lower than they were three years ago following price cuts in 2015. Customers who have a water meter continue to pay even less, with the average household bill at £378.

As well as bill reductions, we continue to offer a comprehensive package of measures to help customers manage their bill. Our social tariff, called LITE, has now been available for 18 months. It offers customers who find themselves in challenging economic circumstances up to 80% discount on their bill. The Anglian Water Assistance Fund also makes £1 million available each year, to help customers with debt get back on track.

We remain committed to our goal of having 100% of our customers very satisfied with the service they receive from us. We're continually investing in new technologies and systems, and reviewing our processes, in order to improve the service we provide to our customers. After two rounds of qualitative Service Incentive Mechanism (SIM) surveys for 2016/17, our scores have improved on last year, but owing to improvements across all companies we have moved to fifth in the league table of water and sewerage companies. Work underway to improve our service proposition and move up the league table includes a review of our ebilling system; further improvements to our digital presence including our website; our social customer service (such as assistance provided on Facebook and Twitter) and our live chat propositions; and a number of behavioural change initiatives within the business to further strengthen the service culture at the heart of our operation.

We are continuing to review and improve our operational support for customers, too. For instance, we now have 20 additional water network repair gangs compared to this time last year, and are re-engineering some of our processes to improve speed of response and resolution. We've rolled out CCTV units to a number of our water recycling teams, to increase the rate at which jobs are fixed first time. We are developing a dedicated case management team to support customers facing complex challenges, and we're redoubling efforts to check that the customer is satisfied with what we believe to be the conclusion of a job.

We are committed to minimising the disruption to customers caused by planned and unplanned interruptions to their supply. This follows a very strong performance against our target for interruptions in the first year of

[1] More detail about the ten outcomes agreed with our customers and included in our business plan for 2015-2020 can be found here: http://www.anglianwater.co.uk/_assets/media/54702_OID_v3a_WEB.pdf

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the AMP, which delivered an Outcome Delivery Incentive reward of £6.0 million. Performance remains strong in the first half of 2016/17, and we expect to meet our target over the year as a whole. Innovative uses of water tankers and overland pipes have mitigated some potentially significant interruptions to supply during the first half of the year. We are, however, aware that severe winter weather could quickly change this, so we remain focused on keeping the underlying baseline low.

We continue to take a lead on work to plan for resilient future water supplies in the region and across the country. The Water Resource East partnership is now established and operational, bringing together representatives from water companies, regulators, Local Enterprise Partnerships, Internal Drainage Boards, agriculture and significant business interests in the Anglian Water region. It is encouraging a collaborative approach to water resource planning and catchment management across the whole region. Anglian Water chairs both the delivery group and the technical groups to ensure the project will deliver outputs that feed into the next Periodic Review, and Water Resource Management Plan. This approach is seen as a model for collaborative working on water infrastructure.

At a national level, Anglian Water's Director of Regulation, Jean Spencer, chaired the project that delivered the National Water Resources Long Term Planning Framework to the Secretary of State in September 2016. The project, conducted under the auspices of Water UK, assessed the resilience of water resources on a company and regional basis, concluding that severe droughts are nationally significant because of their large social and economic impacts. It argued that there is significant public interest in how well prepared the country is, and developed several innovative techniques to consider the combined impacts of the challenges of climate change, population growth and the need to reduce abstractions to protect the environment. It took a longer-term perspective of 50 years, compared to current water resource management plans.

Anglian Water is a member of Business in the Community's Water Taskforce, having contributed to and helped launch its Healthy Ecosystems report in 2016, a jointly-funded project with Defra and The Crown Estate. We've also played a leading role in developing the Greater Lincolnshire Local Enterprise Partnership's 25-year Water Plan, which looks to ensure water resources and flood resilience are an enabler to growth in the area. The plan, launched in Westminster alongside the Secretary of State, was very positively received.

We have submitted our PR16 proposal for non-household retail prices, building on our experience of supplying business customers, and operating in the competitive market for non-household customers in Scotland. Following discussions with Ofwat, we have responded to the Draft Determination and addressed areas where the regulator required further information.

Protecting our world: caring for communities, a smaller footprint, a flourishing environment, supply meets demand

It is our belief that no job is so important that we cannot take the time to do it safely. This protects both our community of colleagues, and the customers that we serve. Several internal campaigns conducted over a number of years have resulted in behaviour changes that lead to a continuous improvement in our health and safety metrics. These metrics show that we are again industry-leading in 2016/17, with a RIDDOR Accident Frequency Rate of 0.11. The largest of our four delivery partner alliances has recorded zero reportable accidents for the first half of 2016/17.

We continue to take an industry-leading position in our approach to process safety, maintaining a central role in the organisation and delivery of the industry's foremost process safety conference in April. We also maintained our OHSAS18001 certification during the year, following a ten-day audit by LRQA. This confirms the leading quality of our health and safety management systems.

In the first half of 2016/17, we have begun a number of initiatives to expand our health and safety offering to encompass wellbeing. This is founded on the belief that work should have a positive effect on health and wellbeing, and includes projects that address both physical and mental wellbeing. Peter Simpson, Anglian Water's Chief Executive, is chair of Business in the Community's Wellbeing at Work Leadership Team, and we aim to show national leadership on initiatives to integrate wellbeing into the workplace.

We remain focused on minimising our impact on the environment. We are forecasting only a very slight increase in the number of Category 3 (minor) pollution incidents over the year compared to 2015, which saw

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the lowest level we had ever recorded. We have recorded 159 to the end of September 2016,which remains a considerable improvement on previous years. The number of Category 2 (significant) incidents has halved from ten to the end of September 2015, to 5 to the end of September 2016. We have recorded one Category 1 (serious) pollution incident in the first six months of 2016/17. This followed a fire at the inlet pumping station to the Shenfield and Hutton Water Recycling Centre in June.

During this year we are building on the work that delivered our best ever performance on pollutions in 2015/16, which should earn an Outcome Delivery Incentive reward of £4.7 million, subject to performance in the remaining years of this AMP. A significant amount of proactive work aims to predict and prevent pollutions before they occur, while our ‘Pollution Watch’ campaign ensures we respond rapidly to any events that do risk an impact on the environment.

Twice the average amount of rain fell in parts of the east of England in June, falling very intensively. This led to a 32% increase in the number of jobs raised, and has put some pressure on internal and external flooding targets. We instigated an emergency response, manning certain high-risk assets 24 hours a day. While we have recovered and are on track to meet our targets for the year, any subsequent intense periods of wet weather could put this at risk. Work to reduce the amount of flooding, to co-operate with Lead Local Flood Authorities on preventative and mitigatory actions, and to minimise the risk of any pollution to the environment, remains a core area of work for us.

2016 bathing water monitoring results indicate that there are 32 ‘Excellent’ bathing waters in our region. This is down slightly on results in 2015 (34 ‘Excellent’ bathing waters). Third party diffuse pollution, such as misconnected private drains and run-off from agricultural land is the cause of problems in the majority of cases. Coastal catchment plans have been completed for all regional bathing waters, identifying these potential sources of diffuse pollution, and local partnerships with third parties are in place for the majority of areas, with the aim to minimise the impact of third party activity.

We took ownership of approximately 1,200 private pumping stations across our region on 1 October 2016, following changes to the law that make us responsible for their maintenance and upkeep. A programme of investment is underway to ensure the pumping stations are safe and serviceable to a standard that we would expect, and to integrate them into our asset base.

All of our water resources are at or above the level that we would expect at this time of year, with the exception of Covenham which we have chosen to manage at a lower level to protect the quality of the water we provide, and Pitsford where we have kept water levels lower than normal to complete operational work. Rainfall in the Anglian Water region for the first six months of 2016/17 has been 110% of the long term average. All water resources across the region are currently classed as secure.

The Drinking Water Inspectorate (DWI) Chief Inspector’s annual report for 2015 was published in July 2016. The overall measure for drinking water quality compliance remained excellent for the year with a mean zonal compliance figure of 99.97% (2014: 99.95%). The report was generally very positive regarding Anglian Water and Hartlepool Water’s position within the industry. We continue to use the report as a rich source of learning, challenging ourselves to establish the likelihood of incidents from elsewhere in the industry happening within Anglian Water, and responding accordingly.

At the end of September 2016, our mean zonal compliance was at 99.97%, maintaining our strong performance from 2015. This has been strongly influenced by the continued reduction in lead failures at customers’ taps due to changes in our phosphate dosing strategy at our water treatment works. Our performance across all drinking water compliance measures was strong at the end of September, and in particular we had had fewer microbiological exceedances at our water treatment works and storage points than at the same point in 2015.

Our customers were very clear during the consultation that informed our business plan for 2015-2020 that leakage detection, prevention and repair was vitally important to them, and we have reflected that priority in our work since the start of the AMP. Through a programme of pressure management, focused leakage detection and targeted mains renewal we expect to meet our target for the coming year, going far beyond the target set by the regulator. This builds on an excellent performance in the first year of the AMP during which we again delivered our lowest ever level of leakage.

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As part of our commitment to leading and championing the effective management of climate change and growth, we have further developed our understanding of climate risk through UKWIR research focused on quantifying weather impacts on our processes. Our adaptation policy, strategy and plan are being reviewed and updated and a communications strategy is being developed. Consideration of the need for climate change adaptation is also being embedded into our asset management planning and Totex delivery processes. Schemes must now demonstrate that they have assessed climate risks, costed adaptation solutions, and amended their designs as necessary. Work is also on-going to develop a climate change section within our asset plans and to understand how adaptation costing can be included in our asset investment planning and management system.

We have now achieved a 53% reduction in capital carbon from a 2010 baseline, and have saved 7,359 tonnes of operational carbon so far this year, equivalent to 2% of our annual operational emissions. This is supported by the use of new carbon and water footprinting resources to reduce both cost and carbon through design. We have been certified CEMARS (Carbon and Energy Management and Reduction Scheme) Gold, joining just 28 companies in the UK. This certifies six years of continual carbon reduction across the business.

Anglian Water has become the first company globally to have its carbon management process independently verified as being in accordance with PAS 2080: 2016 Carbon Management in Infrastructure, through Lloyds Register LRQA. This is the world’s first standard for managing infrastructure carbon, and its development was championed by Chris Newsome, Anglian Water’s Director for Asset Management and Chair of the Green Construction Board’s Infrastructure Working Group. PAS 2080 brings a joined up approach to the way industry evaluates and manages whole life carbon emissions and delivers reduced carbon, reduced cost solutions. This further validates our leading approach to managing carbon and collaborating with our supply chain to use resources and energy more efficiently, delivering cost reductions for our customers.

We remain committed to making a positive contribution to the communities we serve. We reviewed our biodiversity strategy in 2015/16 to better align it with national conservation priorities. Hundreds of local volunteers continue to participate in our RiverCare groups across the region, while our BeachCare scheme continues to grow, with six groups now established and active. An independent valuation of our River and BeachCare programme, carried out by AECOM, has shown that it contributed almost £1.4 million of social and natural capital benefits over AMP5, between 2010 and 2015.

Our annual fundraising ball for WaterAid raised more than half a million pounds for the global charity in April 2016, helping secure a WaterAid President’s Award for the organising committee. In the previous year (2015/16), Anglian Water’s employees, suppliers, shareholders and customers helped raise £737,753 for WaterAid.

Getting it right for our customers: investing for tomorrow, fair profits

We are now into the second year of the 2015-2020 AMP, and the four Alliances created to deliver our capital programme are performing well. They are unique to our industry, as the partners we have appointed will deliver our capital and maintenance programmes for a period of up to 15 years. Alongside Anglian Water, they are focused on the ten outcomes we agreed with our customers during our PR14 planning process.

Building on the success of this model, two new technology alliances have been established to support the delivery of Anglian Water’s technology plans. These Enterprise Information Management (EIM) and Enterprise Works Management (EWM) commercial frameworks are similar in nature to our capital delivery alliances, aiming to remove barriers between teams and draw on the skills and expertise of five suppliers, alongside Anglian Water’s own team. Capgemini, Atos, CSC, Cognizant and Aiimi make up these alliances.

Following 18 months of preparatory work we successfully and seamlessly transitioned our SAP infrastructure from an Oracle to an IBM platform, with minimal disruption to the business. This was a very significant undertaking for the business. Alongside the recent replacement of our telemetry network and the current redevelopment of our online billing system, this is illustrative of the investments we are making to future-proof the technology the business and its customers relies on.

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We continue to focus on delivering our business plan in the most efficient way that we can, as efficient operation benefits both us and our customers. We are seeing a shift in the culture of the business following the launch of an efficiency initiative that challenges all employees to make sustainable financial savings. A number of initiatives underpin this. One programme, Love Every Minute, is training colleagues in the principles of 'lean' processes, creating the ability for teams and individuals in all areas of the business to review the processes and systems they use, empowering them to look for ways to improve their efficiency.

Planning for the creation of our business plan for 2020-2025 and the Price Review in 2019 (PR19) is now well underway. A series of co-creation workshops have been held with our Customer Engagement Forum, with staff, with customers and stakeholders to inform the techniques we will use to engage customers and others in our business planning processes over the coming years. We are focused on putting customers at the heart of our business planning process, building on the *Discover, Discuss, Decide* project undertaken for PR14.

We have begun to refresh our Strategic Direction Statement (SDS), originally published in 2007 to cover the period from 2010 to 2035. We intend to publish the updated document for consultation during 2017. It will lay out the progress made since the SDS was first published, explore the changing nature of the challenges our business and our region faces, and assess how appropriate our strategies are for responding to these changing challenges. Customers and stakeholder views will be reflected in the final document.

We are continuing to explore ways to present performance data to our customers and other stakeholders in ways that they find accessible and informative, in line with our outcomes reporting policy, published in 2015. We are making active use of our well-established social media channels to regularly share performance data with customers in creative and shareable formats, with the intention of seeing this information organically spreading through the communities we serve. We are also working alongside the industry-wide *Discover Water* initiative to provide Anglian Water-specific data in a way that is useful for customers. We are committed to transparency, and engagement, and are taking all appropriate steps to assure the quality of the data we provide.

Looking ahead

We have now entered the 'shadow market' in preparation for the opening of the market for non-household competition in April 2017. We were the first large company to upload our data to the new Central Market systems, and are committed to a smooth transition to the reformed market. An extensive programme of training and awareness has been undertaken across the business to ensure equivalence in the way we will handle interactions with all retailers and customers once the market is open for non-household customers to switch supplier next year.

We are also engaging in discussions around the potential for household competition, following Ofwat's publication of its emerging findings. Our commitment to the success of the non-household market shows clearly that we remain open-minded and positive about the value of opening up markets where it results in net benefits for customers.

Our Customer Engagement Forum (CEF) continues to meet, providing an opportunity for customer representatives to challenge the company about its performance. We have actively engaged the CEF in the creation of the stakeholder and customer engagement programme that will support the development of our PR19 business plan.

We remain focused on delivering excellent operational performance and the highest levels of customer satisfaction as we continue to deliver targeted and sustainable efficiencies across our operations and capital investment programme.

Finally, we are committed to the delivery of an outstanding business plan for this regulatory period, 2015 to 2020, that best meets all customer, stakeholder and regulatory interests.

ANGLIAN VENTURE HOLDINGS

Results for the six months ended 30 September 2016

	2016 **£m**	2015 £m
Revenue	**52.5**	7.4
Operating profit	**2.2**	0.7
Share of joint ventures operating profit	**0.3**	0.7
Operating cash flow	**(0.5)**	(0.3)

Anglian Venture Holdings comprises Anglian Water Business (National) which provides water services to non-household customers in Scotland, Alpheus Environmental which operates industrial and commercial wastewater treatment works in the UK, and Celtic Anglian Water which operates water and wastewater treatment works in the Republic of Ireland.

On 14 June 2016 the group purchased the 50% shareholding in Celtic Anglian Water Limited that it did not already own. Following the acquisition, the group has full control over Celtic Anglian Water which had previously been reported as a joint venture.

Revenue for the half-year was £52.5 million (2015: £7.4 million), with the increase due to the commencement of a major new contract in Scotland on 1 March 2016, and the impact of the Celtic Anglian Water acquisition. Both of these factors also improved operating profit which increased to £2.2 million from £0.7 million in the previous half-year.

HEAD OFFICE AND OTHER BUSINESS ACTIVITIES

The ‘Head Office and Other’ business segment mainly comprises head office and other group functions, including Property.

Revenue for the ‘Head Office and Other’ segment decreased from £7.0 million to £3.7 million, whilst the operating loss decreased from £4.8 million in the prior year to £4.6 million.