

Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the six months ended 30 September 2021

Prepared in accordance with International Financial Reporting Standards  
(IFRS)

Final

# Investor Report

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## ***Basis of Preparation***

All financial information in this report is unaudited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 30 September 2021.

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

## **Disclaimer**

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

# General Overview and Business Update

This investor report covers the six months ended 30 September 2021.

## 1.0 Financial Performance for the six months ended 30 September 2021

### Summary Underlying Results (AWS Financing Group)

The consolidated financial results for the six months ended 30 September 2021 are summarised below:

	<b>2021</b>	<b>2020</b>
	<b>Total</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>
Revenue (excl. grants and contributions)	655.2	648.9
Grants and contributions	48.7	31.2
Other operating income	7.2	6.0
Operating costs	(306.9)	(288.5)
Charge for bad and doubtful debts	(8.4)	(15.0)
Depreciation and amortisation	(177.6)	(173.3)
<b>Operating profit</b>	<b>218.2</b>	<b>209.3</b>
Finance income	0.3	1.8
Finance costs <sup>1</sup>	(198.0)	(125.9)
<b>Underlying profit before tax</b>	<b>20.5</b>	<b>85.2</b>
Finance costs – fair value losses on financial derivatives	(91.6)	(100.6)
<b>Statutory Loss before tax</b>	<b>(71.1)</b>	<b>(15.4)</b>
Tax (charge)/credit	(324.4)	2.1
<b>Loss after tax</b>	<b>(395.5)</b>	<b>(13.3)</b>

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

## Revenue

Revenue, excluding grants and contributions, for the six months ended 30 September 2021 was £655.2 million (2020: £648.9 million), an increase of £6.3 million (1.0 per cent) on the six months ended September in the prior year. The increase in revenue was as a result of the following factors:

- The price increase for customers following the Final Determination, £17.2 million increase.
- The impact of higher Covid-19 demand partially reversing, net £7.7 million decrease. Household consumption down £19.8 million and non-household consumption up £12.1 million. Compared to September 2019, pre Covid-19, household consumption is up 5 per cent (September 2020: +12 per cent) and non-household down 11 per cent (2020: -24 per cent).
- Other offsetting decreases in revenue of £3.2 million.

Grants and contributions have increased by £17.5 million compared with the six month period to September 2020, driven by increased developer activity following the prior period lockdown.

## Other operating income

Other operating income, which increased by £1.2 million on the prior year period, comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities.

## Operating costs (including charge for bad and doubtful debts)

Operating costs including the charge for bad and doubtful debt, excluding depreciation and amortisation increased by £11.8 million (3.94 per cent) on the same period last year to £315.3 million. This movement in operating cost is explained in the following chart:

	£m
September 2020 total	303.5
<b>Funded by FD</b>	
Inflation	7.2
<b>Weather related</b>	
Additional tankering	0.9
Power consumption due to wet weather demand	1.7
<b>Non-recurring</b>	
Reduction in bad debt provision overlay	(6.6)
Great Billing – Monsal reactor shutdown	3.8
<b>Other (including efficiency challenge)</b>	
Leakage outperformance strategy	3.2
Other	1.6
September 2021 total	315.3

The underlying bad debt charge for the period was £15.0 million (September 2020: £15.0 million). In the year to March 2021, management booked an additional £13.5 million relation to the expected future increase in unemployment, primarily a result of Covid-19, and its impact on bad debt. Following the latest unemployment forecasts, management have released £6.6 million of this additional provision.

## **EBITDA**

EBITDA has increased £13.2 million from prior year (3.5 per cent against September 2020) with revenue up as a result of higher developer activity following last year's lockdowns. This has been offset, in part, by the impact of inflation on

our costs, increased power consumption at our water recycling sites and tankering due to winter 2020 wet weather and our work to drive leakage performance.

### **Depreciation and amortisation**

Depreciation and amortisation increased by 2.5 per cent compared with the same period last year, consistent with the increasing Capex programme.

### **Operating profit**

Operating profit has increased by 4.3 per cent to £218.2 million, which is consistent with the movements discussed above.

### **Financing costs**

During the period significant changes were made to the financing arrangements of the AWG group in order to stabilise the credit ratings of Anglian Water and to provide a long term and efficient financing structure for customers, investors and the environment. During the period total equity injection amounts of £1,165.0 million were made to Anglian Water and as a consequence Anglian Water prepaid three debt instruments totalling £390.9 million as part of the wider capital restructure. Part of this early settlement included a 'make whole' payment on the debt and related derivatives of £14.5 million.

The underlying net finance charge for the period was £197.7.0 million, an increase of £73.6 million compared with the same period last year. This is primarily driven through higher interest costs on inflation-linked debt accretion due to higher RPI and CPI inflation year on year.

Finance income has decreased from £1.8 million to £0.3 million principally due to the lower yields year on year received on cash investments held versus the prior period.

The fair value losses on derivative financial instruments of £91.6 million (2020: £100.6 million) are primarily a result of increases in out of the money liabilities on inflation linked swaps. This is driven by a 92 basis point increase to the average levels of forward inflation curves versus the September 2020 period end (2020: 30 basis points increase) partially offset by a 57 basis points average increase in interest rates (2020: 25 basis points) increasing the discount rate on future derivative liabilities. The fair value losses in the current and prior periods are non-cash in nature and have no material effect on the underlying commercial operations of the business until cash flow fixing date.

## Taxation

The tax charge for the period comprises:

	2021 £m	2020 £m
<u>Current tax (credit)/charge</u>		
Underlying	(49.3)	(3.3)
	<u>(49.3)</u>	<u>(3.3)</u>
<u>Deferred tax charge/(credit)</u>		
Underlying	51.7	20.3
Fair value losses on derivative financial instruments	(22.9)	(19.1)
Increase in corporation tax rate	344.9	-
	<u>373.7</u>	<u>1.2</u>
<b>Total tax charge/(credit)</b>	<b><u>324.4</u></b>	<b><u>(2.1)</u></b>

Compared to the same period in the previous year, the total tax charge has increased by £326.5 million from a credit of £2.1 million to a charge of £324.4 million. Anglian Water's tax charge in the period primarily relates to the impact on



the deferred tax liability as a result of the increase in corporation tax rate from 19 per cent to 25 per cent which is due to take effect from April 2023.

Anglian Water is one of the largest private investors in infrastructure in the region, having invested more than £2 billion from 2015—2020. The Government actively encourages infrastructure investment and Anglian Water benefits from capital allowances which defer some of the corporation tax liabilities until later periods. Anglian Water's customers directly benefit from the deferral as it helps to keep their bills lower.

As the deferred liability will not arise until after the new corporation tax rate is in force in April 2023, Anglian Water is required to restate the liability using the increased rate of 25 per cent. This is represented by the £344.9 million shown above. This is a non-cash tax charge. In addition, tax forms part of the revenue building block and therefore any future tax charges will be funded through revenues. Further, Ofwat introduced a tax true-up reconciliation in the current AMP to account for changes in tax rates.

The current tax credit has increased by £46.0 million. This is mainly due to a reduction in profits in the year and because of the availability of capital allowance "super-deductions" which have been introduced for both this year and next.

The underlying deferred tax charge has increased by £31.4 million. This is mainly as a result of the capital allowances super-deductions offset by the carry forward of tax losses created by these super-deductions. The increase in deferred tax credit relating to fair value losses reflects an increase in the corporation tax from future corporation tax rate from 19 per cent to 25 percent.

In addition to the £324.4 million tax charge on the income statement, there is a credit of £4.8 million (2020: £29.2 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value gains on cash flow hedges.

IAS 34 requires that the amount of the current tax (credit)/charge and the deferred tax charge/(credit) recognised in the period is based upon the full year tax forecasts and is calculated in the ratio of the amount of profit before tax arising in the half-year compared with the forecast for the full year.

### **Cash flow and net debt**

Net cash inflow from operating activities increased by £30.1 million from £345.4 million in 2020 to £375.5 million in 2021 primarily as a result of working capital movements. Net cash used in investing activities (principally capital expenditure) increased by £24.7 million as our capital programme continues to grow. This excludes the £345.0 million increase in short-term deposits also shown as an investing activity. This represents the placement of cash in deposit accounts to maximise interest.

Debt repayments in the period amounted to £548.6 million as a result of the maturity of the 4.520% Class B USPP (£99.1 million) and early repayment of three Class B debt USPP instruments in September totalling £390.9 million (on a GBP basis including associated foreign currency derivatives). AWS also repaid £25.0 million on the group's syndicated and bilateral revolving facilities, meaning that at period end these facilities were fully undrawn. Other debt repayments in the period were various smaller scheduled amounts on amortising debt.


Anglian Water has access to £600.0 million undrawn facilities (September 2020: £450.0 million) to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £400.0 million of liquidity facilities (September 2020: £400.0 million) consisting of £279.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in a Trigger Event or Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

At 30 September 2021, Anglian Water had net borrowings (excluding the fair value of derivative financial instruments) of £5,548.0 million, compared with £6,649.8 million at 31 March 2021, a decrease of £1,101.8 million. Net borrowings

comprised a mixture of fixed, index-linked and variable rate debt of £6,456.6 million and cash and deposits of £908.6 million. The decreased net borrowings reflect an increase in cash and deposits of £622.7 million (which causes net debt to decrease), and a decrease of £479.1 million in borrowings.

These movements reflect the capital expenditure undertaken during the period and also reflect the corporate restructuring undertaken, which saw £1,165.0 million of equity injected into Anglian Water, some of which was used to repay borrowings in order to reduce gearing in the company. Three Class B debt transactions were early repaid with the remaining two Class B Bonds holding bondholder meetings which facilitated their terms being aligned to that of Class A debt holders. As a consequence, at the end of September there were no Class B debt outstanding.

The table below shows the main movements in net debt (excluding derivatives) in the period and the previous year.

Anglian Water Services			
Movement in net debt			
Six month ended 30 September 2021			
	2021	2020	
	£m	£m	
<b>Group operating cash flow</b>	<b>375.5</b>	<b>345.4</b>	
Capital expenditure	(228.7)	(205.6)	
New IFRS 16 leases	(4.8)	(1.1)	
Net interest paid	(141.5)	(124.8)	
Settlement of principal on derivatives	72.9	(63.5)	
Indexation	(57.9)	(14.5)	
Equity injection	1,165.0	-	
Dividend paid	(96.3)	-	
Other non-cash movements in net debt <sup>1</sup>	17.6	43.9	
<b>Movement in net debt</b>	<b>1,101.8</b>	<b>(20.2)</b>	
Closing net debt	(5,548.0)	(6,697.4)	
Opening net debt	(6,649.8)	(6,677.2)	
Movement	1,101.8	(20.2)	

<sup>1</sup> Other non-cash movements in debt primarily comprise IFRS 9 adjustments in respect of fair value gains and losses and foreign exchange adjustments from revaluing debt and the impact of hedge accounting £2.5m (2020: £31.7m) as well as interest accruals £17.3m (2020: £12.6m)

The fair value adjustments principally relate to the IFRS 9 movements on debt instruments which have been effectively hedged under IFRS 9, and movements on retranslating foreign currency debt to closing exchange rates.

### **Annual Performance Report**

Under Condition F of its Licence, Anglian Water is obliged to provide the Water Services Regulation Authority, Ofwat, with additional accounting information to that contained in the statutory financial statements. This information is presented in the Annual Performance Report, a copy of which is available on the Anglian Water Services website: <https://www.anglianwater.co.uk/about-us/our-reports>.

## **2.0 Regulatory Update**

### **Ofwat innovation fund – successful bids**

On 30 September 2021, Anglian Water was notified that both projects submitted to the Ofwat's Water Breakthrough Challenge had secured funding. The two projects will be led by Anglian Water with a consortium of partners including other UK water companies.

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

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

Anglian Water will need to provide a contribution of 10 per cent of the total project costs for these two projects.

### **Ofwat PR24 creating tomorrow, together**

On 27 May 2021, Ofwat published its "PR24 and beyond: Creating tomorrow, together" document which set out its initial views on the framework for PR24 and future price reviews. Ofwat set out four ambitions for PR24:

- Focus on the long term
- Greater environmental and social value
- Clearer understanding of customers and communities

- Efficiency and innovation.

Other points to note in the document include:

- On customer engagement, Ofwat highlighted its intention to design collaborative nationwide research, remove the requirement for Customer Challenge Groups and develop a targeted and more effective approach to capturing customers' views.
- The documents set out Ofwat's desire to focus on fewer, higher-level outcomes than previous price reviews, to formalise output-based measures (such as those based on smart metering delivery) and achieve greater centralisation on Outcome Delivery Incentives (ODI) rates and common measures.
- The cost assessment approach shows an interest from Ofwat in taking a forward-looking view on capital maintenance and indicative support for a whole-life cost assessment approach. There will be a greater focus on investments that deliver net zero and greater public value through cost assessment and ODIs at PR24. Ofwat has suggested that it may release cost models in advance of companies' business plan submissions.
- Ofwat place a greater emphasis on the role of markets, particularly through the Direct Procurement for Customers mechanism.
- On financing, Ofwat considers a number of changes to the notional company and alternatives to the Gearing Sharing Outperformance Mechanism to address structures it views as less financially resilient.
- Ofwat also expressed a desire to sharpen incentives, improve accessibility and target regulation where it matters most whilst also reducing the burden on companies, stakeholders and Ofwat. It proposes several options which see the merging of stages in the price review process. It is also giving consideration to make available some information - such as WACC, cost assessment models and PC levels - ahead of submissions.

Anglian Water has responded to Ofwat's consultation on PR24 and Beyond. Over the coming months Ofwat will publish a series of discussion papers on targeted parts of the price review (including customer engagement and long-term scenarios framework). Ofwat's draft methodology for PR24 is expected in Summer 2022.

### **Interim Determination of K (IDOK) for Elsham transfer scheme**

Anglian Water has successfully completed an IDOK with Ofwat, which brings £83.0 million of capital investment back in-house. This investment will cover the costs to deliver the transfer pipe and conditioning plant components of the Elsham scheme that were originally earmarked for delivery through the Direct Procurement for Customers (DPC) route. Ofwat accepted that the costs proposed were efficient, with just a minor downward adjustment on an aspect of the procurement costs.

### **Recruitment of new Ofwat chair**

Defra has announced that Jonson Cox's appointment as Chair of Ofwat will be extended by six months to April 2022, while the recruitment campaign for his successor is carried out. Cox has served as Chair of Ofwat since November 2012.

Two other Board members have been reappointed as non-executive directors. Mark Bayley and Alison Munro were appointed non-executive directors in April 2016 and have been reappointed until 31 October 2025.

### **Strategic Regional Options and the RAPID gate process**

The Regulators' Alliance for Progressing Infrastructure Development (RAPID) is an alliance between Ofwat, the Environment Agency and the Drinking Water Inspectorate to improve regulation and remove barriers to help the water sector respond to long term water resources challenges. RAPID runs a gated process on companies' strategic water resources solutions to ensure that: companies are progressing strategic water resource solutions that have been allocated funding at PR19; the costs incurred in doing so are efficient and; solutions merit continued investigation and development during the period 2020 to 2025.



Anglian Water received RAPID's draft decisions on its Gate 1 submissions on 14 September 2021. RAPID accepted Anglian Water's South Lincolnshire Reservoir and the Anglian Water to Affinity Water transfer scheme to Gate 2 with full funding; no disallowed costs or quality penalties.

The Fenland Reservoir has also been accepted into the RAPID process.

## **Environment Bill**

The Environment Bill has progressed through the Commons and Lords reading and debate stages. The Bill is intended to make provisions for targets, plans and policies for improving the natural environment, including through the establishment of the Office for Environmental Protection.

Following amendments, the bill now includes additional commitments to:

- "undertake a review of legislation which would require Sustainable Drainage Systems to be constructed to ministerial standards on new developments"
- "Introduce Statutory guidance for local planning authorities to explain how they should take into account new Local Nature Recovery Strategies, to embed strategies for the environment and nature's recovery into their planning systems"

The Government was defeated in the House of Lords on the Duke of Wellington's amendment to place a duty on sewerage undertakers "to take all reasonable steps to ensure untreated sewage is not discharged from storm overflows". Anglian Water and Water UK both put out statements supporting the intention of the amendment, which was then followed by the Government announcing that it will bring forward its own amendment on storm overflows to focus company efforts on progressive reduction in harm from CSOs. Anglian Water expect this to create a feasible level of financial impact on companies for AMP8 and beyond, avoiding large increases in customer bills.

## **Defra Strategic Policy Statement**

Defra published its Draft Strategic Policy Statement in July 2021. This statement is intended to provide the strategic direction for Ofwat at PR24.

The draft improves on the previous SPS with a greater focus on long-term value for money, protecting customers in vulnerable circumstances, resilience and delivering wider social and environmental value. However, the SPS sets a broad range of priorities which, Anglian Water has highlighted, do not provide the clear strategic steer that Ofwat needs to perform its pivotal role at this critical time.

In its response to the consultation on the draft SPS, Anglian Water raised that the draft could be significantly improved by including a clear and succinct statement of Ministers' priorities, defined in terms of what success for the sector would look like by 2030, including to:

- reinforce the importance of the sector fulfilling its commitment to achieve net zero operational emissions by 2030;
- explicitly state that company plans must fully contribute toward meeting the targets, including any interim targets, being set for nature and water under the Environment Bill;
- recognise the critical importance of tackling the risks of flooding, water scarcity and drought, and the opportunity to do so in an integrated way that also helps reduce harm from storm overflows; and
- set expectations that increased investment by the sector will be needed to deliver these goals, and that the affordability priority for Ministers for PR24 is to ensure that those least able to pay are protected and supported (recognising that Ofwat's duty to protect consumers now and in the future will still apply).

Anglian Water also said that it is important that Ministers' stated priorities in the SPS are met in practice through the detailed choices Ofwat makes during the PR24 process.

Defra is now considering the responses to its draft SPS consultation and is expected to publish its finalised SPS to Ofwat in early 2022.

### **3.0 Service Performance Overview**

Anglian Water's ambition is to change how people think and feel about the Anglian Water brand, moving from a position of little or no interest to one where customers care about and appreciate what Anglian Water do and understand Anglian Water's purpose and the relevance this has to their lives and those of others in their community.

Throughout this year Anglian Water have continued to proactively communicate with customers. Anglian Water have adopted newer channels and strategies to further enhance and raise brand awareness. Tailored communications are now the norm, with customers receiving regular yet relevant information. Customers are reacting positively to these, helping ensure awareness of Watercare services improvements. Anglian Water have reached even more of those customers who may be in need of some additional support. This year to date, Anglian Water has supported over 280,000 customers through affordability schemes and have increased the number of customers who may require some practical support on Anglian Water's Priority Service Register to over 200,000.

Enhancements to Anglian Water's online MyAccount went live early this year to make use of the new data and technology from Anglian Water's smart metering programme. Customers are now able to monitor their water usage on an hourly, daily or weekly basis, compare water usage to other similar households and stay more in control of their bills.

In August 2021, Anglian Water received the quarter one Developer Measure of Experience (DMEX) results. Despite a challenging operational quarter, the results placed Anglian Water 6th overall (the same position that Anglian Water finished in 20-21).

Anglian Water's internal customer satisfaction survey, of over 10,000 household customer responses each month, continues to provide valuable insight and great results, with over 95 per cent of customers rating Anglian Water's service as satisfactory or above. The results of the industry wide Customer Measure of Experience (C-MeX) have not been as strong this year with a disappointing quarter one result. The second quarter results improved, moving Anglian Water up to 10<sup>th</sup> place in the industry league table. With a score of 80.09 out of 100 year to date, Anglian Water are only 5 points behind the top spot and are working hard to close the gap.

## **4.0 Capital Expenditure**

2021/22 marks the second year in the five-year AMP7 investment programme, during which time Anglian Water will invest a record £2.8 billion through the capital investment programme. This spend will help to achieve Business Plan commitments and includes significant investments to ensure the region is resilient to the impacts of drought, climate change and population growth, alongside Anglian Water's largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme has carried on strongly with gross capital expenditure over the period across the appointed business of £230.2 million (£104.7 million on capital maintenance and £125.5 million on capital enhancement).

## **5.0 Water Quality and Environmental Performance**

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

### **Drinking Water**

The delivery of safe, clean, high-quality drinking water is central to what Anglian Water does. It underpins the public health of the region and is a fundamental expectation of customers. The DWI have introduced two key water quality performance measures - Compliance Risk Index (CRI) and Event Risk Index (ERI). Anglian Water showed a strong performance against both key measures in 2020 with results below Anglian Water's Performance Commitments and industry average scores and is a key result of successful strategies to reduce metaldehyde and lead failures. Anglian Water received recognition in the DWI annual Chief Inspectors Report for Anglian Water's industry leading Water in Buildings programme which significantly reduces the risk of backflow into the distribution system.

Anglian Water's ERI score to the end of September 2021 for events assessed by the DWI is 0.825 (pending ongoing DWI assessment finalisation).

Another key measure is customer contacts related to water quality, the acceptability contact rate (per 1000 population served) to end September is 0.88. Strategies are in place to continually drive down this number through continued focus on proactive customer messaging through social media and prompt response to small number of contacts in a geographical area.

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

## **Water Recycling**

The Environment Agency (EA) reported Anglian Water's 2020 pollution performance in July 2021, confirming a three-star rating in its annual Environmental Performance Assessment which is an improvement on the 2019 two-star position. Anglian Water's performance throughout 2021 has been significantly stronger, however, the extreme rainfall event between January and March this year has had a significant adverse effect, particularly on pollution performance.

In light of the pollution challenges, Anglian Water has adopted a different operating structure for managing pollutions as of September 2021. This is a similar 'J-cell' approach to the one the business used to manage COVID. The approach has brought in expertise from across the business to support, manage, and mitigate as much as possible, the impacts of the wet weather. This structure will remain in place for the rest of the AMP to ensure that Anglian Water drives continued improvement to the Environment.

More recently, the national shortage of HGV drivers has caused Anglian Water resource issues in some areas. The Company is working closely with its employees to mitigate issues with driver retention.

## **Environment**

Defra has advised that the 2021 bathing water classifications will not be announced until January 2022. The results from the 2020 season have been discounted in full by the EA, as a result of COVID impacting their ability to collect a full sample set for each beach.

Anglian Water's event duration monitoring (EDM) programme to install monitors at storm overflows in line with Anglian Water's WINEP obligation is on track. This will both help ensure future investment is targeted at assets that will make the most environmental impact.

## Water Resources

The region's water resources remain secure following the Summer 2021 period, where rainfall was classified as average over the summer period. The 12-month rolling rainfall total up to the end of September was 115 per cent of the Long-Term Average (LTA). At the end of September, overall reservoir levels were at 88 per cent, with the majority close to or above target for the time of year. Groundwater levels are normal or above for the time of year, with the majority of aquifer levels across the region at a higher point than at this time last year.

Anglian Water's revised draft Drought Plan 2022 was submitted to the Secretary of State for approval on 21 September 2021. This document provides an overview of Anglian Water's proposal for managing water resources during a drought to protect public water supplies, whilst minimising environmental impacts that may arise as a result of activities. It covers the period 2022-2027 and is an update of the previously published Drought Plan 2019.

Anglian Water received the draft decision from Regulators' Alliance for Progressing Infrastructure Development (RAPID) on 14 September on the Gateway One submissions in relation to Anglian Water's strategic regional options. The Anglian Water to Affinity Transfer and South Lincolnshire Reservoir were accepted and funding allowed to continue development to gateway 2. In respect of the Fens Reservoir solution, RAPID allowed funding for it to join the gateway 2 programme.

Anglian Water is continuing to work closely with the Environment Agency to review abstraction licences to ensure sustainable abstraction across the Anglian Water region, where Anglian Water has agreed to reduce the amount of water that is taken from the environment by 85 million litres a day by 2025. As an example, following the closure of Ludham borehole source in March 2021, significant major infrastructure work has been progressing in relation to Anglian Water's East Ruston and Witton borehole sources to allow these sources to close in June 2024, further improving the environment in the Ant, Broads and Marshes SSSIs. Anglian Water has continued to focus on abstraction licence compliance with a strong performance recorded over the last 6 month period.

## 6.0 *Financing*

During the period under review, Anglian Water's debt position was improved as a consequence of the corporate restructuring event and the equity injection, and at September 2021 there is only Class A debt outstanding. CTA gross debt decreased by £365.0 million from March 2021 primarily as a result of early repaying the three Class B debt instruments mentioned in Section 1.0 totalling £390.9 million. This was partially offset by the receipt of new debt proceeds across three debt instruments totalling £100.5m within the year in order to finance ongoing capital expenditure.

A further consequence of the corporate restructuring event was improvements in credit ratings.

Credit ratings are as follows:

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



## **7.0 Dividends**

In the six months ended 30 September 2021 dividends of £96.3 million have been paid out of the Anglian Water Services Financing Group to the Company's direct parent, AWG Group Limited (2020: £nil).

## 8.0 Significant Board / Management Changes

The Board of Anglian Water Services Ltd comprises:

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

Anglian Water is managed by the AWS Management Board, which, as at 30 September 2021, in addition to the Executive Directors referred to above, included:

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

Anglian Water will be holding a virtual meeting for investors on Tuesday 7<sup>th</sup> December 2021.

## 9.0 Sustainable Financing

### Background

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

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

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

Also included on the Green Bond page on the website is DNV GL’s May 2021 Sustainability-Linked Bond Framework and Inaugural Bond Eligibility Assessment which is the review of the framework against the Sustainability Linked-Bond Principles 2020.

## Sustainable Categories

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

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

### Portfolio

Funding	Sustainable Category	Proceeds from funding
Sustainable Finance 1: £50m 0.855% 2039 JPY 7bn XS2010166572	Sustainable Service (Water and Water Recycling)	49,875,000
Sustainable Finance 2: £52m 0.010% 2035	Resilient Water Supplies (Supply Capacity Measures and Demand Reduction Measures)	52,240,600
Sustainable Finance 3: £50m 1.760% 2035 XS2257836838	Sustainable Service (Water and Water Recycling)	50,372,396
Sustainable Finance 4: £40m 2.14% 2036	Sustainable Service (Water and Water Recycling)	40,000,000
Sustainable Finance 5: £35m 2.14% 2036	Resilient Water Supplies (Supply Capacity Measures and Demand Reduction Measures)	35,000,000
Sustainable Finance 6: £25m 1.16% 2026	Improving our environment	25,473,071
<b>Subtotal</b>		<b>252,961,067</b>

Of the £253.0 million funds raised above, £172.5 million have been transferred from the Capex Reserve Bank Account in order to fund the expenditure to date.

## **Wetlands**

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

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

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

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

## **Proactive Maintenance**

This year, Anglian Water has continued releasing capital funding as expenditure on projects linked to our green bonds has taken place. One of the largest areas that the company has focused on has been the proactive maintenance of the sewer network.

Falling under the Sustainable Service categories for Water Recycling, these projects aim to prevent the deterioration of service to customers and the environment. In the first six months of the financial year £7.3 million of expenditure has occurred on these projects.

This particular tranche of funding has been targeted to areas upstream and downstream of past sewer collapses, where it is more common to find nearby sewers in poor condition. The funding has gone towards the re-lining of these sewers, proactively preventing successive sewer collapses. This helps Anglian Water's commitment to reducing interruptions to service for customers, reducing the risk of flooding and preventing the risk of environmental damage.



# Ratios

## 1.0 Historical & Current Test Period

Anglian Water confirms that in respect of the six months ended 30 September 2021, by reference to the most recent financial statements that it is obliged to deliver accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

	<b>Actual 30 Sep 2021<sup>1</sup></b>	Actual 31 Mar 2021
a) The Class A RAR	<b>67.3%</b>	72.0%
b) The Senior RAR	<b>67.3%</b>	82.0%
c) The Class A ICR	<b>3.4:1</b>	3.7:1
d) The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	<b>2.4:1</b>	2.4:1
e) The Conformed Class A PMICR	<b>1.6:1</b>	1.5:1
f) The Conformed Senior PMICR	<b>1.4:1</b>	1.2:1
g) The Additional Senior RAR	<b>67.3%</b>	82.0%
h) The Additional Conformed Senior PMICR	<b>1.4:1</b>	1.2:1

**<sup>1</sup>Disclaimer:** In accordance with the CTA, the 6 months to 30 September 2021 is not a Test Period (being periods ended March in each year). Ratios for 30 September 2021 are shown in this section for information only.

## **2.0 Forward Looking**

Anglian Water confirms that each of the above Ratios, the Conformed Class A Average PMICR, the Conformed Senior Average PMICR and the Additional Conformed Senior Average PMICR have been calculated in respect of each of the Test Periods for which they are required under the Common Terms Agreement (i.e. 31 March 2022 to 31 March 2025) and that none of those ratios have breached the Trigger Event Ratio Levels or caused Paragraph 20 (Ratios) of Schedule 7 (Events of Default) of the Common Terms Agreement to be breached. Forward looking calculations in respect of the periods to 31 March 2025 are based on Anglian Water's current Business Plan.

### **3.0 Computations**

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

Anglian Water also confirms that:

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

## 4.0 Interest Cover Ratios (ICR)

Interest Cover Ratios	Trigger/Default	Actual Period to 30 Sep 21 <sup>1</sup>	Actual Period to 31 Mar 21
		£m	£m
Income		683.4	1,292.9
Operating Expenditure		(309.5)	(664.0)
<b>Pre-capital maintenance cashflows</b>		<b>373.9</b>	628.9
Capital Maintenance Expenditure		(108.3)	(218.3)
Depreciation		(200.2)	(379.9)
<b>Post-Maintenance cashflow for PMICR</b>		<b>173.7</b>	249.0
<b>Post-Maintenance cashflow for Net Cash Flow ratio</b>		<b>265.6</b>	410.6
Net Interest		(125.9)	(206.2)
Enhancement Capital Expenditure		(120.4)	(204.0)
Premium paid on bond buyback		(14.5)	0.0
Ordinary Dividends		(96.3)	0.0
Shareholder reinvestment		1,165.0	0.0
<b>Pre-financing cashflows</b>		<b>1,073.5</b>	0.4
<b>Interest Payable on Class A Debt:</b>			
Finance Leases		0.0	(0.6)
Class A Bonds		(106.8)	(169.2)
MBIA Wrap Fees		(2.5)	(2.6)
Less Interest Receivable		0.2	2.9
Total net Class A debt interest		(109.1)	(169.5)
<b>Interest Payable on Class B Debt</b>			
Class B Bonds		(16.8)	(36.7)
<b>Total Net Interest payable on Senior Debt</b>		<b>(125.9)</b>	(206.2)
<b>Interest Cover Ratios:</b>			
Class A ICR	1.6:1	<b>3.4:1</b>	3.7:1
Conformed Senior PMICR	1.1:1	<b>1.4:1</b>	1.2:1
Conformed Class A PMICR	1.3:1	<b>1.6:1</b>	1.5:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	<b>2.4:1</b>	2.4:1
Additional Conformed Senior PMICR	1.3:1	<b>1.4:1</b>	1.2:1

<sup>1</sup>**Disclaimer:** In accordance with the CTA, the 6 months to 30 September 2021 is not a Test Period. Ratios for 30 September 2021 are shown in this section for information only.

## 5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 30 Sep 21 <sup>1</sup> £m	As at 31 Mar 21 £m
<b>Class A Gross Debt:</b>			
Finance Leases		(7.7)	(7.7)
Class A Bonds etc		(6,424.3)	(5,995.7)
Total Class A Gross Debt		(6,432.0)	(6,003.4)
Less cash balances and Authorised Investments		908.5	285.9
Total Class A Net Debt		(5,523.5)	(5,717.5)
Class B		0.0	(794.2)
Total Senior Net Debt		(5,523.5)	(6,511.8)
<b>Regulatory Asset Value (RAV)</b>		<b>8,210.0</b>	7,943.0
<b>Regulatory Asset ratios:</b>			
Senior RAR	85.0%	<b>67.3%</b>	82.0%
Class A RAR	75.0%	<b>67.3%</b>	72.0%
Additional Senior RAR	75.0%	<b>67.3%</b>	82.0%

<sup>1</sup>**Disclaimer:** In accordance with the CTA, the 6 months to 30 September 2021 is not a Test Period. Ratios for 30 September 2021 are shown in this section for information only.

## 6.0 Regulatory Performance<sup>1</sup>

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

<sup>1</sup> Regulatory performance data is not updated at half year.

## 7.0 Anglian Water Services Group – Movements in Debt Balances

<b>CTA Gross Debt</b>	Closing Balance 31 Mar 2021	New Issues	Repayment	Indexation	Closing Balance 30 Sept 2021
	£m	£m	£m	£m	£m
Finance Leases	7.7				7.7
Operating Leases (Vehicles)	2.8	0.4	(0.7)		2.5
Transferring Bonds:					
6.875% Fixed 2023	200.0				200.0
6.625% Fixed 2029	200.0				200.0
A4 Notes - 5.837% Fixed 2022	250.0				250.0
A6 Notes - 3.07% ILLS 2032	337.1			4.3	341.5
A7 Notes - 3.07% ILLS 2032	101.7			1.5	103.1
A8 Notes - 6.293% Fixed 2030	246.0				246.0
A11 Notes - 3.666% ILLS 2024	126.4			1.6	128.0
A18 Notes - 2.4% ILLS 2035	624.0			16.3	640.3
A19 Notes - 1.7% ILLS 2046	75.6			1.0	76.6
A20 Notes - 1.7% ILLS 2046	75.6			0.9	76.5
A21 Notes - 1.7146% ILLS 2056	60.5			1.0	61.5
A22 Notes - 1.6777% ILLS 2056	75.6			1.3	76.9
A23 Notes - 1.7903% ILLS 2049	90.7			1.4	92.1
A24 Notes - 1.3825% ILLS 2056	75.6			1.1	76.7
A25 Notes - 1.3784% ILLS 2057	151.2			2.1	153.3
A26 Notes - LIBOR Plus 0.34%	100.0				100.0
A27 Notes - 1.449% ILLS 2062	108.7			0.5	109.2
A28 Notes - 1.52% ILLS 2055	72.5			0.3	72.8
A30 Notes - LIBOR Plus 0.85%	110.0				110.0
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0				25.0
A35 Notes - £130M 2.262% IL Bond 2045	174.8			5.2	180.0
Index Linked Swaps	56.8			24.7	81.5
A36 Notes - US\$160m 4.52% Private Placement 2021	99.1		(99.1)		0.0
B37 Notes - US\$410m 5.18% Private Placement 2021	260.7		(260.7)		0.0
European Investment Bank £75m 0.53% index linked amortising term facility 2027	55.8		(4.7)	1.6	52.7
European Investment Bank £75m 0.79% index linked amortising term facility 2027	55.8		(4.7)	1.6	52.7
A38 Notes - £250m 4.5% 2027	250.0				250.0
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9				31.9
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3				73.3
<b>Sub Total</b>	<b>4,175.1</b>	<b>0.4</b>	<b>(370.0)</b>	<b>66.2</b>	<b>3,871.7</b>

Cont'd	Closing Balance	New	Repayment	Indexation	Closing
	31 Mar 2021	Issues			Balance
	£m	£m	£m	£m	30 Sept 2021
					£m
A41 Notes - £50m 2.05% IL Private Placement 2033	61.0			1.8	<b>62.8</b>
A42 Notes - £15m 1.37% IL Private Placement 2022	18.3			0.5	<b>18.8</b>
B43 Notes - US\$47m 5% Private Placement 2022	30.0		(30.0)		<b>0.0</b>
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3				<b>22.3</b>
European Investment Bank £150m 0% index linked amortising term facility 2028	126.5		(9.2)	3.7	<b>120.9</b>
B46 Notes - £200m Class B 4.5% 2026	200.0				<b>200.0</b>
A47 Notes - £35m 1.141% IL Bond 2042	41.9			1.2	<b>43.1</b>
A48 Notes - US\$170m 3.84% Private Placement 2023	110.5				<b>110.5</b>
A49 Notes - £93m 3.537% Private Placement 2023	93.0				<b>93.0</b>
B50 Notes - US\$160m 4.99% Private Placement 2023	100.2		(100.2)		<b>0.0</b>
European Investment Bank £65m 0.41% index linked amortising term facility 2029	60.9		(3.9)	1.8	<b>58.8</b>
European Investment Bank £125m 0.1% index linked amortising term facility 2029	122.8		(7.4)	3.6	<b>119.1</b>
European Investment Bank £60m 0.01% index linked amortising term facility 2030	62.1		(3.5)	1.8	<b>60.4</b>
A51 Notes - £55m 2.93% Private Placement 2026	55.0				<b>55.0</b>
A52 Notes - \$150m 3.29% Private Placement 2026	104.3				<b>104.3</b>
A53 Notes - £35m 1.35% Private Placement 2031	35.0				<b>35.0</b>
A54 Notes - £20m 2.93% Private placement 2026	20.0				<b>20.0</b>
B55 Notes - £200m 2.625% Class B 2027	200.0				<b>200.0</b>
A56 Notes - £250m 1.625% Green Bond 2025	250.0				<b>250.0</b>
A57 Notes - £300m 2.75% Green Bond 2029	300.0				<b>300.0</b>
A58 Notes - £85m 2.880% Private Placement 2029	85.0				<b>85.0</b>
A59 Notes - £25m 3.00% Private Placement 2031	25.0				<b>25.0</b>
A60 Notes - US\$53m 3.053% Private Placement 2029	40.1				<b>40.1</b>
A61 Notes - £65m 2.870% Private Placement 2029	65.0				<b>65.0</b>
A62 Notes - JPY7bn 0.855% 2039	50.9				<b>50.9</b>
£550m RCF 2024	25.0		(25.0)		<b>0.0</b>
Export Development Canada £100m 1.588% term loan facility 2024	100.0				<b>100.0</b>
A88 Notes - £65m 0.835% IL Bond 2040	65.2			1.2	<b>66.4</b>
A64 Notes - £50m 1.760% 2035	50.0				<b>50.0</b>
A65 Notes - JPY7bn 0.85% 2040	50.4				<b>50.4</b>
Just Retirement £26.1m 0.010% IL term loan facility 2035	26.1			0.5	<b>26.6</b>
BP Pension Trustees £26.1m 0.010% IL term loan facility 2035	26.1			0.5	<b>26.6</b>
A66 Notes - £35m 2.14% 2036	0.0	35.0			<b>35.0</b>
A67 Notes - £40m 2.14% 2036	0.0	40.0			<b>40.0</b>
A68 Notes - US\$35m 1.16% 2036	0.0	25.5			<b>25.5</b>
<b>Total<sup>1</sup></b>	<b>6,797.7</b>	<b>100.9</b>	<b>(549.2)</b>	<b>82.6</b>	<b>6,432.1</b>

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



## 8.0 Anglian Water Services Group – Profit & Loss Account

### Summary Underlying Results (AWS Group)

The consolidated financial results for the six months ended 30 September 2021 are summarised below:

	<b>Six months ended 2021</b>	<b>Six months ended 2020</b>
	<b>Total £m</b>	<b>Total £m</b>
<b>Revenue (excl. grants and contributions)</b>	655.2	648.9
<b>Grants and contributions</b>	48.7	31.2
<b>Other operating income</b>	7.2	6.0
Operating costs	(306.9)	(288.5)
Charge for bad and doubtful debts	(8.4)	(15.0)
Depreciation and amortisation	(177.6)	(173.3)
<b>Operating profit</b>	<b>218.2</b>	<b>209.3</b>
Finance income	0.3	1.8
Finance costs <sup>1</sup>	(198.0)	(125.9)
<b>Underlying profit before tax</b>	<b>20.5</b>	<b>85.2</b>
<b>Finance costs – fair value losses on financial derivatives</b>	<b>(91.6)</b>	<b>(100.6)</b>
<b>Statutory Loss before tax</b>	<b>(71.1)</b>	<b>(15.4)</b>
<b>Tax (charge)/credit</b>	<b>(324.4)</b>	<b>2.1</b>
<b>Loss after tax</b>	<b>(395.5)</b>	<b>(13.3)</b>

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

## 9.0 Anglian Water Services Group – Balance Sheet

At 30 September 2021

		£m	£m	£m
<u>Non-current assets</u>				
Intangible assets				262.8
Property, plant and equipment				10,118.6
Derivative financial instruments classified as current and non-current assets				132.4
Retirement benefit surpluses				41.5
Net current liabilities excluding cash and debt repayable in less than one year				(111.2)
Retirement benefit obligations				(46.0)
Derivative financial instruments classified as current and non-current liabilities				(1,109.2)
Creditors amounts falling due after more than one year excluding debt				(1,480.7)
Cash and cash equivalents	Payments Account	775.4		
	Capex Reserve	80.5		
	Tax reserve	40.0		
	Debt Service	12.7	908.6	
Financing liabilities	Bonds (excluding accrued interest)	(6,354.7)		
	Leases	(42.2)		
	Other <sup>1</sup>	(59.7)	(6,456.6)	
	Net Debt (excluding derivatives)			(5,548.0)
<b>Net assets</b>				<u><u>2,260.2</u></u>

Capital and reserves

Share capital	32.0
Share premium	1,165.0
Dividend paid	(96.3)
Reserves b/f	1,532.4
Actuarial losses on pension schemes	(12.5)
Loss for the period	(395.5)
Gains on cash flow hedges	37.6
Gains on cost of hedging reserve	(2.5)
	<hr/>
	2,260.2
	<hr/>

**Capital and reserves**

<sup>1</sup> Accounting adjustments that are not within the CTA definition of net debt (capitalised issue costs, accrued interest and IFRS9 adjustments).

## 10.0 Anglian Water Services Group – Calculation of Annual Finance Charge

<b>Instrument</b>	<b>Actual Interest Paid to 30 Sep 21 £m</b>	<b>Actual Interest Paid to 30 Sep 20 £m</b>	<b>Actual Interest Paid to 31 Mar 21 £m</b>
<u>Class A Debt</u>			
AAA Wrapped Bonds	21.3	21.3	31.3
A-Bonds	73.0	72.9	112.5
US Private Placements	13.8	13.4	27.0
Leases	0.0	0.0	0.2
Other	2.5	2.5	2.6
<u>Class B Debt</u>			
BBB Bonds	4.1	8.4	14.0
US Private Placements <sup>1</sup>	12.7	7.6	20.1
<b>Annual Finance Charge</b>	<b>127.4</b>	<b>126.1</b>	<b>207.7</b>

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

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

## 11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

<b>Derivative Counterparties Mark to Market Valuations as at 30/09/21</b>				
<b>External Swap Counterparties</b>	<b>Nominal Amount £m</b>	<b>MTM Positive Values £m</b>	<b>MTM Negative Values £m</b>	<b>MTM Total Values £m</b>
BARCLAYS BANK	425.4	0.0	(55.3)	(55.3)
BGL BNP PARIBAS	0.0	0.0	(46.8)	(46.8)
BNP PARIBAS BANK	366.1	6.4	(64.7)	(58.2)
CBA BANK	112.9	22.7	0.0	22.7
DEUTSCHE BANK	150.0	0.0	0.0	0.0
HSBC BANK	236.6	19.0	(143.6)	(124.6)
HSBC BANK (Investor ISDA)	0.0	0.0	67.4	67.4
JP MORGAN BANK	580.7	2.8	(246.1)	(243.2)
LLOYDS BANK CORPORATE MARKETS PLC	739.9	47.4	(63.3)	(15.9)
MORGAN STANLEY BANK	342.6	5.2	(128.7)	(123.5)
SANTANDER UK PLC	705.4	27.3	(34.2)	(6.8)
SCOTIA BANK	240.0	2.5	(82.0)	(79.4)
SMBC BANK	150.5	4.0	(19.2)	(15.2)
EXTERNAL INVESTORS	0.0	0.0	(298.0)	(298.0)
<b>Anglian Water Interest Derivatives</b>	<b>4,050.1</b>	<b>137.6</b>	<b>(1,114.5)</b>	<b>(976.9)</b>
<b>Notes</b>				
1. All Swaps are transacted under ISDA agreements between Anglian Water Services Financing Plc and External Swap Counterparty.				
2. Valuations include accrued interest to valuation date.				