Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the year ended 31 March 2019

Prepared in accordance with International Financial Reporting Standards (IFRS)

Final 29.05.2019

love every drop
anglianwater

Investor Report

Contents

love every drop
anglianwater

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 31 March 2019.

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 twelve months ended 31 March 2019.

1.0 Financial Performance for the year ended 31 March 2019

Summary Underlying Results (AWS Financing Group)

The underlying financial results have been prepared on an International Financial Reporting Standards (IFRS) basis and are summarised in the table below:

	2019 Total £m	2018 Total (Restated) £m[1]
Revenue	**1,354.7**	1,312.0
Other operating income	**13.6**	11.1
Operating costs	**(630.5)**	(592.1)
Depreciation	**(348.8)**	(335.6)
Operating profit	**389.0**	395.4
Finance income[2]	**2.9**	1.6
Finance costs[3]	**(331.4)**	(344.1)
Underlying profit before tax	**60.5**	52.9
Finance costs - fair value (losses)/gains on financial derivatives	*(98.4)*	*117.6*
Finance income - inter-company interest receivable	*-*	*191.8*
Profit on disposal of the non-household retail business	*-*	*4.6*
Statutory (loss)/profit before tax	**(37.9)**	366.9

[1] The comparatives have been restated to reflect the impact of IFRS 15 'Revenue from Contracts with Customers', which came into effect on 1 April 2018, on the accounting for grants and contributions and other income. Grants and contributions are now recognised immediately as revenue rather than being deferred and released to 'other operating income' over the expected useful life of the related assets.

[2] The comparative has been adjusted to show finance charges excluding interest receivable on an intragroup loan. This intragroup loan was settled in March 2018 and therefore there is no equivalent adjustment in the current year.
[3] In order to show pre-tax performance on an underlying basis the fair value gains and losses on financial derivatives have been excluded here.

Revenue

On 1 April 2018, IFRS 15 'Revenue from Contracts with Customers' came into effect. The principal consequence of this new standard is that grants and contributions income is recognised as revenue immediately, whereas in the past it was spread over the life of the related asset and included in other operating income. Revenue, excluding grants and contributions, for the year was £1,280.3 million (2018: £1,248.9 million), an increase of £31.4 million (2.5 per cent) on last year. This primarily reflects the regulatory pricing mechanism, increases in household consumption due to the hot, dry summer, and growth in customer numbers. The increase in demand experienced over the summer months was, as expected, not sustained for the remainder of the year.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. Over the year these have increased by £11.3 million to £74.4 million, which reflects an increased level of adopted sewers and pumping stations in relation to new housing developments, and the significant diversion of existing infrastructure for the Cambridge to Huntingdon A14 road improvement scheme.

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities. During the year other operating income increased by £2.5 million to £13.6 million, principally due to increased power generation.

Operating costs

Operating costs for the year increased by £38.4 million (6.5 per cent) to £630.5 million. This increase is explained in the table below:

Increases/(decreases) in operating costs (before depreciation and amortisation)	£m
One-off net costs in 2017/18 not repeating	(3.5)
General inflationary increases	17.7
Increase in energy prices and costs	10.4
Increase in minor repair activities to maintain water and waste water below ground infrastructure	10.0
Providing more effective solutions through operational maintenance, rather than capital investment	9.0
Dealing with the 'Beast from the East' and the exceptional hot, dry summer – proactive leakage management and avoiding interruptions to customer supply	6.5
Operating costs of newly commissioned plant	4.8
Reduction in actuarial pension charge	(1.1)
Reduction in bad debt charge	(2.4)
Net efficiency savings achieved	(13.0)
Net increase in operating costs	**38.4**

.

Pension costs were reduced by £4.4 million as the company's defined benefit scheme was closed to future accrual in March 2018. However, this was partially offset by a £3.3 million provision recognised in respect of Anglian Water's' obligation under the principle of guaranteed minimum pension (GMP) equalisation between male and female employees.

The cost and efficiency savings are derived from a range of initiatives including energy conservation and self-generation, optimising the sourcing of commodities, centralised management of operations, renegotiating supplier contracts with improved terms, and a number of productivity improvements from embedding more lean thinking and processes into the business, and more efficient asset maintenance programmes.

Depreciation

Depreciation is up 3.9 per cent compared with last year, consistent with the impact of newly commissioned assets in the year, and a reduction in the useful life of various operational assets.

Operating profit

Operating profit has decreased by 1.6 per cent to £389.0 million, which is consistent with the effect of the regulatory price increase, more than offset by the increases in operating costs and depreciation.

Finance costs

Underlying finance costs (excluding fair value gains and losses) decreased from £344.1 million in 2018 to £331.4 million in 2019. This was primarily the result of the non-cash impact of lower inflation on index-linked debt where the year on year average Retail Price Index (RPI) fell from 3.7 per cent to 3.2 per cent and the increase in interest capitalised reflecting a higher level of capital projects in progress.

There was a fair value loss of £98.4 million on derivative financial instruments in 2019, compared with a gain of £117.6 million in 2018. This shift was due to movements in market expectations of long-term interest, inflation and exchange rates. Fair value gains and losses include a charge of £11.7 million relating to the restructuring of derivatives which were cash settled in the period. The balance of the fair value gains and losses are non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the loss in 2019 compared to the gain in 2018 were a rise in forward inflation expectations together with a fall in forward interest rates. During the year, forward inflation increased by circa 12 basis points (2018: 13 basis point fall), and forward interest rates decreased by 16 basis points (2018: 19 basis point increase).

Underlying profit before tax

Underlying profit before tax for the year was £60.5 million, compared with £52.9 million in the prior year. This increase reflects the lower finance costs (excluding fair value gains/losses on derivatives) due principally to a lower RPI, partially offset by the reduction in operating profit.

Taxation

	2019 £m	2018 (Restated)[1] £m
Current tax charge	**55.9**	44.0
Deferred tax credit	**(61.0)**	(9.4)
Total tax (credit)/charge	**(5.1)**	34.6

[1] The results for the year ended 31 March 2018 have been restated to reflect the adoption of IFRS 15 'Revenue from Contracts with Customers'.

Anglian Water is one of the largest private investors in infrastructure in the region, investing more than £2 billion over five years. The Government actively encourages infrastructure investment and grants capital allowances, which defer some of the corporation tax liabilities until a later period. Customers directly benefit from the deferral as it helps to keep their bills lower.

Total tax paid or collected in the year to 31 March 2019, other than corporation tax, amounted to £256 million (2018: £253 million), of which £82 million was collected on behalf of the authorities for value added tax (VAT) and employee payroll taxes. All of the taxes are paid as they become due.

Current tax
The current tax charge for the year was £55.9 million (2018: £44.0 million). The increase was mainly due to a charge that arises on adoption of IFRS15 and an increase in profits before taking account of fair value adjustments on derivative financial instruments, which have no current tax effect. This is offset by the claiming of capital allowances.

Deferred tax
The deferred tax credit has increased from £9.4 million to £61.0 million. The main reason for this increase was the movement in fair value on financial derivatives which changed from a gain of £117.6 million last year to a loss of £98.4 million this year. There was also an increase in the credit in respect of prior years and the credit due to the reduction in corporation tax rates.

Anglian Water's underlying effective tax rate is in line with the rate of corporation tax before considering losses surrendered from other group companies. The relatively low level of cash tax reflects the fiscal incentives available to all UK companies for sustained high levels of capital investment, the interest that is paid to fund that investment and utilisation of surplus Advance Corporation Tax.

Net debt and cash flow

In the year to 31 March 2019, Anglian Water sourced £450 million of funds in term debt (£447.8 million net of discounts) and made long-term debt and derivative repayments of £119.2 million. This is made up of £107.5 million of debt repayments and £11.7 million repayment on derivatives. New funds were the result of a second round of Green Bonds issued in the year, in both the US and UK financial markets, the proceeds of which will be used to finance capital expenditure. Debt repayments comprised: a £6.5 million finance lease repayment; the repayment of the JPY15 billion (£65.9 million) 2.925% per cent bonds and associated cross currency swap maturing in December 2018, and £35.1 million of amortising redemptions on EIB loans. In addition, Anglian Water paid £11.7 million to close out pre-hedge positions no longer required as a result of the commitments made to reduce the leverage of the company.

At 31 March 2019, Anglian Water had borrowings net of cash of £7,159.8 million (£6,380.3 million excluding derivatives), an increase of £263.4 million (£215.7 million excluding derivatives mark-to-market valuations) over the prior year. Net borrowings comprised a mixture of fixed, index-linked and variable-rate debt of £6,934.6 million, derivative mark-to-market of £779.5 million (excluding energy derivatives of £1.0 million), and cash and deposits of £554.3 million. The increased net borrowings primarily reflect the on-going investment programme.

The business generated cash from operations of £700.7 million in the year (2018: £690.8 million). The increase primarily reflects the increased revenues in the year, partially offset by higher operational costs.

2.0 Regulatory Update

National Infrastructure Commission – Review of Regulation

On 18 February, the National Infrastructure Commission (NIC) launched a call for evidence on what future changes may be required to ensure regulation of the energy, telecoms and water industries supports investment and innovation while keeping costs down for customers. The call for evidence included questions covering:

- Whether fundamental change to the current model is required;
- Whether consumer interests could be better represented in the future and how;
- How regulators can act in future to win and maintain consumer trust in the sectors;
- What impact competition has had on investment in the sectors;
- Whether regulation has been slow to adapt to changing market circumstances, and if so, where; and
- Whether greater levels of transparency and accountability could be achieved and how
- The pros and cons of having a multi-utility regulator.

Anglian Water responded to the call for evidence on 12 April. In Anglian Water's response, we highlighted the step-change improvement in performance since privatisation of the water sector in 1989, as well as how regulation needed to evolve to remain fit-for-purpose, including:

- Creating a more stable long-term regulatory framework for enhancement expenditure over multiple price-control periods
- Building a regime which rewards genuine innovation, rather than a risk-averse compliance culture
- Greater parliamentary scrutiny of regulators' decisions, and
- Greater clarity on the respective roles of economic and quality regulators to avoid contradictory positions or duplication of effort.

On the question of a multi-utility regulator, Anglian Water took a neutral position, highlighting the benefits of: regulators working more closely together, particularly across energy and water networks, whilst also pointing out the potential risks from: loss of expertise and disruptions resulting from any merger. Anglian Water also suggested that there would be a need to learn lessons from other multi-utility regulators. The NIC's report is due in Spring 2019.

PR19 – Initial Assessment of Business Plans

OFWAT published its initial assessment of companies PR19 business plan in January 2019. No company was given the 'exceptional' assessment. Three companies (United Utilities, Severn Trent and South West) were given a fast-track assessment, and have received early draft determinations and an additional 10 basis points to their return on regulated equity for AMP7. Four companies (Affinity, Hafren Dyfrdwy, Thames, and Southern) were categorised as 'significant scrutiny' and require extensive material intervention in their plan and ongoing regulatory scrutiny and reporting. OFWAT will relax the condition of lower cost sharing and capping incentive payment rates for these companies provided they engage positively to address OFWAT concerns with their plan. The remaining companies, (including Anglian Water) will follow the historical standard regulatory process submitting a response and amendment to its plan.

PR19 – Anglian Water response to Initial Assessment of Business Plan

Anglian Water responded to OFWAT's initial assessment of its business plan on 29 March. The key points of the response were:

- Reaffirming that the plan submitted in September 2018 was the right plan for the Anglian region for AMP7 and beyond.
- Addressing OFWAT's concerns in relation to efficiency through providing additional evidence to support the investment set out in the plan and providing a critique of Ofwat's cost models, backed by third-party support.
- Some changes to performance commitments and outcome delivery incentives where these were backed by customer support, including additional performance commitments for affordability and vulnerability.
- The removal of £68 million of previously proposed expenditure to address the impacts of metaldehyde, following the government's announcement of a metaldehyde ban
- A re-profiling of AMP7 bills, such that overall bills will decrease by 0.1% over AMP7.

OFWAT will publish its draft determination on the PR19 business plan on 18 July 2019. Anglian Water will then have six weeks to respond to this, before the final determinations are issued by OFWAT in December 2019.

Business retail market

The competitive business retail market has now been in operation for two years. There have now been a total of 226,609 switches nationwide[1] since market opening and new retailers continuing to enter the market. Significant recent developments in the market have included:

- An announcement in January 2019 that Business Stream will acquire the business retail customers of Yorkshire Water (who had not yet exited the business retail market) in Summer 2019.
- The first revocation of a retailers licence due to liquidation. Aquaflow – a new entrant retailer – had its licence revoked in March 2019, and following the supply reallocation process its customers were transferred to another retailer (Clear Business Water).
- The continuing interest of the self-supply option whereby customers deal directly with wholesalers rather than through a retailer. There are currently 10 self-suppliers and live applications for self-supply. New self-suppliers include Heineken, BT and Nottingham City Council.

Company Monitoring Framework

In January OFWAT published the results of its 2017-18 assessments of companies' performance under the Company Monitoring Framework (CMF). The CMF is a reputational incentive under which companies are assigned to one of three categories according to OFWAT's level of confidence in the reliability of their published data and the quality of their performance reporting.

Overall Anglian Water maintained its position in the middle ('targeted') band, along with the majority of companies. Two companies were placed in the top 'self-assured' category and three were put in the bottom 'prescribed' category.

Licence modifications

In December OFWAT confirmed a wide range of modifications to Anglian Water's licence. These modifications have been developed in collaboration with companies, with the intention of tidying up the licence and simplifying the language. Some reorganisation has been carried out; for example, all clauses relating to ring-fencing have been moved from Condition F to a new Condition I.

[1] Source: Market Operator Services Limited (MOSL): Market Charts – 1st March 2019

- The removal of the requirement to produce codes of practice in favour of a more general obligation about publishing core customer information
- The removal of obligations made redundant by the introduction of charging rules and opening of the non-household retail market, and
- The collection into one Condition of all information-providing requirements.

Environment Foods and Rural Affairs (EFRA) Select Committee Report on Water Regulation

The report of the EFRA Select Committee on Regulation of the Water Industry was published on 9 October 2018. Its recommendations included the following:

- OFWAT and DEFRA should make an assessment of the need for water transfer infrastructure and establish a long term target for water transfers.
- The target for leakage reduction should be 50% reduction by 2040 – ten years earlier than the NIC recommendation.
- A target for Per Capita Consumption target should be introduced.
- All companies should have the powers to make water meters compulsory, not just those in water stressed areas.
- The Government should review whether the Environment Agency (EA) has the necessary powers and resources to enforce a drastic reduction in sewage overflows.
- OFWAT should provide a written update to the EFRA Committee by April 2019 outlining progress on financial engineering, dividend policies and linking executive bonuses to delivering for customers.
- OFWAT should be given the power to bind water companies to the governance principles (recently consulted upon) through companies' licence conditions.
- An independent review should be conducted into whether the water industry and regulation is fit for the future to combat drought and deliver value for money, and look at whether the price review cycle should be lengthened.

The report criticised OFWAT for not setting tougher leakage targets at PR19, not providing stronger incentives for water trading, not doing more to limit companies' returns and for the complexity of the regulatory process.

3.0 Service Performance Overview

Service Incentive Mechanism

Providing a great service to customers remains business as usual for Anglian Water. The business has continued to adapt and improve service in line with customers' individual needs. This year Anglian Water has driven a customer service transformation programme across the business which has seen reviews and redesigns of processes and communications to ensure delivery of the service customers want and need. Outcomes of this review included have further development of the online billing platform, "MyAccount". Among many other helpful improvements customers can now update a change of address and switch to a meter at the click of a button. The use of this platform has increased, with over 400,000 customers registered and more than 30,000 customer interactions every week.

Anglian Water has also been working with all front line staff on an internal initiative called Make Today Great, the aims of which is to help make life better for customers, every single day. Front line staff have been put through challenging customer service training and made changes to internal processes with the sole purpose of ensuring staff at Anglian Water are empowered to do what they can to make an individual customers' day better.

This year more than 100,000 of Anglian Water's customers shared their views and 96% told the business that they were either 'satisfied', or better, with the service they received.

The Service Incentive Mechanism (SIM), used by OFWAT to compare the customer service offered by water companies comprises two parts; A qualitative survey of customers who have had contact with us, and quantitative a measure of unwanted contacts and complaints. For the second year running Anglian Water finished in first place in the OFWAT qualitative survey and despite a very challenging year with the weather quantitative performance remains constant with a very similar outturn to the 2017-18 year.

It is expected that these results will leave Anglian Water well placed when the joint quantitative and qualitative figures are revealed for all companies, later this year.

4.0 Capital Expenditure

AMP6 gross capital expenditure[1] in the appointed business for the year was £440.0 million (£246.8 million on capital maintenance, £193.2million on capital enhancement), compared to £467.2 million in the third year of AMP6. This level of expenditure is broadly in line with management expectations, and includes £45.2 million of capital maintenance spend in respect of the commitment from the company to reinvest £100 million of efficiencies over the AMP as announced in 2017. Good progress is also being made with the £65 million of reinvestment in resilience announced in March 2018 with capital expenditure in the year of £10.2 million - this will, among other benefits, improve resilience in some critical parts of the network. In addition, £13.8 million of reinvestment expenditure in the year was included in operating costs.

Anglian Water has successfully delivered a number of the obligations for the Environment Agency through some innovative and lower build approaches which has enabled the business to both reduce carbon and deliver best whole-life cost solutions. These schemes at places such as Ingoldisthorpe, Great Dunmow and Stanbridgeford will form the basis not only of the Green Bond funded investment plan, but will also serve as a blueprint for the approach that is proposed in the next 5 year regulatory period.

Over the 2015–2020 five-year period, Anglian Water are investing over £2 billion through the capital investment programme, delivering the business plan in terms of both regulatory outputs and in support of the Outcome Delivery Incentives (ODIs).

[1] Stated on an IFRS basis but excluding capitalised interest and adopted assets acquired at nil consideration, and grossed up for diversions and similar income of £10.9 million (2018: £6.3 million) which prior to the adoption of IFRS15 on 1 April 2018 was netted against capital expenditure.

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, the Environment Agency and Natural England (formerly English Nature). There is also close liaison with Environmental Health Officers and Consultants in Communicable Disease Control within Public Health England and other environmental bodies.

Drinking Water

The 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 Drinking Water Inspectorate (DWI) measures performance at the company's treatment works, where it has delivered another excellent performance, with just three coliform failures and two E.Coli failures. The same is true at its storage reservoirs, which store treated water at points around the network with 99.98 per cent compliance this year.

Both these results are due to a successful programme of work to improve the inspection process of treated water tanks and storage reservoirs. The company adopted a risk-based approach to the frequency of these inspections and as a result, continue to be among the highest performing water and sewerage companies in the industry for the DWI measures of Disinfection Control and Reservoir Integrity.

In addition to maintaining excellence at its water treatment works, Anglian Water have once again exceeded its target for the quality of water travelling through the network to homes and businesses. Its Mean Zonal Compliance remains ahead of target at 99.96 per cent. This is the key measure used by the DWI to determine compliance with the stringent regulatory drinking water standards for England and Wales.

There has been a big fall in the number of contacts received from customers about the appearance, taste and odour of their water this year. Performance is the best ever, with a total of just 1.18 contacts per thousand customers thanks to a continued focus on supporting customers through social media and reacting to every cluster of two or more complaints in order to solve any issues quickly.

Water Recycling

Water Recycling has seen a reduction in total pollution incidents over the last 12 months. Anglian Water finished 2018 with 191 total incidents (category 1 – 3) compared to a total of 233 in 2017. There were six serious pollution incidents in 2018; five category 2 (2017:4) and one category one (2017:1).

Pollution self-reporting has been a key priority in the last 12 months with an emphasis on exceeding the Environmental Performance Assessment (EPA) target of 75%. As a result of an internal campaign to raise awareness and the launch and department-wide adoption of a pollution reporting App, performance has significantly improved throughout the year and is 92% for the current month.

Anglian Water’s sludge-to-land compliance performance in the EPA remains at 100%.

For discharge permit consents Anglian Water’s year-to-date performance is 99.5% against the target of >99.0% required to achieve a green status on EPA.

Priorities for the coming year are focussed on: embedding the changes of the business operating model which will give the company greater visibility and ownership of how it operates its assets; predictive analytics to get in front of issues before they occur; better use of information on previous events, so Anglian Water avoids similar root causes and proactive mitigation. The company has just launched a joint action plan between Water and Water Recycling to ensure that best practice is shared across both business streams and an internal communications campaign, to drive more focus on EPA performance with specific emphasis on discharge permit consent compliance.

Environment

The number of bathing waters classified as 'excellent' by the Environment Agency for 2018 was 32 from a total of 49. Two bathing waters were classified as 'poor'. One of these - Clacton Groyne 41- will be de-designated after the 2019 bathing season. The Environment Agency will only accept a de-designation if the site is no longer used as bathing water. The other beach is expected to recover.

Third-party activity and diffuse pollution remain the primary causes for where bathing waters are not 'excellent'. This has been further reinforced by the outcomes from the modelling and independent investigations commissioned by Water Recycling this AMP.

Working with agriculture remains a key part of the strategy for safeguarding environmental water quality. The 'Slug it Out' programme has continued to demonstrate that complete suspension of metaldehyde use by agriculture will ensure compliance with the 0.1ug/l pesticide standard. Results this year have shown full compliance (from agricultural sources) for all test catchments for the first time.

Government confirmed in December 2018 that metaldehyde will be banned for outdoor use by June 2020 (toxicity concerns for wildlife). The company has committed to supporting the implementation of the ban and to expanding catchment management work with farmers across a range of other areas including; phosphates, biosolids and plastics as well as continuing the work with pesticides.

Water Resources

The region’s water resources remain secure at the end of the 2018/19 recharge season despite lower than average rainfall throughout the summer of 2018, and autumn winter of 2018/19. Rainfall in the Anglian Water region over the twelve months on 2018/19 has been 87% of the long term average. Reservoir levels across the region are slightly below target at 93% storage overall at the end of March. Groundwater levels across the region are below normal for the time of year, with minimal recovery having occurred throughout the 2018/19 recharge season.

Groundwater levels in the east of the region are most notably impacted. The Drought Management Team has been convened and met for the first time in February 2019. The team are preparing for the potential onset of a drought, if the below average rainfall continues. Enhanced monitoring and projections continue into the spring to closely monitoring the situation but there is no indication that there will be a need to implement customer restrictions. Anglian Water will continue promote customer communications around dry weather and responsible water usage as the situation develops.

Anglian Water submitted the revised draft of its next Water Resource Management Plan (WRMP) to Defra in September 2018, following a public consultation which ended in June 2018. The plan is now with Defra for approval ahead of final publication. The new plan covers the period from 2020 to 2045, outlining how the balance between supplies and demand will be maintained into the future. The new plan includes over £850 million investment in a strategic network of pipelines to move water around the region, as well as an ambitious programme to roll out smart meeting, reduce leakage and continue to promote water efficiency.

6.0 Financing

Gross debt increased by £397.8 million during the period, primarily driven by a £300.0 million 2.750 per cent 2029 Class A sterling Green Bond, Anglian's second green issuance, and a £150.1m US Private Placement 2029 split as follows:

- £85.0 million – 2.880% coupon
- £25.0 million – 3.000% coupon
- £40.1 million – 3.053% coupon

There have been no changes to credit ratings in the period, which are as follows:

Fitch Ratings:	A, BBB+
Standard and Poor's:	A-; BBB
Moody's:	A3; Baa3; Corporate Family Rating Baa1

Anglian entered into £615.0m of CPI swaps in the period.

7.0 Dividends

Distributions have been paid to the shareholder, AWG Group Ltd as follows:

28 June 2018 £68.0 million - in relation to the 2017/18 final dividend. The dividend was substantially lower than the funds available for distribution, reflecting the board's stated intention of reducing gearing by paying lower dividends through to 2025.

No interim dividend was paid in 2018/19.

In October 2018, AWG Group made a £22.0 million equity injection into Anglian Water as part of its plan to reduce gearing.

8.0 Health and Safety

Anglian Water has maintained OHSAS 18001 accreditation for its health and safety system since 2009, and were once again awarded a gold medal by the Royal Society for the Prevention of Accidents. This places its health and safety performance among the very best in the industry.

9.0 *Significant Board / Management Changes*

The Board of Anglian Water Services Ltd comprises:

Dr Stephen Billingham	Independent Non-Executive Chairman		
Natalie Ceeney, CBE	Independent Non-Executive Director, appointed 14 May 2018		
Dame Polly Courtice	Independent Non-Executive Director		
Zarin Patel	Independent Non-Executive Director, appointed 31 October 2018		
John Hirst, CBE	Senior Independent Non-Executive Director		
Paul Whittaker	Independent Non-Executive Director		
Peter Simpson	Chief Executive Officer	)	Executive
Scott Longhurst	Managing Director Finance & Non-Regulated Business	)	Executive
James Bryce	Non-Executive Director		
Duncan Symonds	Non-Executive Director		
Niall Mills	Non-Executive Director		

The following Directors resigned during the year:

Chris Newsome, OBE	Director of Asset Management, resigned 11 August 2018
Jean Spencer	Strategic Growth and Resilience Director, resigned 11 August 2018
Steve Good	Independent Non-Executive Director, resigned 31 October 2018

Anglian Water is managed by the AWS Management Board, which, as at 31 March 2019, in addition to the Executive Directors referred to above, included:

Claire Russell	Legal Director and Company Secretary
Susannah Clements	Group Director of People
Alex Plant	Director of Regulation
Paul Gibbs	Director of Water Recycling Services
Ian Rule	Director - Wholesale Services and Customer Services
Ciaran Nelson	Director of Brand and Communications
Paul Valleley	Director of Water Services
Richard Boucher	Group Strategy and Risk Director
Iain Fry	Director of Information Services
Jason Tucker	Director of Alliances & Integrated Supply Chain

Anglian Water will be holding a meeting for investors in London on 07 June 2019.

10.0 Green Bond

Background

On 10 August 2017 Anglian Water received settlement of the funds from the £250 million 1.625 per cent Green Bond maturing 10 August 2025, which was issued in accordance with the ICMA Green Bond Principles, 2017 ("GBP"). Anglian Water undertakes all capital expenditure projects through its Governance framework which is subject to PAS2080 accreditation, a standard launched by the Green Construction Board to encourage a consistent approach to the management of carbon by all involved in infrastructure and setting out principles and components to manage whole life carbon emissions and deliver reduced carbon over the whole value chain. As a consequence, all of the expenditure undertaken falls within the eligible project category, outlined in the GBP, being related to: "sustainable water and wastewater management including sustainable infrastructure for clean and/or drinking water, wastewater treatment sustainable urban drainage systems and river training and other forms of flooding mitigation".

Further net proceeds of £446.7m were received to the end of March 2019 over two additional green bonds. Funds will be transferred out of the Capex bank account as expenditure is undertaken.

Portfolio

Cumulative Eligible Green Projects in the Eligible Green Portfolio as at 31 March 2019 are summarised in the following table:

Green Portfolios	Sustainable Water Management	Sustainable Water Recycling	Total	Reduction in CO2
	£m	£m	£m	%
Green Bond 1: £250.0m 1.625% 2029	125.3	203.3	328.5	62%
Green Bond 2: £300.0m 2.750% 2029	198.6	113.2	311.8	44%
Green Bond 3: £150.1m 2.946% 2029/2031	43.9	68.0	111.9	50%
Total Portfolio	**367.8**	**384.4**	**752.2**	**56%**
Spend Buffer[1]			**(173.6)**	
Spend Available for Allocation			**578.6**	
Net Proceeds			**695.4**	
Proceeds Allocated To Date			**562.2**	
Proceeds Unallocated			**133.2**	

Funds totalling £562.2 million have been transferred from the Capex Reserve Bank Account in order to fund the expenditure to date on the Portfolio. This leaves £133.2 million to be invested in additional spend as at 31st March 2019.

[1] Spend Buffer: the 2018 Green Bond Framework requires a healthy buffer of investments be maintained.

Green Projects

All Water and Water Recycling expenditure undertaken by Anglian Water falls within the eligible project categories recommended in the Green Bond Principles 2018. However, for reporting and monitoring purposes in accordance with the Anglian Water Green Bond Framework, certain projects are selected into a number of "Green Bond Portfolio". 118,463 tonnes of carbon, a 56 per cent reduction from the 2010 baseline, will be saved across the projects allocated to the Green Bond Portfolios. £562.2 million of the funds received from the three green bonds have been allocated against a total project spend of £752.2 million, the difference being the spend buffer. Examples of some of the projects are given below; these and other selected examples can be found on Anglian Water's website:

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

Cottingham Corby Burst Main: (Green Bond 2 - Total project spend of £700k)

The cast iron water mains in Cottingham have burst 14 times in the last 6 years which has led to low pressures and supply interruptions to over 70 properties. Careful planning at the start of the project identified the ability to resolve the issues with a 70% no dig approach resulting in a 78% carbon reduction. The scheme highlights the move to no dig approaches and the emphasis on reducing carbon across the business.
Embodied carbon PR09 baseline 242 t/c02e reduced to 53 t/c02e.

Embodied water PR09 baseline 703 m^3 reduced to 68 m^3.

Alconbury Growth Development (Green Bond 3 - Total cost £6.2m)

The Alconbury Growth project has been driven by a new development which has begun in Sapley, Huntingdon, which, when complete, will be in the region of 5,000 properties. The developer has started the build and requisitioned a supply to the site from Anglian Water. There is currently no network capability in the area to supply the development. With the development of these new properties, the existing properties fed by the Sapley tower (approx. 6,000 properties) are at risk of low pressures and supply interruptions if no intervention takes place. In addition it would be a failure to comply with a requisition under the Water Industry Act Section 41.

This project involves laying 5km of 400mm ID water main between Alconbury and Sapley, plus the building of a new booster at Sapley. Due to important ecological research undertaken by Anglian Water, in conjunction with the @onealliance, the pipeline was changed from open-cut to directional drill near the East Coast Mainline. This was to avoid the Great Stukeley Railway Cutting SSSI (Site of Special Scientific Interest), saving plant communities typical of scarce calcareous clay grassland. Bee orchids have also been saved and will be replaced once the project is finished, as well as a re-route of the main pipework to save a medium population of Great Crested Newts.

Embodied carbon PR09 baseline 1,300 t/c02e reduced to 740 t/c02e.

Embodied water PR09 baseline 10,483 m^3 reduced to 18 m^3.

Cotton Valley Sludge Treatment Centre: (Green Bond 2 - Total project spend of £5.6 million)

Anglian Water is spending £5.6 million on constructing an additional digester sized for a capacity of 25000/26600 tds a day. Cotton Valley uses thermal hydrolysis to heat sludge, meaning that they are lagging behind in terms of MWh/tds (Megawatt hours per Tonnes Dry Solids) performance. Whilst projects are in progress to return the plants to design (0.8MWh/tds), there is an opportunity for further upgrades to increase both throughput and performance to 0.9MWh/tds. Whilst Anglian Water has two Thermal Hydrolysis Process (THP) plants this is only applicable to Cotton Valley at this present time until restrictions on power export are resolved at Whitlingham. Digester capacity is the limiting factor in terms of performance, increasing available capacity and retention time will increase levels of organic destruction and gas production. Additional digestion capacity will also increase the design throughput of the STC from 20,600tds to 25,000tds offering enhanced sludge treatment resilience. The consequence is that underperformance of STC results in reduced Combined Heat and Power (CHP) generation, which would be used by way of self-generated power.

Embodied carbon PR09 baseline 556 t/c02e reduced to 399 t/c02e.

Embodied water PR09 baseline 347 m^3 reduced to 118 m^3.

Ratios

1.0 Historical

Anglian Water confirms that in respect of the year ended 31 March 2019, by reference to the most recent financial statements that it is obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

		31 Mar 2019	31 Mar 2018
a)	The Class A RAR	**68.2%**	**67.9%**
b)	The Senior RAR for each Test Period	**78.1%**	**78.1%**
c)	The Class A ICR	**3.6:1**	**3.6:1**
d)	The Class A PMICR for each Test Period	**n/a**	**n/a**
e)	The Senior PMICR for each Test Period	**n/a**	**n/a**
f)	The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	**2.3:1**	**2.2:1**
g)	The Conformed Class A PMICR for each Test Period	**1.9:1**	**1.8:1**
h)	The Conformed Senior PMICR for each Test Period	**1.6:1**	**1.5:1**

2.0 *Forward Looking*

Anglian Water confirms that each of the above Ratios and the Conformed Class A Average PMICR and the Conformed Senior Average PMICR have been calculated in respect of each of the Test Periods for which they are required under the Common Terms Agreement (i.e. 31 March 2019 to 31 March 2020) 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 2020 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 31 Mar 19 £m**	Actual Period to 31 Mar 18 £m
Income		**1,294.4**	1,187.0
Operating Expenditure		**(630.6)**	(572.5)
Pre-capital maintenance cashflows		**663.8**	614.5
Capital Maintenance Expenditure		**(247.5)**	(235.7)
Depreciation		***(317.3)***	*(304.9)*
Post-Maintenance cashflow for PMICR		***346.5***	*309.6*
Post-Maintenance cashflow for Net Cash Flow ratio		**416.3**	378.8
Net Interest		**(223.0)**	(211.8)
Enhancement Capital Expenditure		**(221.6)**	(162.3)
NHH Disposal Proceeds			78.9
Ordinary Dividends		**(68.0)**	(86.1)
Special Dividends			(62.2)
Shareholder reinvestment		**22.0**	
Pre-financing cashflows		**(74.3)**	(64.7)
Interest Payable on Class A Debt:			
Finance Leases		**(0.6)**	(0.8)
Class A Bonds		**(183.7)**	(170.8)
Financial Guarantor		**(2.5)**	(2.5)
Less Interest Receivable		**2.1**	1.5
Total net Class A debt interest		**(184.7)**	(172.6)
Interest Payable on Class B Debt			
Class B Bonds		**(38.3)**	(39.2)
Total Net Interest payable on Senior Debt		**(223.0)**	(211.8)
Interest Cover Ratios:			
Class A ICR	1.6:1	**3.6:1**	3.6:1
Senior PMICR	1.1:1	**n/a**	n/a
Class A PMICR	1.3:1	**n/a**	n/a
Conformed Senior PMICR	1.1:1	**1.6:1**	1.5:1
Conformed Class A PMICR	1.3:1	**1.9:1**	1.8:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	**2.3:1**	2.2:1

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	**Trigger/Default**	**As at 31 Mar 19 £m**	As at 31 Mar 18 £m
Class A Gross Debt:			
Finance Leases		**(21.4)**	(27.6)
Class A Bonds etc		**(5,976.0)**	(5,498.9)
Total Class A Gross Debt		**(5,997.4)**	(5,526.5)
Less cash balances and Authorised Investments		**553.0**	286.7
Total Class A Net Debt		**(5,444.4)**	(5,239.8)
Finance Leases		**0.0**	(0.4)
Class B		**(792.6)**	(791.0)
Total Senior Net Debt		**(6,237.0)**	(6,031.2)
Regulatory Asset Value (RAV)		**7,981.3**	7,722.2
Regulatory Asset ratios:			
Senior RAR	85.0%	**78.1%**	78.1%
Class A RAR	75.0%	**68.2%**	67.9%

The Regulatory Asset Value is based on OFWAT's published numbers in April 2018 and April 2019.

love every drop
anglianwater

6.0 Regulatory Performance

Regulatory Performance Data		As at 31 Mar 19 £m
FD Wholesale Totex		
Allowed Totex (water)	12/13 prices	300.4
Allowed Totex (wastewater)	12/13 prices	506.1
Total FD Allowed Totex	12/13 prices	806.5
FD PAYG %		
PAYG % water	12/13 prices	65.9%
PAYG % wastewater	12/13 prices	54.9%
FD fast money		
Allowed water fast money	12/13 prices	198.0
Allowed sewerage fast money	12/13 prices	277.7
Total fast money	12/13 prices	475.7
Total fast money	Outturn prices	550.9
FD slow money		
Allowed water slow money	12/13 prices	102.4
Allowed sewerage slow money	12/13 prices	228.4
Total slow money	12/13 prices	330.8
Total slow money	Outturn prices	383.0
Total fast + slow money	Outturn prices	933.9
FD tax		
Tax in revenue building block	12/13 prices	5.4
Tax in revenue building block	Outturn prices	6.3
Comparison FD wholesale allowances vs actual wholesale spend		
FD fast money	Outturn prices	550.9
FD slow money	Outturn prices	383.0
FD fast + slow money (FD totex)	Outturn prices	933.9
Actual opex	Outturn prices	512.3
Actual capex	Outturn prices	383.7
Actual opex + capex (actual totex)	Outturn prices	896.0
Actual opex minus FD fast money	Outturn prices	(38.6)
Actual capex minus FD slow money	Outturn prices	0.7
Actual opex + capex minus FD fast + slow money = totex outperformance	Outturn prices	(37.9)
Reconciliation to post maintenance cashflow		
Opex per post maintenance cashflow	Outturn prices	(630.6)
Pension deficit repair payments per post maintenance cashflow	Outturn prices	(12.5)
Total opex plus pension deficit repair payments	Outturn prices	(643.1)
Made up of:		
Wholesale opex, including pension deficit repair payments and tax	Outturn prices	(556.8)
Other opex (Retail) + non-appointed	Outturn prices	(86.3)
Total opex plus pension deficit repair payments	Outturn prices	(643.1)
Other information		
Pension in outturn prices	Outturn prices	12.5
Project cash opex (for covenant calculation)	Outturn prices	630.6
Projected opex (ie pre working capital adjustments and CTA adjustments)	Outturn prices	595.1
Total cash opex inc pension	Outturn prices	594.1
Total opex (ie pre working capital adjustments and CTA adjustments) inc pensions	Outturn prices	607.6
Enhancement - wholesale	Outturn prices	193.2
Maintenance - wholesale	Outturn prices	242.9
Retail	Outturn prices	3.9
Non-regulated	Outturn prices	0.8
Total capex	Outturn prices	440.8
Wholesale capex outturn	Outturn prices	436.1
FD depn	12/13 prices	272.3
Outturn depn	Outturn prices	317.3
Calculation of RCV		
Opening RCV per FD	12/13 prices	6,789.1
Additions per FD	12/13 prices	332.8
Less RCF Run-Off per FD	12/13 prices	(272.3)
Closing RCV per FD using average 12/13 prices	12/13 prices	6,849.6
RPI to convert from price basis used by regulator to outturn prices at year end	Num	1.17
Opening RCV	Outturn prices	7,910.8
Additions	Outturn prices	387.8
Less RCV run-off	Outturn prices	(317.3)
Closing RCV	Outturn prices	7,981.3
Totex outperformance to clawback per Rulebook calculations	Outturn prices	(181.5)
Shadow RCV	Outturn prices	7,799.8

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2018 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 31 Mar 2019 £m**
Finance Leases	27.9		(6.5)		**21.4**
US Private Placements	0.0				**0.0**
Transferring Bonds:					
4.125% ILLS 2020	247.5			8.1	**255.6**
6.875% Fixed 2023	200.0			0.0	**200.0**
6.625% Fixed 2029	200.0			0.0	**200.0**
A4 Notes - 5.837% Fixed 2022	250.0			0.0	**250.0**
A6 Notes - 3.07% ILLS 2032	314.6			10.3	**324.9**
A7 Notes - 3.07% ILLS 2032	94.8			2.9	**97.7**
A8 Notes - 6.293% Fixed 2030	246.0			0.0	**246.0**
A11 Notes - 3.666% ILLS 2024	118.0			3.9	**121.84**
A18 Notes - 2.4% ILLS 2035	585.6			18.8	**604.5**
A19 Notes - 1.7% ILLS 2046	70.5			2.3	**72.8**
A20 Notes - 1.7% ILLS 2046	70.4			2.4	**72.8**
A21 Notes - 1.7146% ILLS 2056	56.6			1.8	**58.4**
A22 Notes - 1.6777% ILLS 2056	70.6			2.3	**73.0**
A23 Notes - 1.7903% ILLS 2049	84.8			2.7	**87.5**
A24 Notes - 1.3825% ILLS 2056	70.4			2.4	**72.8**
A25 Notes - 1.3784% ILLS 2057	140.9			4.7	**145.6**
A26 Notes - LIBOR Plus 0.34%	100.0			0.0	**100.0**
A27 Notes - 1.449% ILLS 2062	99.8			3.7	**103.6**
A28 Notes - 1.52% ILLS 2055	66.6			2.6	**69.1**
A29 Notes - JPY 15bn 2.925% 2018/2037	65.9		(65.9)	0.0	**0.0**
A30 Notes - LIBOR Plus 0.85%	110.0			0.0	**110.0**
A31 Notes - JPY 5bn 3.22% 2019/2038	25.1			(0.0)	**25.1**
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	**25.0**
European Investment Bank £50m 1.626% Term Facility 2019	65.3			1.8	**67.1**
European Investment Bank £50m 1.3% Term Facility 2020	64.1			1.9	**66.0**
A35 Notes - £130M 2.262% IL Bond 2045	164.1			4.9	**169.0**
Index Linked Swaps	35.1			31.8	**67.0**
Sub-Total	**3,669.8**	**0.0**	**(72.4)**	**109.4**	**3,706.8**

Contd	Closing Balance 31 Mar 2018	New Issues	Repayment	Indexation	**Closing Balance 31 Mar 2019**
	£m	£m	£m	£m	**£m**
A36 Notes - US$160m 4.52% Private Placement 2021	99.1			0.0	**99.1**
B37 Notes - US$410m 5.18% Private Placement 2021	260.7			0.0	**260.7**
European Investment Bank £75m 0.53% index linked amortising term facility 2027	78.6		(8.9)	2.1	**71.9**
European Investment Bank £75m 0.79% index linked amortising term facility 2027	78.6		(8.9)	2.1	**71.9**
A38 Notes - £250m 4.5% 2027	250.0			0.0	**250.0**
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9			(0.0)	**31.9**
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3			0.0	**73.3**
A41 Notes - £50m 2.05% IL Private Placement 2033	57.3			1.7	**59.0**
A42 Notes - £15m 1.37% IL Private Placement 2022	17.1			0.6	**17.7**
B43 Notes - US$47m 5% Private Placement 2022	30.0			0.0	**30.0**
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3			0.0	**22.3**
European Investment Bank £150m 0% index linked amortising term facility 2028	169.6		(17.3)	4.8	**157.1**
B46 Notes - £200m Class B 4.5% 2026	200.0			0.0	**200.0**
A47 Notes - £35m 1.141% IL Bond 2042	39.3			1.2	**40.5**
A48 Notes - US$170m 3.84% Private Placement 2023	110.5			0.0	**110.5**
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	**93.0**
B50 Notes - US$160m 4.99% Private Placement 2023	100.3			0.0	**100.3**
European Investment Bank £65m 0.41% index linked amortising term facility 2029	71.5			2.1	**73.5**
European Investment Bank £125m 0.1% index linked amortising term facility 2029	135.8			3.8	**139.6**
European Investment Bank £60m 0.01% index linked amortising term facility 2030	64.9			1.8	**66.7**
£500m RCF 2020	0.0			0.0	**0.0**
A51 Notes - £55m 2.93% Private Placement 2026	55.0			0.0	**55.0**
A52 Notes - $150m 3.29% Private Placement 2026	104.3			(0.0)	**104.3**
A53 Notes - £35m 1.35% Private Placement 2031	35.0			0.0	**35.0**
A54 Notes - £20m 2.93% Private placement 2026	20.0			0.0	**20.0**
B55 Notes - £200m 2.625% Class B 2027	200.0			0.0	**200.0**
A56 Notes - £250m 1.625% Green Bond 2025	250.0			(0.0)	**250.0**
A57 Notes - £300m 2.75% Green Bond 2029	0.0	300.0		(0.0)	**300.0**
A58 Notes - £85m 2.880% Private Placement 2029	0.0	85.0		(0.0)	**85.0**
A59 Notes - £25m 3.00% Private Placement 2031	0.0	25.0		(0.0)	**25.0**
A60 Notes - US$53m 3.053% Private Placement 2029	0.0	40.1		(0.0)	**40.1**
Grand Total[1]	**6,317.8**	**450.1**	**(107.5)**	**129.6**	**6,790.0**

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

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

For the year ended 31 March 2019

	Underlying results £m	Other items[1] £m	Total Year ended 31 March 2019 £m	Total Year ended 31 March 2018 (Restated)[2] £m
Revenue	1,354.7	-	1,354.7	1,312.0
Other operating income	13.6	-	13.6	11.1
Operating costs	(630.5)	-	(630.5)	(5921)
Depreciation	(348.8)	-	(348.8)	(335.6)
Operating profit	389.0	-	389.0	395.4
Finance income	2.9	-	2.9	193.4
Finance costs	(331.4)	-	(331.4)	(344.1)
Fair value (losses)/gains on derivative financial instruments	-	(98.4)	(98.4)	117.6
Net finance costs	(328.5)	(98.4)	(426.9)	(33.1)
Profit/(loss) on disposal of business	-	-	-	4.6
Profit before taxation	60.5	(98.4)	(37.9)	366.9
Taxation Credit/(Charge)			5.1	(34.6)
(Loss)/profit after taxation			(32.8)	332.3
Dividend to AWG Group Ltd			(68.0)	(86.1)
Dividends paid not available for distribution to investors in the ultimate parent company[3]			-	(1,856.6)
Transfer from reserves			(100.8)	(1,610.4)

[1] Other items comprise fair value losses on derivative financial instruments and energy hedges of £98.4 million (2018: gains of £117.6 million) and the prior year includes inter-company interest income of £191.8 million (2019: £nil).
[2] The results for the year ended 31 March 2018 have been restated to reflect the adoption of IFRS 15 'Revenue from Contracts with Customers'.
[3] Dividends in 2017/18 described as not available for distribution to investors in ultimate parent company primarily refer to dividends used to enable a group restructuring to simplify and enhance the transparency of the corporate structure, or intra-company interest thereon, and the special dividend paid to fund the transfer of the non-household business.

9.0 Anglian Water Services Group – Balance Sheet

Balance Sheet as at 31 March 2019		£m	£m	£m
Intangible assets				197.3
Property, plant and equipment				9,770.2
Derivative financial instruments classified as current and non-current assets				215.9
Retirement benefit surpluses				49.3
Net current liabilities excluding cash and debt repayable in less than one year[1]				(251.9)
Derivative financial instruments classified as current and non-current liabilities				(996.4)
Retirement benefit obligations				(45.8)
Creditors amounts falling due after more than one year excluding debt[1]				(944.8)
Cash and cash equivalents	Payments Account	420.1		
	Capex Reserve	92.4		
	Tax Reserve	40.0		
	Debt Service	1.8	554.3	
Financing liabilities	Bonds (excluding accrued interest)	(6,768.7)		
	Finance leases	(21.3)		
	Other[2]	(144.6)	(6,934.6)	
	Net Debt (excluding derivatives)			(6,380.3)
Net assets				**1,613.5**
Capital and reserves	Share capital			32.0
	Reserves b/f (re-stated for IFRS 15)			1,664.6
	Actuarial loss on pension schemes			(15.7)
	Transfer to reserves for the year			(100.8)
	Gain on cash flow hedges			33.4
Capital and reserves				**1,613.5**

[1] Derivative financial instruments are included on the basis of their maturity profile.
[2] Accounting adjustments that are not within the CTA definition of net debt (capitalised debt issue costs, accrued interest and IFRS9 adjustments).

10.0 Anglian Water Services Group – Calculation of Annual Finance Charge

Instrument	Actual Interest Paid to 31 Mar 19 £m	Forecast Interest Payable to 31 Mar 20 £m
Class A Debt		
AAA Wrapped Bonds	28.4	28.9
A-Bonds	131.2	130.7
US Private Placements	24.6	23.4
Leases	0.6	1.3
Other	2.5	2.6
Class B Debt		
BBB Bonds	18.1	16.7
US Private Placements	20.1	20.2
Annual Finance Charge	**225.5**	**223.7**

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

As a result of IFRS 16 changes, Lease costs have been split out in the above summary.

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market (MTM) Valuations as at 31/03/19

External Swap Counterparties	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m[2]
BARCLAYS BANK[5]	375.0	0.0	(48.0)	(48.0)
BNP PARIBAS BANK[5]	608.4	32.9	(92.4)	(59.5)
CBA BANK	401.9	80.0	(0.0)	79.9
HSBC BANK[5]	233.0	33.2	(50.9)	(17.7)
JP MORGAN BANK[3]	596.8	10.0	(260.7)	(250.7)
LLOYDS BANK CORPORATE MARKETS PLC[5]	616.1	16.3	(26.2)	(9.9)
MORGAN STANLEY BANK[3]	347.9	27.5	(109.2)	(81.7)
SANTANDER BANK	903.4	46.6	(49.6)	(3.0)
SCOTIA BANK[3]	240.0	1.4	(101.2)	(99.8)
SMBC BANK[3]	125.0	3.3	(28.4)	(25.1)
EXTERNAL INVESTORS [4]	0.0	0.0	(263.3)	(263.3)
Anglian Water Interest Derivatives[1]	4,447.6	251.2	(1,029.7)	(778.5)

Notes

1. All Swaps are transacted under ISDA agreements between Anglian Water Services Financing Plc and External Swap Counterparty.
2. Valuations exclude accrued interest to valuation date.
3. RPI swaps with SMBC Nikko (£50m), JP Morgan (£175m), Bank of Nova Scotia (£100m) have terms with periodic pay-down of accrued indexation at 5 yearly intervals. The RPI swap with Morgan Stanley (£25m) pays down accrued indexation at 10 yearly intervals.
4. Three real coupon RPI inflation swaps with final accretion payments include 10-year accretion pay downs to external investors.
5. Anglian Water entered into £615m of CPI swaps in the period: Barclays (£125m); Lloyds (£190m); HSBC [AVIVA] (£200m); BNP [Legal & General] (£100m) – 2 ISDA trades.