Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the year ended 31 March 2020

Prepared in accordance with International Financial Reporting Standards (IFRS)

Final

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 2020.

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 2020.

1.0 Financial Performance for the year ended 31 March 2020

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:

	2020 Total £m	2019 Total £m
Revenue	**1,419.9**	1,354.7
Other operating income	**13.0**	13.6
Operating costs	**(624.6)**	(604.0)
Impairment losses	**(40.7)**	(26.5)
Depreciation	**(368.5)**	(348.8)
Operating profit	**399.1**	389.0
Finance income	**4.8**	2.9
Finance costs[1]	**(329.9)**	(331.4)
Underlying profit before tax	**74.0**	60.5
Finance costs - fair value losses on financial derivatives	***(30.4)***	*(98.4)*
Statutory profit/(loss) before tax	**43.6**	(37.9)

[1] 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

Revenue for the year was £1,419.9 million (2019: £1,354.7 million), an increase of £65.2 million (4.8 per cent) on last year. This primarily reflects the regulatory pricing mechanism, offsetting reduced demand for both household and non-household customers.

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 £14.9 million to £89.3 million, which reflects an increased level of adopted sewers and pumping stations in relation to new housing developments.

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 decreased by £0.6 million to £13.0 million, principally due to increased power usage leading to lower income received on power generation.

Operating costs and impairment losses

Operating costs including impairment losses for the year increased by £34.8 million (5.5 per cent) to £665.3 million. This increase is explained in the table below:

Increases/(decreases) in operating costs (before depreciation and amortisation)	**£m**
One-off credits in 2018/19 not repeating	(3.3)
General inflationary increases	15.6
Increase in energy prices and costs	5.0
Increase in below ground infrastructure maintenance	4.0
Operating costs of newly commissioned plant	4.4
Maintenance Totex solutions	2.0
Restructuring costs	5.0
Increase in bad debt charge	14.0
Net efficiency savings achieved	(11.9)
Net increase in operating costs	34.8

The increase in bad debt charge primarily reflects an additional £12 million provision in relation to the impact of Covid-19.

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 on 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 and operating profit
Depreciation is up 5.6 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.

Underlying operating profit has increased by 3.2 per cent to £401.8 million, which is consistent with the effect of the regulatory price increases outweighing the increases in operating costs and depreciation.

Financing costs and profit before tax
Underlying finance costs (excluding fair value losses) decreased from £331.4 million in 2019 to £329.9 million in 2020. 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 3.2 per cent to 2.6 per cent partially offset by an increase in interest costs and a decrease in interest capitalised, the latter reflecting a lower level of capital projects in progress .

There was a fair value loss of £30.4 million on derivative financial instruments in 2020, compared with £98.4 million in 2019. This reduction was due to movements in market expectations of long-term interest, inflation and exchange rates. Fair value losses in the prior year include a charge of £11.7 million relating to the restructuring of derivatives which were cash settled in the period. The fair value losses in the current year are all non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the smaller loss from 2019 to 2020 were a significant fall in forward inflation expectations substantially offset by a fall in forward interest rates. During the year, forward inflation increased by circa 62 basis points (2019: 12 basis point increase), and forward interest rates decreased by 68 basis points (2019: 16 basis point decrease).

Underlying profit before tax for the year was £74.0 million, compared with £60.5 million in the prior year. This increase reflects the increase in operating profit due to revenue increases more than offsetting higher operating costs and depreciation.

Taxation

	2020 £m	2019 £m
Current tax (credit)/charge	**(14.5)**	55.9
Deferred tax charge/(credit)	**134.9**	(61.0)
Total tax charge/(credit)	**120.4**	(5.1)

The underlying effective tax rate is in line with the rate of corporation tax before considering the effects of the reversal of the corporation tax rate reduction and adjustments for prior periods. 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 corporation tax liabilities until a later period. Anglian Water customers directly benefit from the deferral as it helps to keep their bills lower.

Total tax paid or collected in the year to 31 March 2020, other than corporation tax, amounted to £270 million (2019: £256 million), of which £87 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 credit for the year was £14.5 million (2019: charge of £55.9 million).

The current tax charge for 2019 includes payments to other group companies for losses surrendered from those companies and also reflects a charge on the transition to IFRS 15 and the disclaiming of capital allowances to utilise surplus ACT assets held on the balance sheet.

In 2020, the tax credit reflects receipts from other group companies for losses surrendered to those group companies. No capital allowances have been disclaimed in 2020.

Deferred tax
The deferred tax credit has increased by £195.9 million from a credit of £61.0 million in 2019 to a charge of £134.9 million this year.

The corporation tax rate was expected to reduce from 19% to 17% effective from 1 April 2020 and the deferred tax balances at March 2019 are measured using the rate of 17%. This reduction in corporation tax rate was reversed in March 2020 and so those deferred tax balances have been re-measured using the rate of 19%.

The relatively low level of cash tax reflects the fiscal incentives available to all UK companies for sustained high levels of capital investment and the interest Anglian Water pay to fund that investment.

Financial needs and resources
In the year to 31 March 2020, Anglian Water sourced £150.9 million of funds in term debt and drew down £600m of working capital facilities to provide a short-term liquidity buffer in light of the ongoing Coronavirus uncertainty. £65.0 million of forward starting CPI notes were completed on 3 April. The facility agreements against which these drawdowns were taken currently mature in 2024, and with lenders agreement can be extended by a further two years. The new term funds were the result of further Green financing in the year, the proceeds of which will be used to finance capital expenditure. Debt repayments comprised: a £6.7 million finance lease repayment; the repayment of the JPY 5 billion (£25.1 million) bond and associated cross currency swap maturing in May 2019, £135.1m in relation to the full redemption of the £50m 1.3% and £50m 1.626% EIB loans with further £52.0 million of amortising redemptions on the remaining EIB loan portfolio. Net debt to RCV remained at a consistent level at 78%.

At 31 March 2020, Anglian Water had borrowings net of cash of £7,415.4 million (£6,677.2 million excluding derivatives), an increase of £248.8 million (£296.9 million excluding derivatives) over the prior year. Net borrowings comprised a mixture of fixed, index-linked and variable-rate debt of £7,675.9 million, derivative financial instruments of £738.2 million (excluding energy derivatives of £4.6 million), leases of £49.4 million and cash and deposits of £1,048.1 million. The increased net borrowings primarily reflect the ongoing capital investment programme.

Anglian Water generated cash from operations of £686.0 million in the year (2019: £700.7 million). The decrease primarily reflects the reduction in cash collection from retailers as a result of changes introduced by the Regulator to enable retailers to defer payment of 50 per cent of the March invoice as well as an increase in the household customer bad debt charge.

Distributions available to the ultimate investors

Dividends paid out of the Anglian Water Services Group for the year ended 31 March 2020 were £67.8 million (£68.0 million), which equates to £2.12 per share in issue when the dividend was paid (2019: £6.80 per share). No dividends were paid to the ultimate shareholders in the year (2019: £nil).

Based on the available free cash flow, there was capacity to pay a dividend of £192.2 million. However, the Directors have not proposed to pay a final dividend in line with their de-gearing target.

On 15 March 2018, Anglian Water announced its plans to reduce dividends to its ultimate shareholders and borrowings through to 2025, resulting in a significant reduction in the company's level of debt and gearing, while continuing to meet its investment commitments.

Anglian Water's dividend policy is to identify the cash available for distribution, allowing for the business' liquidity requirements in respect of funding its operations, the capital programme, servicing its debt for the next 18 months and its obligations to its final salary pension schemes. The dividend policy is also based on ensuring that there is adequate headroom in relation to all financial covenants. In assessing the dividend payment, the Directors review the business performance forecasts (currently to the end of the AMP period of 31 March 2020) and give consideration to the potential impact of external factors in the economy and regulatory environment on Anglian Water's forecast cash flows. The Directors consider this cash-based approach provides a more appropriate assessment to ensure the needs of Anglian Water's customers, employees, pension schemes and other stakeholders, as well as the liquidity requirements of the business are met fully. The overall amount of ordinary dividends will not exceed the free cash flow (defined as operating cash flow less interest and capital maintenance payments) generated by Anglian Water, and in practice will be limited by its current and forecast financial covenants. Special dividends may also be paid in addition to ordinary dividends, but these too are limited by specific financial covenant constraints. This policy is consistent with condition F of the Licence. Finally, before any dividend is paid, Anglian Water consults with the trustees of its final salary pension schemes. Notwithstanding dividend capacity available under this policy, as noted above, Anglian Water plans to significantly reduce dividends to the ultimate shareholders, invest more in resilience and reduce borrowings through to 2025.

Liquidity

Anglian Water's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At 31 March 2020, the Anglian Water Services Group held cash, deposits and current asset investments of £1,048.1 million (2019: £554.3 million). The increase in cash held is the result of drawing down £600m of committed bank facilities in light of economic uncertainty surrounding the coronavirus pandemic. These drawdowns are expected to provide an adequate buffer to ensure appropriate liquidity and the continuation of the Anglian

Water's ongoing capital investment programme. The maturity profile of the Anglian Water's borrowings is set out in note 17 on pages 171 to 173 of the accounts.

In addition to the £600.0 million of facilities (2019: £600.0 million) which have been fully drawn, Anglian Water has access to a further £400.0 million of liquidity facilities (2019: £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 Anglian Water was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity. All bank facilities and debt capital market issuance are issued pursuant to the Global Secured Medium Term Note Programme dated 30 July 2002 between the Anglian Water Services Limited, AWSF and Deutsche Trustee Company Ltd (as agent and trustee for itself and each of the finance parties). This agreement provides that any facilities drawn by AWSF will be passed directly on to the Anglian Water Services Limited upon utilisation of the facility.

Interest rates
Anglian Water's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At the year end, taking into account interest rate swaps, 52.1 per cent (2019: 58.8 per cent) of the Company's borrowings were at rates indexed to inflation, 34.0 per cent (2019: 35.1 per cent) were at fixed rates and 13.9 per cent (2019: 6.1 per cent) were at floating rates. At 31 March 2020, the proportion of inflation debt to regulated capital value was 50.0 per cent.

Pension funding
At 31 March 2020, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £171.6 million, compared to a surplus of £49.3 million at 31 March 2019. This increase in surplus to reflects a reduction in the corporate bond rate used to discount the scheme's liabilities, which has more than offset any impact on asset performance due to current market conditions. During the year a deficit reduction payment of £15.1 million was made, compared with £12.5 million in the prior year. In addition, the company has an unfunded pension liability of £41.6 million (2019: £45.8 million).

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

PR19 Final Determination ("FD")

Ofwat published its FDs for all companies in December 2019. In keeping with the approach through the Price Review process, the FDs prioritised large bill reductions for all companies over the next five years. For Anglian Water, the FD contained a 10.5% reduction in bills over AMP7, with a smaller up-front reduction than at Draft Determination (DD), and with bill decreases phased over the AMP.

Ofwat lowered its weighted average cost of capital by a further 23 basis points from 2.19% in the DD, meaning the headline appointee level WACC is 1.96% on an RPI basis. In addition, Ofwat allowed £80m of additional Pay As You Go to try to address financeability concerns. Ofwat's position to include a gearing outperformance sharing mechanism for companies with gearing levels above 70% remained in place.

Comparing Anglian Water's Draft Determination Representation to Ofwat's FD, the totex gap was £744m. Ofwat accepted some of the points that Anglian Water made in its Draft Determination Representation. It partially recognised some of the additional costs that are incurred in maintaining a frontier position on leakage and facilitating rapid growth. In some key areas of enhancement, such as smart metering and the strategic interconnector programme, additional funds were allowed compared with the DD. Anglian Water's proposals for specific true ups on growth and cost adjustment claims were rejected. Overall the ODI package had less of a downside skew compared to Draft Determination.

CMA referral

The Board of Anglian Water asked Ofwat to refer its PR19 Final Determination to the Competition and Markets Authority (CMA) on 14 February 2020.

Chief Executive Peter Simpson said:

"The Anglian region faces specific challenges brought about by a changing climate and a population growing faster than almost anywhere else in the UK. Our plan aimed to address these challenges, and our customers wholeheartedly supported it. They want us to invest now, not wait. We also recognise that delaying now will mean that costs for customers in future will be much higher.

"Social and environmental needs are firmly embedded in our business purpose. We have a long term focus on improving the resilience of the region, and investing in infrastructure to cope with the impacts of climate change and population growth.

"As we do not believe the Final Determination enables us to meet these needs, we are making use of the next step in the regulatory process and asking the CMA to consider if the right balance has been struck between bill reductions and investment.

"Throughout the CMA process we will remain absolutely focused on continuing to deliver operational excellence and great service for our customers."

Three other companies (Bristol, Northumbrian and Yorkshire) also requested a reference to the CMA. Given the nature and scale of work involved in four water industry price control references and possible disruption from the COVID-19 situation, the timetable for the referral has been extended to allow up to 12 months (18 March 2021) to complete the redetermination.

Ofwat's future strategy

In 2019, Ofwat published a strategy to reposition the way it regulates to support the profound changes the water sector faces, including climate change, population growth, changing customers' demands and the questions around companies' licence to operate.

This strategy *(Time to act, together)* combines an objective to improve sector performance today with the elevation of the environment as a priority and a requirement for companies explicitly to serve a greater public purpose. Ofwat's emerging "shared vision" for the sector included three aspirations: everyday excellence, stewardship and value.

Ofwat's strategy sets out three goals:

- to transform water companies' performance for customers highlighting areas where performance is stagnating or declining;
- to meet the long term challenges ahead including through an increased focus on protecting and improving the environment;
- to focus more on public purpose, using nature-based solutions rather than hard infrastructure and supporting local economic development.

To achieve these goals, Ofwat said it will evolve and build on its existing tools to:

- listen to customers more directly;
- make the environment integral to all that it does;
- broaden its work to promote public benefits from water companies;
- encourage greater collaboration across the sector;
- work in partnership with others;
- build influence, data and insight.

Anglian Water welcomes this strategy, and there is much that resonates with the aspirations of Anglian Water's 25-year Strategic Direction Statement and the Business Plan it submitted to Ofwat for AMP7.

NAO – water supply and demand management

The National Audit Office (NAO) published a report on 25 March 2020 setting out that the government must take more concerted action now to prevent parts of southern England running out of water within 20 years.

It highlighted that 480 million litres per day of water consumption is needed nationally within 25 years to restore abstraction to sustainable levels. Drier weather is forecast to further reduce water supplies by 600 million litres per day. Taken together, water sourced through abstraction nationally each day is due to decline by over a billion litres over the next 25 years. Without action, some parts of the country – particularly the South East – will run out of water.

The report referenced that water companies have signed up to reduce leakage by 15% or more by 2025, but there is a risk that they may not meet these targets and the government should monitor progress to ensure that water companies have contingency plans. It highlighted the need for water companies to work together across geographical boundaries to improve the resilience of the water supply.

The report stated that efforts to reduce water consumption with the public and businesses have not been successful, citing the government's outstanding commitment to announce a personal water consumption target by the end of 2018. Government attempts to reduce non-household water consumption through increased competition have also not succeeded.

The report called on the government to lead on getting the message across that consumers need to save water. It should also better understand how willing customers are to pay more to improve water infrastructure through reviewing water companies' customer research and commissioning its own, if necessary.

NIC – utility regulation

The NIC (National Infrastructure Commission) published the report of its study into utility regulation on 11 October 2019. It proposed no big structural changes, rejected the multi-utility model and recommended no change to the general approach to regulation.

While the NIC concluded that there is no need for fundamental redesign, it did find that there is a need for updates to the system to achieve a well-regulated market economy which allows for an effective response to the coming challenges around climate change, growth, resilience and other pressures.

Recommendations made by the Commission to achieve this included:

- Regulators Ofcom, Ofgem and Ofwat should have new duties to promote the achievement of net zero carbon emissions by 2050 and improve resilience;
- The government should set out a long-term strategic vision for each of the regulated sectors, through strategic policy statements within the first year of each Parliament, to support lasting plans and stable funding;
- Most major strategic investments should be removed from the price control processes and opened to competition to support innovation
- Regulators should be able to prevent companies from engaging in price discrimination that does not provide an overall benefit to consumers;
- The UK Regulators Network should be given a stronger leadership role through the appointment of an independent chair to promote collaboration and coordination, and ensure markets continue to deliver for consumers.

Water Industry Commission for Scotland strategic approach

In Scotland, the Water Industry Commission for Scotland (WICS) concluded in its strategic review of charges in mid-February 2020 that average annual charges will have to rise by up to 2% in the period 2021-27, with a similar increase required into the 2030s. It highlighted that increases are needed to prepare the industry for achieving net zero carbon emissions by 2040, as it has been required to do by the Scottish Government, as well as mitigating for the impacts of climate change.

Regulators Alliance for Progressing Infrastructure Development (RAPID)

Over the last year, the Regulators' Alliance for Progressing Infrastructure Development (RAPID) has been established. This 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. Anglian Water is party to two of the 17 strategic water resources schemes covered in RAPID. These are the South Lincolnshire reservoir and the Anglian to Affinity transfer.

The goals and objectives of RAPID are:

- To facilitate the timely and co-ordinated development of strategic water resources infrastructure schemes so that they are construction-ready early in the 2025-30 period;
- To provide leadership and momentum, influencing policy and recommending a future-proof regulatory framework that best supports the vision on an enduring basis;
- To provide a seamless regulatory interface for the strategic schemes.

Governance will be agreed through a Memorandum of Understanding developed by the sponsor regulators. This will provide for a Board, chaired by the Ofwat CEO and formed from senior representatives of the sponsor regulators.

Supporting the development of markets

On 16 September 2019 Anglian Water, along with all other incumbent water companies, received a letter from Emma Kelso, Ofwat Senior Director for Markets and Enforcement, about the role of incumbents in supporting the development of markets. In its response Anglian Water demonstrated its success in supporting markets, particularly for new developments and the competitive business retail market in the region. Anglian Water also hosted Ofwat at its Peterborough office to showcase the work of its Development Services and Wholesale Service Centre teams.

Ofwat was due to publish its report on the findings from this information request in April but this has been delayed until later in 2020 due to the Covid-19 crisis. This report is likely to be in the form of a market review, which could be a precursor to further policy development, new rules, or a possible Licence or Competition Act action. Anglian Water will continue to monitor Ofwat's activity in this area and seek opportunities to engage constructively with them.

Business retail - COVID-19

Ofwat has announced several measures to reduce the impact of COVID-19 on the business retail market. It asked wholesalers to play a key role in ensuring disruption is kept to a minimum by:

- Adopting a pragmatic approach to the collection of charges from retailers who may be facing difficulties in obtaining payment from their customers;
- Considering their approach where they receive requests from retailers to disconnect customers for non-payment – Ofwat don't expect to see customers disconnected for non-payment caused by factors relating to coronavirus.

The financial penalties that wholesalers and retailers would ordinarily need to pay where they do not meet certain industry level service have been suspended. MOSL will retain oversight of performance levels achieved and wholesalers and retailers are expected to work to maintain service standards.

Ofwat is working with MOSL on a package of initiatives to support the market. This includes ensuring that any bills issued to customers better reflect actual, rather than estimated, consumption which is based on historic levels. They are also seeking to protect business retailers from cash flow issues created by a reduction in demand and delays to payments from businesses.

Anglian Water is working closely with the market panel, retailers, the market operator and Ofwat to minimise disruption and appropriately allocate risk during this highly uncertain period.

Social Contract & Public Interest Commitment

Water UK launched the Public Interest Commitment (PIC) in April 2019. It outlined a programme of work to further increase public trust in the sector. The five commitments cover carbon, plastics, leakage, affordability and social mobility. It is a Water UK led initiative, and shows the whole sector moving forward on these issues, but has been spearheaded by Anglian Water.

Alongside the sector wide initiative of the PIC, Anglian Water made changes to its Articles of Association to embed its wider public interest commitments. This as an evolutionary step building on the introduction of Love Every Drop, carbon reduction progress, becoming BITC responsible business of the year and its Glassdoor awards.

Building from the Articles change, Anglian Water has worked up a social contract with customers and stakeholders. After a co-creation exercise with Anglian Water's Online Community, Customer Focus Groups, employee surveys and other stakeholders, a draft "Social Contract" has been produced. This is a two-way contract setting out what customers can expect and what they can do to help secure a sustainable future.

3.0 Service Performance Overview

Customer Service

Anglian Water customers remain instrumental in shaping what the company does now and how it plans for the future: it gets regular feedback from customers through its on-going engagement channels, 'My Account' platform and online community.

The digital transformation continued this year with a redesigned website, optimised for accessibility. Enhancements were also made to the online MyAccount portal, and the launch of a customer mobile app, available in seven languages commonly spoken in the region.

The new Extracare teams launched in June, having trained agents using income maximisation tools and affordability scheme assessment tools to signpost customers to an extensive range of affordability measures, income benefit channels and relevant external charities and help organisations. Anglian Water has already signposted customers to a potential £4.5m of unclaimed aid, with the average amount that customers may be entitled to exceeding the cost of the average water bill.

Also, to ensure that those customers who are harder to reach are heard, Anglian Water is developing better and wider-reaching partnerships with third sector organisations.

Putting customers at the heart of the decision making process is having a real impact, highlighted by Anglian Water's SIM scores. Ofwat's service delivery report for 2018/19 noted Anglian Water as leading the sector on customer satisfaction performance.

Over 97% of customers who provided feedback this year rated the service received as satisfactory or better, with less than 2% expressing any dissatisfaction.

Following the 2019-20 shadow year, SIM will be replaced by a new customer measure of experience (C-MeX). This will be operational from 1 April 2020 to 31 March 2025 with annual financial incentives in place. Ofwat will publish an annual league table of the companies single overall C-MeX score which is calculated from two separate measures of residential customer satisfaction.

4.0 Capital Expenditure

AMP6 gross capital expenditure[1] in the appointed business for the year was £470.9 million (£250.1 million on capital maintenance, £220.8 million on capital enhancement), compared to £440.0 million in the fourth year of AMP6. This level of expenditure is broadly in line with management expectations and concludes Anglian Water's commitment to reinvest £100 million of efficiencies and £65 million in resilience.

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 has invested 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.

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(EA) 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) has introduced a new headline measure of drinking water quality performance Compliance Risk Index (CRI). Anglian Water has had another year with great performance against this measure with an estimated CRI of 1.68 in 2019 (industry average in 2018 was 3.87). This shows a continued year on year improvement in performance since the measure was introduced as a key result of successful strategies implemented across the AMP to reduce metaldehyde, lead and coliform failures. There is also a robust programme of inspections to ensure properties comply with Water Fittings Regulations which significantly reduces the risk of backflow into the distribution system. The traditional measure of Mean Zonal Compliance (MZC) will continue to be tracked alongside CRI and Anglian Water has once again exceeded its target in 2019 at 99.96 per cent.

Another key new measure is Event Risk Index (ERI) which looks at not only the severity of the event but also the actions taken by Anglian Water in response to the event. Again, Anglian Water has excellent performance in this area with the estimated ERI score of 8.28 for 2019 (industry average of 783 in 2018). This ERI score reflects the focus on impact planning before carrying out planned work, monitoring and escalation, and Anglian Water's response to protect customers at all times.

The number of contacts received from customers about the appearance or taste and odour of their water has again dropped to our lowest ever level in 2019 of 1.15 contacts per thousand customers. This is due to continued focus on proactive customer messaging through social media and prompt response to small number of contacts in a geographical area.

Water Recycling

Water Recycling finished 2019 with 264 total incidents (category 1-3). There were 12 serious pollution incidents. Eleven category 2 (2019:5) and one category one (2019:1).

Pollution self-reporting has remained a priority in the last 12 months with an end of year position of 71% against the EPA target of 75%. Performance has improved throughout the year (with the current months performance sitting at 91%) however, reporting pollutions from foul sewers remains a challenge to achieve as unlike treatment assets, there is no telemetry to give early indication of issues and no obvious visibility when they occur in rural areas.

For discharge permit consents Anglian Water's year-to-date performance is 98.6% (2019:99.5%) against the target of >99.0%.

The disposal of sludge to land compliance metric remains removed from the EPA due to anomalies with how other water companies were reporting their EPA data. AW are the only company with 100% compliance (including this year) with this metric. However, it is not taken into consideration for the current EPA assessment.

CHP performance finished 5.5 GWh ahead of last year generating over £17m of income. Total Dry Solids treated through Advanced Anaerobic Digestion was at the highest total ever seen.

Anglian Water is working closely with Water on joint action plans to improve environmental performance from Water assets (WTW discharges and network pollutions). This is a key area of focus for the company and in 2019 it met its target of no more than 3 WTW discharge failures in the year.

Priorities for the coming year are focussed on: maintaining core services in light of the current challenges posed by COVID-19, delivery of the increased number of measures within WINEP and, preparing to meet the tighter standards that form part of the new EPA assessment.

Environment

The number of bathing waters classified as ‘excellent’ by the Environment Agency for 2019 was 30 from a total of 49 (2018: 32).

In addition to third-party activity and diffuse pollution as causes for where bathing waters are not ‘excellent’, 4 beaches have lost their excellent status this year due to anomalies with how the EA have carried out their sampling programme. In Lincolnshire, EA sampling practices resulted in consecutive samples being taken during the exceptional flooding incident which has been sufficient to cause a decline from ‘excellent’ classification for three bathing waters. As bathing water quality is based on a four year rolling average, the impacts of this will be seen into AMP 7. Anglian Water is in the process of a Judicial Review over the Lincolnshire bathing waters based on how the EA have implemented their procedures.

At Wells, the EA sampling at the wrong location has caused this beach to fall to ‘good’ classification. Anglian Water commissioned independent research to demonstrate the impact of this and the EA have since reverted back to the designated sampling point.

Some uncertainty exists over how bathing water classifications will be assessed for the 2020 season as the EA have ceased all environmental sampling due to COVID-19.

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 continued to show compliance (from agricultural sources) across test catchments.

The proposed metaldehyde ban was overturned earlier this year and Anglian Water currently awaits a Government decision over its future. With the current level of uncertainty, Anglian Water has agreed with the DWI to pause on implementing a wider catchment management strategy for year 1 of AMP 7 whilst awaiting a decision on whether the product will remain legal to use.

Water Resources

The region's water resources remain secure at the end of the 2019/20 recharge season. Higher than average rainfall over the last six-month period allowed for recharge and recovery of upstream resources across the region following the dry spell in 2018/2019. Rainfall in the Anglian region over the last six months has been 140% of the long-term average.

At the end of March 2020, overall reservoir levels are at 93.5%, with the majority of reservoirs across the region at or close to target for the time of year. Groundwater levels continue to show recharge in the East of the region following exceptionally low levels in a number of aquifers in 2019, with some locations recording historic low levels.

The Drought Management Team is continuing to operate after first convening in February 2019. The situation is being closely monitored with enhanced data collection and projection. This will continue into Summer 2020 following the Met Office's three-month outlook from April 2020, which suggests below average precipitation is more likely than average for the period.

Anglian Water's 2019 Water Resources Management Plan (WRMP) was approved by the Secretary of State and published in December 2019. The new plan covers the period from 2020 to 2045, outlining how the balance between supplies and demand will be maintained into the future.

6.0 Financing

Gross debt increased by £716.8 million during the period, primarily driven by a JPY 7.00 billion 0.855 per cent 2039 Bond, £100 million 1.588 per cent loan, £550 million revolving credit facility drawdown and £50 million bilateral facility drawdown.

Credit ratings in the period are as follows:

Fitch Ratings:	A-, BBB Stable
Standard and Poor's:	A-; BBB Rating Watch Negative
Moody's:	A3; Baa3 Rating Watch Negative; corporate Family Rating Baa1

7.0 Dividends

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

30 May 2019: £67.8 million – in relation to the 2018/19 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 2019/20.

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:

John Hirst CBE	Independent Non-Executive Chairman, appointed as Chairman 1 April 2020		
Natalie Ceeney, CBE	Independent Non-Executive Director		
Dame Polly Courtice	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
James Bryce	Non-Executive Director		
Duncan Symonds	Non-Executive Director		
Niall Mills	Non-Executive Director		

The following Directors resigned during the year:

Scott Longhurst	Managing Director Finance & Non-Regulated Business, resigned 31 July 2019
Dr Stephen Billingham	Independent Non-Executive Chairman, resigned 31 March 2020

Anglian Water is managed by the AWS Management Board, which, as at 1 April 2020, in addition to the Executive Directors referred to above, included:

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

Anglian Water will be holding a meeting for investors on 25 June 2020.

10.0 Green Bond

Background

All capital expenditure follows Anglian Water's AMP6 (2015–2020) Governance Framework and is subject to BSI (British Standards Institute) PAS2080 verification. This is a standard launched by the Green Construction Board to encourage a consistent approach to the management of carbon by all involved in infrastructure. It sets out principles and components to manage whole life carbon emissions and deliver reduced carbon over the whole value chain.

Accordingly, all capital expenditure which Anglian Water undertakes is capable of being an eligible green project for inclusion in an eligible green project category, outlined in the Green Bond Principles, 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".

The Anglian Water Green Bond Framework has been reviewed by DNV GL which has issued a Second Party Opinion. Anglian Water also engaged DNV GL to perform limited assurance in accordance with ISAE 3000 (revised) standard on 'Reduction in CO2 (eT)' key performance indicator disclosed on pages 15, 16 and 17 of the 2019 Green Bond Impact Report. DNV GL's full assurance report, including their conclusions and summary of work, can be found on the Anglian Water website: anglianwater.co.uk/investor-information.

In 2017, Anglian Water became the first European utility company to issue a sterling Green Bond. The £250 million, eight-year bond will mature in August 2025 with a return to investors of 1.625 per cent. Since the successful launch of that debt transaction, Anglian Water has raised a further £628 million of Green Bonds from investors in the UK, Japan and United States in accordance with the Green Bond Principles 2018.

The investments financed through this debt are expected to save or avoid 160,463 tonnes of carbon. Funds will be transferred out of the Capex bank account as expenditure is undertaken. Anglian Water will maintain a buffer of additional Green Bond projects over the Green Bond proceeds with additional collateralisation of circa 30 per cent.

Portfolio

Cumulative Eligible Green Projects in the Eligible Green Portfolio as at 31 March 2020 are summarised in the following table:

Green Portfolios	Sustainable Water Management	Sustainable Water Recycling	Total	Reduction In CO2
	£m	£m	£m	%
Green Bond 1: £250m 1.625% 2029	139.2	202.1	341.3	60%
Green Bond 2: £300m 2.750% 2029	149.2	274.4	423.6	60%
Green Bond 3: £150m 2.946% 2029/31	71.3	124.2	195.5	61%
Green Bond 4: £65m 2.870% 2029	16.6	89.4	106.0	60%
Green Bond 5: £51m 2.677% 2039	38.2	45.0	83.2	62%
Green Bond 6: £65m CPI 2040	40.0	49.5	89.4	66%
Total Portfolio	**454.4**	**784.6**	**1,239.0**	**61%**
Spend Buffer			(285.9)	
Spend Available For Allocation			**953.1**	
Net Proceeds			**876.2**	
Proceeds Allocated To Date			**876.2**	
Proceeds Unallocated			**0.0**	

All Funds totalling £876.2 million have been transferred from the Capex Reserve Bank Account in order to fund the expenditure to date on the Portfolio.

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". 160,463 tonnes of carbon, a 61 per cent reduction from the 2010 baseline, will be saved across the projects allocated to the Green Bond Portfolios. All £876.2 million of the funds received from the six green bonds have been allocated against a total project spend of £1,239.0 million, the difference being the spend buffer. Examples of some of the projects can be found on Anglian Water's website:
https://www.awg.com/investors/anglian-water-services---terms-and-conditions/anglian-water-services---investor-information/green-bond.

Ratios

1.0 Historical

Anglian Water confirms that in respect of the year ended 31 March 2020, 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 2020	31 Mar 2019
a)	The Class A RAR	**68.8%**	68.2%
b)	The Senior RAR for each Test Period	**78.4%**	78.1%
c)	The Class A ICR	**3.5:1**	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**	2.3:1
g)	The Conformed Class A PMICR for each Test Period	**1.7:1**	1.9:1
h)	The Conformed Senior PMICR for each Test Period	**1.4:1**	1.6:1

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 2021 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 31 Mar 20 £m**	Actual Period to 31 Mar 19 £m
Income		**1,318.1**	1,294.4
Operating Expenditure		**(673.7)**	(630.6)
Pre-capital maintenance cashflows		**644.4**	663.8
Capital Maintenance Expenditure		**(225.5)**	(247.5)
Depreciation		***(330.2)***	*(317.3)*
Post-Maintenance cashflow for PMICR		***314.2***	*346.5*
Post-Maintenance cashflow for Net Cash Flow ratio		**418.9**	416.3
Net Interest		**(220.7)**	(223.0)
Enhancement Capital Expenditure		**(224.7)**	(221.6)
NHH Disposal Proceeds		**0.0**	
Ordinary Dividends		**(67.8)**	(68.0)
Shareholder reinvestment		**0.0**	22.0
Pre-financing cashflows		**(94.3)**	(74.3)
Interest Payable on Class A Debt:			
Finance Leases		**(0.4)**	(0.6)
Class A Bonds		**(185.8)**	(183.7)
MBIA Wrap Fees		**(2.4)**	(2.5)
Less Interest Receivable		**4.9**	2.1
Total net Class A debt interest		**(183.7)**	(184.7)
Interest Payable on Class B Debt			
Class B Bonds		**(37.0)**	(38.3)
Total Net Interest payable on Senior Debt		**(220.7)**	(223.0)
Interest Cover Ratios:			
Class A ICR	1.6:1	**3.5:1**	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	**1.4:1**	1.6:1
Conformed Class A PMICR	1.3:1	**1.7:1**	1.9:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	**2.3:1**	2.3:1

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	**Trigger/Default**	**As at 31 Mar 20 £m**	As at 31 Mar 19 £m
Class A Gross Debt:			
Finance Leases		**(14.7)**	(21.4)
Class A Bonds etc		**(6,701.2)**	(5,976.0)
Total Class A Gross Debt		**(6,715.9)**	(5,997.4)
Less cash balances and Authorised Investments		**1,047.2**	553.0
Total Class A Net Debt		**(5,668.7)**	(5,444.4)
Finance Leases		**0.0**	0.0
Class B		**(791.0)**	(792.6)
Total Senior Net Debt		**(6,459.7)**	(6,237.0)
Regulatory Asset Value (RAV)		**8,242.1**	7,981.3
Regulatory Asset ratios:			
Senior RAR	85.0%	**78.4%**	78.1%
Class A RAR	75.0%	**68.8%**	68.2%

The Regulatory Asset Value is based on OFWAT's published numbers in April 2019 and April 2020.

6.0 Regulatory Performance

Regulatory Performance Data		As at 31 Mar 20 £m
FD Wholesale Totex		
Allowed Totex (water)	12/13 prices	291.5
Allowed Totex (wastewater)	12/13 prices	500.7
Total FD Allowed Totex	12/13 prices	792.2
FD PAYG %		
PAYG % water	12/13 prices	68.2%
PAYG % wastewater	12/13 prices	55.3%
FD fast money		
Allowed water fast money	12/13 prices	198.8
Allowed sewerage fast money	12/13 prices	276.8
Total fast money	12/13 prices	475.6
Total fast money	Outturn prices	568.8
FD slow money		
Allowed water slow money	12/13 prices	92.7
Allowed sewerage slow money	12/13 prices	223.9
Total slow money	12/13 prices	316.6
Total slow money	Outturn prices	378.6
Total fast + slow money	Outturn prices	947.4
FD tax		
Tax in revenue building block	12/13 prices	5.2
Tax in revenue building block	Outturn prices	6.2
Comparison FD wholesale allowances vs actual wholesale spend		
FD fast money	Outturn prices	568.8
FD slow money	Outturn prices	378.6
FD fast + slow money (FD totex)	Outturn prices	947.4
Actual opex	Outturn prices	555.4
Actual capex	Outturn prices	394.8
Actual opex + capex (actual totex)	Outturn prices	950.2
Actual opex minus FD fast money	Outturn prices	(13.4)
Actual capex minus FD slow money	Outturn prices	16.2
Actual opex + capex minus FD fast + slow money = totex outperformance	Outturn prices	2.8
Reconciliation to post maintenance cashflow		
Opex per post maintenance cashflow	Outturn prices	(673.7)
Pension deficit repair payments per post maintenance cashflow	Outturn prices	(12.9)
Total opex plus pension deficit repair payments	Outturn prices	(686.6)
Made up of:		
Wholesale opex, including pension deficit repair payments and tax	Outturn prices	(585.8)
Other opex (Retail) + non-appointed	Outturn prices	(100.8)
Total opex plus pension deficit repair payments	Outturn prices	(686.6)
Other information		
Pension in outturn prices	Outturn prices	12.9
Project cash opex (for covenant calculation)	Outturn prices	673.7
Projected opex (ie pre working capital adjustments and CTA adjustments)	Outturn prices	615.4
Total cash opex inc pension	Outturn prices	627.9
Total opex (ie pre working capital adjustments and CTA adjustments) inc pensions	Outturn prices	628.3
Enhancement - wholesale	Outturn prices	233.8
Maintenance - wholesale	Outturn prices	232.1
Retail	Outturn prices	5.0
Non-regulated	Outturn prices	1.5
Total capex	Outturn prices	472.4
Wholesale capex outturn	Outturn prices	465.9
FD depn	12/13 prices	276.1
Outturn depn	Outturn prices	330.2
Calculation of RCV		
Opening RCV per FD	12/13 prices	6,849.6
Additions per FD	12/13 prices	318.6
Less RCF Run-Off per FD	12/13 prices	(276.1)
Closing RCV per FD using average 12/13 prices	12/13 prices	6,892.1
RPI to convert from price basis used by regulator to outturn prices at year end	Num	1.20
Opening RCV	Outturn prices	8,191.3
Additions	Outturn prices	381.0
Less RCV run-off	Outturn prices	(330.2)
Closing RCV	Outturn prices	8,242.1
Totex outperformance to clawback per Rulebook calculations	Outturn prices	(196.9)
Shadow RCV	Outturn prices	8,045.2

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2019 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 30 Mar 2020 £m**
Finance Leases	21.4		(6.7)		**14.7**
Operating Leases (Vehicles)	0.0	4.8	(1.0)		**3.8**
Transferring Bonds:					
4.125% ILLS 2020	255.6			7.0	**262.6**
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	324.9			9.0	**333.9**
A7 Notes - 3.07% ILLS 2032	97.7			2.7	**100.4**
A8 Notes - 6.293% Fixed 2030	246.0			0.0	**246.0**
A11 Notes - 3.666% ILLS 2024	121.8			3.4	**125.2**
A18 Notes - 2.4% ILLS 2035	604.5			14.1	**618.6**
A19 Notes - 1.7% ILLS 2046	72.8			2.0	**74.8**
A20 Notes - 1.7% ILLS 2046	72.8			1.9	**74.7**
A21 Notes - 1.7146% ILLS 2056	58.4			1.5	**59.9**
A22 Notes - 1.6777% ILLS 2056	73.0			1.9	**74.9**
A23 Notes - 1.7903% ILLS 2049	87.5			2.4	**89.9**
A24 Notes - 1.3825% ILLS 2056	72.8			1.8	**74.6**
A25 Notes - 1.3784% ILLS 2057	145.6			3.7	**149.3**
A26 Notes - LIBOR Plus 0.34%	100.0			0.0	**100.0**
A27 Notes - 1.449% ILLS 2062	103.6			3.1	**106.7**
A28 Notes - 1.52% ILLS 2055	69.1			2.0	**71.1**
A30 Notes - LIBOR Plus 0.85%	110.0			0.0	**110.0**
A31 Notes - JPY 5bn 3.22% 2019/2038	25.1		(25.1)	0.0	**0.0**
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	**25.0**
European Investment Bank £50m 1.626% Term Facility 2019	67.1		(67.9)	0.8	**0.0**
European Investment Bank £50m 1.3% Term Facility 2020	66.0		(67.2)	1.2	**0.0**
A35 Notes - £130M 2.262% IL Bond 2045	169.0			3.8	**172.8**
Index Linked Swaps	67.0			36.7	**103.7**
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	71.9		(9.1)	1.6	**64.4**
Sub Total	**4,138.4**	**4.8**	**(177.0)**	**100.6**	**4,066.8**

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Cont'd	Closing Balance 31 Mar 2019 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 30 Mar 2020 £m**
European Investment Bank £75m 0.79% index linked amortising term facility 2027	71.9		(9.1)	1.6	**64.4**
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	59.0			1.3	**60.3**
A42 Notes - £15m 1.37% IL Private Placement 2022	17.7			0.4	**18.1**
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	157.1		(17.7)	3.5	**142.9**
B46 Notes - £200m Class B 4.5% 2026	200.0			0.0	**200.0**
A47 Notes - £35m 1.141% IL Bond 2042	40.5			0.9	**41.4**
A48 Notes - US$170m 3.84% Private Placement 2023	110.5			0.0	**110.5**
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	**93.0**
B50 Notes - US$160m 4.99% Private Placement 2023	100.2			0.0	**100.2**
European Investment Bank £65m 0.41% index linked amortising term facility 2029	73.5		(7.5)	1.6	**67.6**
European Investment Bank £125m 0.1% index linked amortising term facility 2029	139.6		(7.1)	3.1	**135.6**
European Investment Bank £60m 0.01% index linked amortising term facility 2030	66.7			1.5	**68.2**
£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	300.0			0.0	**300.0**
A58 Notes - £85m 2.880% Private Placement 2029	85.0			0.0	**85.0**
A59 Notes - £25m 3.00% Private Placement 2031	25.0			0.0	**25.0**
A60 Notes - US$53m 3.053% Private Placement 2029	40.1			0.0	**40.1**
A61 Notes - £65m 2.870% Private Placement 2029	0.0	65.0		0.0	**65.0**
A62 Notes - JPY7bn 0.855% 2039	0.0	50.9		0.0	**50.9**
£550m RCF 2024	0.0	550.0		0.0	**550.0**
£50m bilateral facility 2024	0.0	50.0		0.0	**50.0**
Export Development Canada £100m 1.588% term loan facility 2024	0.0	100.0		0.0	**100.0**
Total[1]	**6,790.0**	**820.7**	**(218.4)**	**114.5**	**7,506.8**

[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 2020

	Underlying results £m	**Other items[1] £m**	**Total Year ended 31 March 2020 £m**	Total Year ended 31 March 2019 £m
Revenue	**1,422.6**	**-**	**1,422.6**	1,345.7
Other operating income	**13.0**	**-**	**13.0**	13.6
Operating costs	**(624.6)**	**-**	**(624.6)**	(604.0)
Impairment losses	**(40.7)**	**-**	**(40.7)**	(26.5)
Depreciation	**(368.5)**	**-**	**(368.5)**	(348.8)
Operating profit	**401.8**	**-**	**401.8**	389.0
Finance income	**4.8**	**-**	**4.8**	2.9
Finance costs	**(329.9)**	**-**	**(329.9)**	(331.4)
Fair value (losses)/gains on derivative financial instruments	**-**	**(30.4)**	**(30.4)**	(98.4)
Net finance costs	**(325.1)**	**(30.4)**	**(355.5)**	(426.9)
Profit/(loss) before taxation	**76.7**	**(30.4)**	**46.3**	(37.9)
Taxation charge/(credit)	**(126.7)**	**5.8**	**(120.9)**	5.1
(Loss)/profit after taxation			**(74.6)**	(32.8)
Dividend to AWG Group Ltd			**(67.8)**	(68.0)
Transfer from reserves			**(142.4)**	(100.8)

[1] Other items comprise fair value losses on derivative financial instruments and energy hedges of £30.4 million (2019: £98.4 million).

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9.0 Anglian Water Services Group – Balance Sheet

Balance Sheet as at 31 March 2020		£m	£m	£m
Intangible assets				217.3
Property, plant and equipment				9,940.3
Derivative financial instruments classified as current and non-current assets				334.6
Retirement benefit surpluses				171.6
Net current liabilities excluding cash and debt repayable in less than one year[1]				(182.3)
Derivative financial instruments classified as current and non-current liabilities				(1,077.4)
Retirement benefit obligations				(41.6)
Creditors amounts falling due after more than one year excluding debt[1]				(1,104.1)
Cash and cash equivalents	Payments account	1,008.1		
	Capex reserve	-		
	Tax reserve	40.0		
	Debt service	-	1,048.1	
Financing liabilities	Bonds (excluding accrued interest)	(7,567.2)		
	Finance leases	(49.5)		
	Other[2]	(108.6)	(7,725.3)	
	Net debt (excluding derivatives)			(6,677.2)
Net assets				**1,581.2**
Capital and reserves	Share capital			32.0
	Reserves b/f			1,581.5
	Actuarial gain on pension schemes			89.6
	Transfer to reserves for the year			(144.6)
	Gain on cash flow hedges			22.7
Capital and reserves				**1,581.2**

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 IFRS 9 adjustments).

10.0 Anglian Water Services Group – Calculation of Annual Finance Charge

Instrument	**Actual Interest Paid to 31 Mar 20 £m**	**Forecast Interest Payable to 31 Mar 21 £m**
Class A Debt		
AAA Wrapped Bonds	28.8	29.4
A-Bonds	127.8	120.2
US Private Placements	29.0	28.1
Leases	0.5	1.1
Other	2.6	2.6
Class B Debt		
BBB Bonds	16.8	15.8
US Private Placements	20.2	20.2
Annual Finance Charge	**225.7**	**217.4**

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

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market (MTM) Valuations as at 31/03/20				
External Swap Counterparties	**Notional amount £m**	**MTM Positive Values £m**	**MTM Negative Values £m**	**MTM Total Values £m[2]**
BARCLAYS BANK	375.0	1.5	(47.5)	(46.0)
BNP PARIBAS BANK	608.4	60.0	(104.5)	(44.5)
BGL BNP PARIBAS	0.0	0.0	(34.0)	(34.0)
CBA BANK	401.9	124.1	(0.1)	124.0
HSBC BANK	233.0	1.0	(49.2)	(48.2)
HSBC Bank (Investor ISDA)	0.0	49.2	0.0	49.2
JP MORGAN BANK	566.6	9.5	(292.7)	(283.2)
LLOYDS BANK CORPORATE MARKETS PLC	716.1	39.3	(51.9)	(12.6)
MORGAN STANLEY BANK	375.6	0.3	(511.8)	(511.6)
SANTANDER BANK	903.4	37.3	(24.5)	12.8
SCOTIA BANK	240.0	5.5	(111.8)	(106.3)
SMBC BANK	125.0	5.8	(27.6)	(21.8)
EXTERNAL INVESTORS[3]	0.0	0.7	183.4	184.0
Anglian Water Interest Derivatives	**4,545.1**	**334.1**	**(1,072.3)**	**(738.2)**

Notes:
1. All swaps are transacted under ISDA agreements between Anglian Water Services Financing Plc and External Swap Counterparty.
2. Valuations include accrued interest to valuation date.
3. Three real coupon RPI inflation swaps with final accretion payments include 10-year accretion pay downs to external investors.