

Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the six month period ended 30 September 2015

Prepared in accordance with International Financial Reporting Standards  
(IFRS)



# Investor Report

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## ***Basis of Preparation***

All financial information in this report is unaudited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 31 March 2015.

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

## **Disclaimer**

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

# General Overview and Business Update

This investor report covers the six months ended 30 September 2015.

## 1.0 Financial Performance for the six month period ended 30 September 2015

The underlying financial results have been prepared on an International Financial Reporting Standards (IFRS) basis and are summarised in the table<sup>1</sup> below:

	<b>2015</b>	<b>2014</b>
	<b>Total</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	607.2	637.3
Other operating income	6.5	6.3
Operating costs <sup>1</sup>	(273.9)	(259.3)
Depreciation and amortisation	(146.8)	(138.4)
<b>Underlying operating profit</b>	<u>193.0</u>	<u>245.9</u>
Finance income (adjusted) <sup>2</sup>	2.1	2.1
Finance costs <sup>1</sup>	(129.8)	(145.4)
<b>Underlying profit before tax</b>	<u><b>65.3</b></u>	<u><b>102.6</b></u>

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

<sup>2</sup> In order to show the position of the Anglian Water Services Financing (AWSF) group (which comprises Anglian Water Services Holdings Ltd, Anglian Water Overseas Holdings Ltd, Anglian Water Services Ltd and Anglian Water Services Financing Plc.), finance income is shown excluding internal interest receivable by the group from Anglian Water Services Holdings Ltd of £96.4 million (2014:£96.4 million).

The table below sets out the reconciliation between the statutory income statement and the underlying financial performance as shown above.

### Reconciliation to statutory accounts

	<b>2015 Total £m</b>	<b>2014 Total £m</b>
Underlying profit before tax	65.3	102.6
Operating costs – Fair value (losses)/gains on energy hedges	(0.9)	2.2
Finance costs – Fair value losses on financial derivatives	(39.7)	(38.5)
Finance income – Intra-group interest receivable	96.4	96.4
<b>Profit before tax as reported in the statutory income statement</b>	<b>121.1</b>	<b>162.7</b>

Revenue for the half year was £607.2 million, down £30.1 million (4.7%) on the same period last year. This primarily reflects the reduction in customer bills which came into effect on 1 April 2015 in line with the regulatory price setting review, partially offset by customer growth in the region.

Other operating income of £6.5 million comprises primarily the amortisation of developer contributions received in respect of new housing developments, and is largely unchanged from the prior year.

Underlying operating costs were up £14.6 million (5.6%) on the same period last year to £273.9 million. The increase is explained in the following table:

<b>Increases/(decreases) in operating costs (before depreciation and amortisation)</b>	<b>£m</b>
Increase in minor repair activities to maintain water and waste water below ground infrastructure <sup>1</sup>	6.0
Additional funding to ensure we meet our Outcome Delivery targets, and the transfer of funding from capital to operational in order to optimise Totex efficiencies	5.3
General inflationary increases	2.2
Power - predominantly price increases	1.2
Operating costs of newly commissioned plant	1.2
Increase in bad debt charge	1.0
Efficiency savings achieved	(2.3)
<b>Net Increase in operating costs</b>	<b>14.6</b>

<sup>1</sup> IFRS has increased opex volatility from minor repair costs which, in the past, would have been treated as capex under the old UKGAAP infrastructure renewals accounting rules.

Anglian Water continues to take a proactive approach to customer debt collection. As a consequence, the bad debt charge for the period of £16.5m is aligned with the charge for the previous full year of £33.0 million, but up by £1.0m compared with same period last year.

Depreciation and amortisation is up 6.1% compared with the same period last year, reflecting depreciation on newly commissioned operating assets, particularly IT and telemetry which have a relatively shorter economic life.

Underlying operating profit has fallen by 21.5% to £193.0 million, which is consistent with the effect of the regulatory price reduction, increased operating costs and depreciation.

The underlying net finance charge for the period decreased by £15.6 million to £127.7million principally due to the effect of lower RPI on indexed linked debt.

Compared to the same period last year the tax charge has reduced overall by £14.1 million to £1.5 million. This is due to a reduction in profit before tax, a reduction in the corporation tax rate from 21% to 20% and a prior year deferred tax credit in the current period. Anglian Water's relatively low rate of taxation reflects the incentives available for capital investment, and the interest paid to fund that investment. Anglian Water is one of the largest private investors in infrastructure in the region, worth more than £2 billion over five years. The Government actively encourages infrastructure investment and grants Anglian Water capital allowances, which defer some of the corporation tax liabilities until a later period. Customers also benefit from the deferral as it helps to keep bills lower.

Dividends of £100.0 million (excluding intra-group dividends of £96.4 million, 2014: £96.4 million) were paid during the period (2014: £111.0 million).

During the period no new debt was issued and there were no significant debt repayments.

The business generated a net cash inflow from operating activities of £327.2 million in the six months to 30 September 2015 (2014: £349.5 million).

## **2.0 Regulatory Update**

### **Independent examination of PR14**

Two separate enquiries have served to provide an independent examination of Ofwat's conduct of PR14.

In October the Competition and Market Authority (CMA) published its final determination of the price controls for Bristol Water after the company appealed the determination handed down by Ofwat in December 2014. Bristol won few concessions from the CMA: a 5% increase in allowed totex, marginal increase in WACC and a softening of two ODIs. However, although the CMA determined price controls that were similar to Ofwat's it did so by departing significantly from Ofwat's methodology, in particular on cost assessment, where it rejected Ofwat's approach in its entirety and created its own models. The CMA also dismissed the use of menus and Ofwat's argument that a small company premium should be given only to companies that sit at the frontier of industry efficiency or service standards.

The National Audit Office (NAO) report on the economic regulation of the water sector was also published in October. It complimented the regulatory framework's contribution to improvements in water quality and efficiency and Ofwat's PR14 price review for encouraging companies to reflect better customer priorities in pricing and service decisions. However the conclusion that drew the headlines was the claim that companies benefitted from windfalls worth £835m over the 2010-15 period. Overall the report concluded that 'the price cap regime does not yet balance risks appropriately between companies and consumers and so does not yet achieve the value for money that it should'.

The conclusions of both may influence Ofwat's approach to PR19.



## Water 2020

Ofwat published its first thoughts on PR19 in July ('Towards Water 2020'). In this document Ofwat set out the challenges facing the sector and the limitations of the current economic regulation framework. It confirmed that the principles for setting price controls it drafted for PR14 would be retained. The document also discussed issues and options around three themes:

1. Customer engagement and outcomes – how and to what extent customers should input to PR19 and the strength and structure of outcome delivery incentives
2. Promoting markets – how to introduce markets into the upstream value chain (particularly in sludge and water resources), charging and access prices and approach to the RCV
3. Regulating monopolies – further separation of the wholesale price control, cost assessment for retail and wholesale and indexation

Ofwat's initial proposals on PR19 will be published for consultation in December 2015.

### Ofwat Rulebook – RCV Adjustments

Very late in the Final Determination process, Ofwat changed its view on how it should make adjustments to companies' RCVs under the capital incentive scheme to reflect the differences between allowed and actual capex. The difference related to the use of actual rather than assumed RPI. In the case of Anglian it served to make the RCV £141m higher under Ofwat's originally endorsed methodology.

Concerned about the impact on investor confidence and making retrospective changes to published methodology, the Ofwat board decided to continue with the draft determination approach for the final determination but seek to remove the benefit from companies' RCVs at PR19. In drafting for consultation a 'PR14 rule book', in March Ofwat sought the views of companies, the vast majority of which objected to the change.

Ofwat deferred a decision on this issue pending the conclusion of the CMA's determination of Bristol's price controls but now that enquiry has finished a decision might be expected before the end of the financial year.

## **Pennon acquisition of Bournemouth Water**

On 5 November the CMA published the final report of its enquiry into the completed acquisition of Bournemouth Water by Pennon plc, owner of South West Water. The enquiry had hinged on whether the merger was likely to prejudice Ofwat's ability to fulfil its functions by reducing the number of comparators available to the regulator. It examined this question in each of the following areas: setting wholesale price controls, setting retail price controls, setting wholesale quality of service performance targets, improving retail quality of service and spreading best practice.

The CMA's conclusions were that, given the number of different companies that will remain after the merger, in none of these areas was Ofwat's ability to set appropriately demanding targets for the benefit of customers significantly harmed. No remedies for customers were therefore required. In its submission to the enquiry, Ofwat had set out a range of detriments for which it said remedies would be required.

## **Market Reform – Open Water Programme**

During 2015-16 development of the Open Water Programme has continued. This has resulted in the publication of Market Architecture Plan version four in July 2015. A further iteration, MAP5 was published in September 2015. Anglian Water has been fully engaged with the development of the materials which will underpin the NHH retail market.

A private company, Market Operator Systems Ltd (MOSL), has been set up to deliver the IT operational capability needed to support the new market. MOSL has selected an IT vendor who has begun the design and development of the central market systems required for the market to operate.

Anglian Water continues to prepare for market opening.

## **Competition Act compliance**

Anglian Water continues to review its Competition Act risk register and equivalence procedures accordingly. Ahead of market opening the risk is being reviewed separately from a wholesale and retail perspective.

## **Water Supply Licensing (WSL)**

Two premises in the region (a supermarket and Ministry of Defence site) have now switched under the WSL regime. There have also been additional applications for Water Supply Licences which is an indication of potential increasing activity nationally or preparation for the full NNH retail market in 2017.

## **Multi-sector financing**

Anglian Water is working with other statutory water companies, water users and the Environment Agency to consider the desirability and practicality of developing multi-sector water supply assets as a way of maintaining resilient supplies. It commissioned FTI Consulting LLP to identify and evaluate the different options that may be available for financing such assets and identify any barriers to implementation from existing regulation. The report was published in October 2015.

## **Ofwat Casework update**

Ofwat has published its final determination relating to the recovery of contributions in relation to a strategic main delivering water to customers in the west of the region from Wing water treatment works. In this final determination Ofwat significantly reduced the value of contributions that should have been collected from developers for this infrastructure project. Ofwat's view is that the difference should have been collected from the generality of existing customers rather than developers and they will add any difference in contributions as a result of their determination to the RCV to enable this recovery. Anglian Water has followed the final determination and made the appropriate refunds to all developers who contributed to the Wing main.

In December 2011, Ofwat issued a Statement of Objections to Anglian Water alleging infringement of the Competition Act 1998 in respect of the approach to pricing supplies to a housing development at Milton Keynes. Correspondence and communications have been on-going and on 25 April 2014 Ofwat issued a Supplementary Statement of Objections and a press release to say that further investigation is required before a decision could be taken, but gave no indication of when this process would be concluded. Anglian Water responded to this Supplementary Statement of Objections in July 2014 refuting the allegations. Confirmation is still awaited of next steps from Ofwat. If Ofwat ultimately rule against Anglian Water, the matter is expected to be immaterial in the context of the overall business.

## **3.0 Service Performance Overview**

### **Service Incentive Mechanism**

The Service Incentive Mechanism (SIM) consists of two measures, a qualitative measure reflecting the satisfaction of customers with the quality of service received and a quantitative measure reflecting complaints and telephone contacts received by companies. Ofwat undertakes quarterly customer surveys to measure qualitative performance but assesses quantitative data annually. Anglian Water remains committed to the goal of having 100% of customers very satisfied with the service they receive. Anglian Water is currently fourth in the Service Incentive Mechanism qualitative league table, following two survey rounds. In order to push for further improvement, Anglian Water has continued with weekly customer surveys, along with automated text surveys following some jobs. These have resulted in more than 45,000 surveys being completed by customers, feedback from which has driven measurable improvements in satisfaction.

## **4.0 Capital Expenditure**

Gross regulated capital investment in the six months to 30 September 2015 was £103.8 million, which included £12.6 million in respect of completing AMP5 capital schemes. This represents a good start to the new Asset Management Plan period, and is in line with management expectations. In 2014/15 Anglian Water delivered a £57.0 million AMP6 Transition Programme which enabled an early start to design work. This has ensured a more efficient transition between AMP5 and AMP6.

## **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 Drinking Water Inspectorate (DWI) Chief Inspector's annual report was published in July 2015.

The overall measure for drinking water quality compliance remained excellent for the year with a mean zonal compliance figure of 99.95% (2014: 99.96%).

There was an increase in 2014 for the number of events that DWI classified as category 3 (23 confirmed) due to our inclusion, for the first time, of reporting events associated with social media activity, which was a change to our reporting from the previous year (13 in 2013, 11 in 2012, 3 in 2011, 13 in 2010, 7 in 2009). There were two category 4 "serious" events this year, one which has been assessed with no recommendations and the other for which we are still waiting the assessment. The latter is related to a taste and odour event associated with Southwick Tower, which has remained out of supply since the event. There were no 5 "major" events for the fourth year in succession.

### **Water Recycling**

2014 was a good year for Water Recycling Centre compliance with only 9 failing numerical consents compared to 14 in 2013. There were 9 serious pollution incidents in 2014, which was the same as in 2013. Overall the number of pollution incidents remained stable for 2014 compared to 2013.

Anglian Water has seen a significant reduction in the number of Category 3 (minor) pollution incidents (100 to the end of September 2015, compared to 361 to end of September 2014), but are seeing more Category 2 (significant) incidents than desired (10 to the end of September 2015, compared to 8 to end of September 2014). While progress against Category 3 pollutions is welcome, Anglian Water will increase its focus on the prevention of all incidents. Key activities include the use of predictive analytics and targeted proactive maintenance of the network and pumping stations; reviewing incident management processes; enhanced Combined Sewer Overflow and network monitoring; and community engagement through a 'Pollution Watch' campaign. The reduction in the number of Category 3 pollutions in 2015 has principally been driven by improved operational focus and clarification around impact assessment.

99.44% of water recycling treatment works were compliant with their discharge permits to the year ending September 2015.

## **Environment**

2015 bathing water monitoring results indicate that there are 34 'Excellent' bathing waters in the Anglian region in 2016. Coastal catchment plans have been completed for all regional bathing waters, identifying potential sources of diffuse pollution. Partnerships with third parties are in place for the majority of areas with declining water quality, and Source Apportionment studies have begun in Southend to look at all seven bathing waters in that region; results are expected December. Anglian Water is also the first water company in the UK to use aerial photographic surveys, conducted in partnership with APEM Aviation, to identify potential sources of pollution along the coastline.

## **Water Resources**

Upstream water resources started the year in a healthy situation despite below average rainfall recorded during the previous winter period. Rainfall in the period April 2015 to the end of September 2015 is recorded as 98% of the long term average with notably high rainfall recorded in July and very low rainfall recorded in April. Resources remained secure through the period with pumped storage reservoirs generally remaining close to target storage levels except at Pitsford and Hollowell where low river flows have limited input. Groundwater levels remained in the normal range for the reporting period. Raw water abstraction assets performed well during the period ensuring continuity of raw groundwater or river water for treatment or storage.

Anglian Water has started work on the Water Resources East Anglia project. This project will deliver a long term strategic multi sector water resources plan for East Anglia. Work has also started on the next Water Resources Management Plan and Anglian Water is helping to shape the next round of planning guidelines. Anglian Water fully supports the flexible approach that is being proposed in the guidelines that will allow use of more robust decision making and multi-criteria planning assessments. Anglian Water also supports the need for Water Resource Management Plans to consider and plan investment for droughts more severe than have been observed in the historic hydrological record.

Anglian Water continues to inform the on-going debate on water abstraction reform and water allocation.



## 6.0 Financing

Anglian Water continues to focus on the efficient management of cash resources. In May 2015, additional committed bilateral facilities were established; bringing the total committed but undrawn, level of bank facilities to £600 million. In addition, the operating and maintenance reserve facility of £96.0 million and the debt service reserve liquidity facilities of £279 million were undrawn.

During the period, payments of £75.8 million relating to 5 yearly PAYG repayments on two RPI swaps were made. There have been no changes to credit ratings, which remain as follows:

Fitch Ratings:	A (negative); BBB+ (negative)
Standard and Poor's:	A-; BBB
Moody's:	A3; Ba3; Corporate Family Rating Ba1

## **7.0 Dividends**

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

29 May 2015 £100.0 million - in relation to 2014/15 final dividend.

## 8.0 Significant Board / Management Changes

The Board of Anglian Water Services Ltd comprises:

Dr Stephen Billingham	Non-Executive Chairman, appointed 1 April 2015 (previously an Independent Non-Executive Director)	)	Executive
Peter Simpson	Chief Executive Officer	)	Executive
Chris Newsome	Director of Asset Management	)	Executive
Jean Spencer	Director of Regulation	)	Executive
Scott Longhurst	Managing Director Finance & Non-Regulated Business	)	Executive
Polly Courtice	Independent Non-Executive Director, appointed 1 April 2015		
Christopher Garnett	Senior Independent Non-Executive Director		
Steve Good	Independent Non-Executive Director, appointed 1 April 2015		
John Hirst	Independent Non-Executive Director, appointed 1 April 2015		
John Watkinson	Independent Non-Executive Director		
Paul Whittaker	Independent Non-Executive Director		
James Bryce	Non-Executive Director		
Werner Kerschl	Non-Executive Director, appointed 3 November 2015		
Andrew Cox	Non-Executive Director		
Niall Mills	Non-Executive Director		
Robert Napier	Independent Non-Executive Director, resigned 23 July 2015		
Christian Seymour	Non-Executive Director, resigned 2 November 2015		

Anglian Water is managed by the AWS Management Board, which, as at 30 September 2015, in addition to the Executive Directors referred to above, included:

Claire Russell	Legal Director
Mark Pendlington	Director of Corporate Affairs
Kate Kelly	Director of Human Resources
Paul Gibbs	Director of Water Recycling
Martyn Oakley	Director of Information and Customer Services
Paul Valleley	Director of Water Services
Richard Boucher	Business Change and Strategy Director
Ian Rule	Director of Wholesale Services

Anglian Water will be holding a meeting for investors in London on 4 December 2015.

# Ratios

## 1.0 Historical

Anglian Water confirms that in respect of the six months ended 30 September 2015, 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:

	<b>30 Sep 2015</b>	30 Sep 2014 <sup>1</sup>	31 Mar 2015 <sup>1</sup>
a) The Class A RAR	<b>71.8%</b>	68.5%	68.4%
b) The Senior RAR for each Test Period	<b>83.0%</b>	79.3%	79.2%
c) The Class A ICR	<b>2.8:1</b>	3.3:1	4.2:1
d) The Class A PMICR for each Test Period	<b>n/a</b>	1.7:1	2.2:1
e) The Senior PMICR for each Test Period	<b>n/a</b>	1.5:1	1.9:1
f) The Conformed Class A PMICR for each Test Period	<b>1.7:1</b>	n/a	2.2:1
g) The Conformed Senior PMICR for each Test Period	<b>1.5:1</b>	n/a	1.9:1
h) The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	<b>2.2:1</b>	2.5:1	3.1:1

<sup>1</sup> as reported in previous compliance certificates

## **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 2016 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 30 Sep 15 £m	Actual Period to 30 Sep 14 £m	Actual Period to 31 Mar 15 £m
Income		600.2	609.2	1,212.4
Operating Expenditure		(273.6)	(238.2)	(463.6)
<b>Pre-capital maintenance cashflows</b>		<b>326.5</b>	371.0	748.8
Capital Maintenance Expenditure		(79.6)	(84.8)	(193.5)
Depreciation		(136.0)	(179.1)	(357.6)
<b>Post-Maintenance cashflow for PMICR</b>		<b>190.5</b>	191.9	391.2
<b>Post-Maintenance cashflow for Net Cash Flow ratio</b>		<b>246.9</b>	286.2	555.3
Net Interest		(125.0)	(126.3)	(209.8)
Enhancement Capital Expenditure		(57.1)	(89.2)	(200.1)
Customer Rebates				10.5
Dividends		(100.0)	(111.0)	(180.2)
<b>Pre-financing cashflows</b>		<b>(35.2)</b>	(40.3)	(24.3)
<b>Interest Payable on Class A Debt:</b>				
Finance Leases		0.0	0.0	(1.7)
Class A Bonds		(114.6)	(113.5)	(177.7)
MBIA Wrap Fees		(2.2)	(2.2)	(2.4)
Less Interest Receivable		2.2	1.8	4.0
Total net Class A debt interest		(114.6)	(113.9)	(177.8)
<b>Interest Payable on Class B Debt</b>				
Class B Bonds		(10.4)	(12.4)	(32.0)
<b>Total Net Interest payable on Senior Debt</b>		<b>(125.0)</b>	(126.3)	(209.8)
<b>Interest Cover Ratios:</b>				
Class A ICR	1.6:1	<b>2.8:1</b>	3.3:1	4.2:1
Senior PMICR	1.1:1	-	1.5:1	1.9:1
Class A PMICR	1.3:1	-	1.7:1	2.2:1
Conformed Senior PMICR	1.1:1	<b>1.5:1</b>	-	1.9:1
Conformed Class A PMICR	1.3:1	<b>1.7:1</b>	-	2.2:1
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	<b>2.2:1</b>	2.5:1	3.1:1

<sup>1</sup>September 2014 and March 2015 numbers as reported in compliance certificates previously

## 5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 30 Sep 15 £m	As at 30 Sep 14 £m	As at 31 Mar 15 £m
<b>Class A Gross Debt:</b>				
Finance Leases		(43.1)	(47.4)	(43.1)
Class A Bonds etc		(5,538.3)	(5,501.5)	(5,589.6)
Total Class A Gross Debt		(5,581.4)	(5,548.9)	(5,632.7)
Less cash balances and Authorised Investments		656.2	700.7	767.2
Total Class A Net Debt		(4,925.2)	(4,848.2)	(4,865.5)
Class B		(766.5)	(766.5)	(766.5)
Total Senior Net Debt		(5,691.7)	(5,614.7)	(5,632.0)
<b>Regulatory Asset Value (RAV)</b>		<b>6,860.4</b>	7,078.8	7,113.0
<b>Regulatory Asset ratios:</b>				
Senior RAR (Actual)	85.0%	<b>83.0%</b>	79.3%	79.2%
Senior RAR (Shadow)		<b>83.0%</b>		
Class A RAR (Actual)	75.0%	<b>71.8%</b>	68.5%	68.4%
Class A RAR (Shadow)		<b>71.8%</b>		

The Regulatory Asset Value is based on Ofwat's published numbers in April 2014 and April 2015.



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

	Opening Balance 31 Mar 2015	New Issues	Repayment	Indexation	Closing Balance 30 Sept 2015
	£m	£m	£m	£m	£m
Finance Leases	43.0				43.0
US Private Placements	0.0				0.0
Transferring Bonds:					
4.125% ILLS 2020	232.3			12	233.5
6.875% Fixed 2023	200.0				200.0
6.625% Fixed 2029	200.0				200.0
A4 Notes - 5.837% Fixed 2022	250.0				250.0
A6 Notes - 3.07% ILLS 2032	295.3			15	296.8
A7 Notes - 3.07% ILLS 2032	89.0			0.2	89.2
A8 Notes - 6.293% Fixed 2030	246.0				246.0
A11 Notes - 3.666% ILLS 2024	110.7			0.6	111.3
B12 Notes - 7.882% Fixed 2012/37	0.0				0.0
A16 Notes - 5.25% Fixed 2015	250.0				250.0
B17 Notes - 5.5% Fixed 2017/2040	150.0				150.0
A18 Notes - 2.4% ILLS 2035	546.5			2.9	549.4
A19 Notes - 17% ILLS 2046	66.2			0.3	66.5
A20 Notes - 17% ILLS 2046	66.0			0.6	66.6
A21 Notes - 17.146% ILLS 2056	53.0			0.3	53.3
A22 Notes - 16.777% ILLS 2056	66.2			0.3	66.5
A23 Notes - 17.903% ILLS 2049	79.5			0.4	79.9
A24 Notes - 13.825% ILLS 2056	66.0			0.6	66.6
A25 Notes - 13.784% ILLS 2057	132.1			12	133.3
A26 Notes - LIBOR Plus 0.34%	100.0				100.0
A27 Notes - 14.49% ILLS 2062	94.4			0.9	95.3
A28 Notes - 15.2% ILLS 2055	62.9			0.6	63.5
A29 Notes - JPY 15bn 2.925% 2018/2037	65.9				65.9
A30 Notes - LIBOR Plus 0.85%	110.0				110.0
A31 Notes - JPY 5bn 3.22% 2019/2038	25.1				25.1
A32 Notes - Euro 500m 6.25% 2015	394.0				394.0
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0				25.0
B34 £100m Class B 6.75% Bond Fixed to Floating 2024	0.0				0.0
European Investment Bank £50m 16.26% Term Facility 2019	60.5			0.4	60.9
European Investment Bank £50m 13% Term Facility 2020	59.5			0.4	59.9
A35 Notes - £130M 2.262% IL Bond 2045	152.3			0.9	153.2
Index Linked Swaps	133.8		(75.8)	7.0	65.0
<b>Sub Total</b>	<b>4,425.2</b>	<b>0.0</b>	<b>(75.8)</b>	<b>20.3</b>	<b>4,369.7</b>

Contd	Opening Balance 31 Mar 2015 £m	New Issues £m	Repayment £m	Indexation £m	Closing Balance 30 Sept 2015 £m
A36 Notes - US\$ 160m 4.52% Private Placement 2021	99.1				99.1
B37 Notes - US\$ 410m 5.18% Private Placement 2021	260.7				260.7
European Investment Bank £75m 0.53% index linked amortising term facility 2027	81.1			0.5	81.6
European Investment Bank £75m 0.79% index linked amortising term facility 2027	81.1			0.5	81.6
A38 Notes - £250m 4.5% 2027	250.0				250.0
A39 Notes - £319m 4.0% Private Placement 2022	319				319
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3				73.3
A41 Notes - £50m 2.05% IL Private Placement 2033	52.4			0.3	52.7
A42 Notes - £15m 1.37% IL Private Placement 2022	16.0			0.1	16.1
B43 Notes - US\$ 47m 5% Private Placement 2022	30.8				30.8
B44 Notes - £25.5m 4.2% Private Placement 2017	25.5				25.5
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3				22.3
European Investment Bank £150m 0% index linked amortising term facility 2028	157.4			10	158.4
B46 Notes - £200m Class B 4.5% 2026	200.0				200.0
A47 Notes - £35m 1.14% IL Bond 2042	36.5			0.2	36.7
A48 Notes - US\$ 170m 3.84% Private Placement 2023	110.5				110.5
A49 Notes - £93m 3.537% Private Placement 2023	93.0				93.0
B50 Notes - US\$ 160m 4.99% Private Placement 2023	100.3				100.3
European Investment Bank £65m 0.41% index linked amortising term facility 2029	66.2			0.4	66.6
European Investment Bank £125m 0.1% index linked amortising term facility 2029	125.8			0.7	126.5
European Investment Bank £60m 0.01% index linked amortising term facility 2030	60.1			0.4	60.5
	<b>6,399.2</b>	<b>0.0</b>	<b>(75.8)</b>	<b>24.4</b>	<b>6,347.8</b>

<sup>1</sup> Before accounting adjustments which are not within the CTA definition of Net Debt.

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

For the six months ended 30 September 2015

	Underlying results £m	Other items <sup>1</sup> £m	Total Six months ended 30 September 2015 £m	Total Six months ended 30 September 2014 £m
Revenue	607.2	-	607.2	637.3
Other operating income	6.5	-	6.5	6.3
Operating costs	(273.9)	-	(273.9)	(259.3)
Depreciation and amortisation	(146.8)	-	(146.8)	(138.4)
Fair value loss on energy hedges	-	(0.9)	(0.9)	2.2
Operating profit	193.0	(0.9)	192.1	248.1
Finance income	2.1	96.4	98.5	98.5
Finance costs	(129.8)	-	(129.8)	(145.4)
Fair value gains/(losses) on derivative financial instruments	-	(39.7)	(39.7)	(38.5)
Net finance costs	(127.7)	56.7	(71.0)	(85.4)
Profit before taxation	65.3	55.8	121.1	162.7
Taxation			(1.5)	(15.6)
Profit after taxation			119.6	147.1
Dividend to AWS Holdings Ltd			(96.4)	(96.4)
Dividend to AWG Group Ltd			(100.0)	(111.0)
Transfer from reserves			(76.8)	(60.3)

<sup>1</sup>Other items comprise fair value losses on derivative financial instruments and energy hedges of £40.6m (2014: £36.3m) and intra-group interest income of £96.4m (2014: £96.4m).

## 8.0 Anglian Water Services Group – Balance Sheet

Balance Sheet as at 30 September 2015

		£m	£m	£m
<b><u>Non current assets</u></b>				
Intangible assets				117.0
Property, plant and equipment				9,416.4
Investments				1,602.6
Derivative financial instruments <sup>1</sup>				72.2
Retirement benefit surpluses				40.1
Net current liabilities excluding cash and debt repayable in less than one year <sup>1</sup>				(50.3)
Retirement benefit obligations				(45.6)
Creditors amounts falling due after more than one year excluding debt <sup>1</sup>				(2,422.0)
Cash and cash equivalents	Payments Account	536.7		
	Tax Reserve	100.0		
	Debt Service	14.0	650.7	
Financing liabilities	Bonds (excluding accrued interest)	(6,304.8)		
	Finance leases	(43.0)		
	Other <sup>2</sup>	(60.1)	(6,407.9)	
	Net Debt (excluding derivatives)			(5,757.2)
<b>Net assets</b>				<b><u>2,973.2</u></b>
Capital and reserves	Share capital			10.0
	Reserves b/f			3,009.3
	Actuarial loss on pension schemes			26.0
	Transfer to reserves for the period			(76.8)
	Gain on cash flow hedges			4.7
<b>Capital and reserves</b>				<b><u>2,973.2</u></b>

<sup>1</sup> Derivative financial instruments are included on the basis of their maturity profile.

<sup>2</sup> Accounting adjustments that are not within the CTA definition of net debt (capitalised debt issue costs, accrued interest and IAS 39 adjustments).

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

<b>Instrument</b>	<b>Actual Interest Paid to 31 Mar 15 £m</b>	<b>Forecast Interest Payable to 31 Mar 16 £m</b>
<b><u>Class A Debt</u></b>		
AAA Wrapped Bonds	28	28
A- Bonds	142	139
US Private Placements	10	14
Other	2	2
<b><u>Class B Debt</u></b>		
BBB Bonds	14	8
US Private Placements	18	25
<b>Annual Finance Charge</b>	<b>214</b>	<b>216</b>

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

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

Derivative Counterparty Mark to Market (MTM) Valuations as at 30/09/15				
External Swap Counterparty	Nominal Swap Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m <sup>2</sup>
BNP	518.0	12.9	(68.5)	(55.7)
Morgan Stanley <sup>3</sup>	133.0	5.9	(44.8)	(38.9)
LTSB	779.6	17.6	(42.0)	(24.4)
RBS	666.8	31.6	(398.9)	(367.3)
HSBC	198.0	2.0	(1.5)	0.5
Barclays <sup>3</sup>	740.0	92.1	(335.1)	(243.0)
CBA	345.5	33.8	0.0	33.8
Santander	818.4	21.4	(41.6)	(20.2)
<b>Anglian Water<sup>1</sup></b>	<b>4,199.3</b>	<b>217.2</b>	<b>(932.4)</b>	<b>(715.3)</b>

**Notes**

1. All Interest Rate Swaps are transacted under ISDA agreements between Anglian Water Services Plc and External Swap Counterparty.
2. Valuations are clean and exclude accrued interest to valuation date.
3. £325m RPI swaps with Barclays and £25m RPI swap with Morgan Stanley have terms with periodic paydown of accrued indexation (Barclays - 5 yearly intervals, Morgan Stanley - 10 yearly intervals).