Anglian Water Group Limited

Half-yearly report

for the six months ended 30 September 2024

Anglian Water Group Limited

Half-yearly results

for the six months ended 30 September 2024

5 December 2024

Group overview

Anglian Water Group Limited's principal business is Anglian Water Services Limited ('Anglian Water'), the Group's regulated water and sewerage company, which supplies water and water recycling services to over seven million customers in the East of England and Hartlepool.

The group also includes Anglian Venture Holdings, which comprises:

- Alpheus Environmental which operates industrial and commercial wastewater treatment works in the UK;
- Celtic Anglian Water which operates water and wastewater treatment works in the Republic of Ireland;
- Tide Services which operates property conveyancing, residential insurances and the provision of web hosted information services for utilities on behalf of other group companies;
- Wave which is a 50:50 joint venture with Northumbrian Water Group Limited to provide water services to non-household customers in the UK;
- OHL Property Holdings which oversees the construction of a new water recycling centre; and
- OHL Piper Limited – property rental business

Chief Executive, Mark Thurston, commented:

"We continue to invest heavily in our capital programme in 2024/25, the final year of AMP7. The first half of this financial year saw us deliver our highest-ever level of capital expenditure (£529 million), significantly over and above our operating profit. This run-rate will continue in the second half of the year, as we continue to drive investment to address pollution performance, enhance the environment with nature-based solutions, build water resilience through our Strategic Pipeline and plan preparatory work on our two proposed reservoirs. This will put us in a strong place for closing out AMP7 and embarking on our AMP8 plan valued at over £10 billion.

"We are pleased to have maintained our industry-leading performance in leakage, something we have held since 2010, alongside a strong performance in other areas such as Treatment Works Compliance, Flooding and Customer Experience (CMeX).

"Our improved CMeX result at half year is underpinned by the provision of record levels of financial support for more than 357,000 customers. Our AMP8 plan, focussed on keeping bills affordable while driving investment, builds significantly on this record package. From 2024/25 customers will be expected to pay £1.68 a day on average, for all their water and wastewater needs. We're also launching a shareholder-funded medical needs discount and making a sector-first commitment, that no customer will be in water poverty.

"We acknowledge performance in other areas needs to be better. We have marshalled resource and mindset at an enterprise level to drive improvement– particularly on pollutions performance – and continue to have the full support of our shareholders, who earlier this year agreed an extra £100 million to accelerate progress on pollutions.

"In August, we responded to Ofwat's Draft Determination of our PR24 plan. We welcome Ofwat's delivery focus and the recognition of the quality and efficiency built into our plan. However, our Draft Determination falls short of securing the necessary investment to deliver high quality infrastructure and services and to ensure resilience to a changing climate and the needs of our growing region. To deliver the scale of work needed in AMP8 and beyond, Ofwat needs to guarantee the industry can attract long-term, quality investment to drive economic growth. Our representations to the Draft Determination seek to make the case to Ofwat that this needs to be addressed at Final Determination.

"We have continued to demonstrate robust financial performance, achieving a 9.1% increase in revenue to £929 million and a 10.6% increase in operating profit to £273 million.

"For 2024/25 we expect to be in an Outcome Delivery Incentive (ODI) penalty at year-end. We have strategic initiatives in place to enhance the company's overall performance and we anticipate beginning to see a difference within the next 12-18 months."

Financial results:

	6 months to 30 Sept 2024	6 months to 30 Sept 2023	Change	Change
	£million	£million	£million	%
Revenue	928.9	851.3	77.6	9.1
EBITDA[1]	481.9	440.1	41.8	9.5
Operating profit	272.9	246.7	26.2	10.6
Operating cash flow	363.4	376.8	(13.4)	(3.6)
Net debt before derivatives[2]	9,631.6	9,183.2	448.4	4.9

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each period presented in these financial statements.

[1] EBITDA (earnings before interest, taxes, depreciation, and amortisation) is an alternative performance measure as defined in note 18.

[2] Net debt before derivatives is an alternative performance measure as defined in note 18. Net debt before derivatives is shown as at 30 September 2024 and 31 March 2024 respectively.

Financial highlights:

Revenue

- Up £77.6 million (9.1%) primarily due to inflationary increases in prices, which are based on November 2023 CPIH of 4.2% and increases agreed as part of the regulatory settlement.

EBITDA

- Up £41.8 million (9.5%) with revenue growth being partially offset by higher prices due to inflation, as well as costs such as chemicals, salaries and rates increasing above inflation.

Operating profit

- Up £26.2 million (10.6%), due to strong EBITDA offset slightly by increased depreciation as we continue to invest heavily in our infrastructure.

Operating cash flow

- Down £13.4 million (3.6%), due to working capital timing, principally as there is a natural delay before higher revenues flow into customer bills and subsequent cash collection, combined with the timing of energy payments.

Net debt

- The £448.4 million (4.9%), increase in net borrowings, excluding the fair value of derivatives, from 31 March 2024, primarily reflects the accretion on index-linked debt and continuing investment in our capital programme.

Dividends

- No interim dividend is to be paid for this period.

Green finance

- A £600 million Green Bond raised in the period and allocated to a range of eligible categories including sustainable water and wastewater management among others.

Capital Expenditure

- Delivery against this investment programme remains strong with gross annual capital expenditure increasing from £449 million in the six months to 30 September 2023, to £529 million in the six months to September 2024. The increase in Regulatory Capital Value (RCV) of £268 million since March 2024, reflects this significant investment made across our region.

Reconciliation of operating profit to statutory profit before tax

	Half-year ended 30 September 2024 £million	Half-year ended 30 September 2023 £million
Operating profit	**272.9**	246.7
Interest excluding indexation	**(175.2)**	(159.5)
Indexation on debt	**(101.2)**	(250.6)
Finance income	**32.6**	36.2
Adjusted profit/(loss) before tax (as defined in note 18)	**29.1**	(127.2)
Share of profit/(loss) of joint ventures	**0.9**	(0.1)
Fair value gains on derivatives	**18.1**	216.7
Statutory profit before tax	**48.1**	89.4

Statutory profit has decreased by £41.3 million with the decrease in indexation on debt being more than offset by the decrease in fair value gains on derivatives. These decreases are both non-cash and are due to a reduction in inflation, reduced indexation on debt and forward-looking interest rates not increasing significantly as in half year 2023/24.

The above commentary provides a high-level summary of the movements in the table above. More comprehensive commentary can be found on pages 10-18.

Delivery and Operational highlights

Closing out AMP7 and financial resilience

- 2024/25 marks the end of AMP7 and in September we launched a company-wide push to close the AMP at a solid level of performance.
  - We will be focussing our efforts on the core areas of the business which will give us the clarity and discipline to meet our aspirations to return to top-tier performance by the end of AMP8.
- We remain fully funded to close out AMP7, this includes the final £1 billion of capital investment during 2024/25.
- Unwavering support from our shareholders means we invest over and above our operating profit and in support of our customers and the environment.

Preparing for AMP8

- Following discussions with Ofwat, we submitted our formal responses to Ofwat's Draft Determination on our 2025-30 business plan in August 2024. Ofwat will now take this into account as it develops its Final Determination, which is expected to be announced on 19 December.
- In our response we asked Ofwat to address sector wide issues such as the overall balance of risk and return and the absolute need to make sure the water industry is investable, alongside issues specific to Anglian Water including developing a regulatory model for reservoir development that better aligns with precedents set by other major infrastructure. Read our full response here.
- Pre-funding of AMP8 debt requirements also commenced this year, with approximately £600 million of debt raised by the end of September 2024.

Delivering for our customers

- Our focus on supporting customers and providing a top-tier service is demonstrated through our performance across our Customer Measure of Experience (CMeX) score for this year.
  - We've moved up one place to 6th in the industry, since March, meaning we remain on target (6th) for this point in the year
  - We also maintained our fifth place in the Water and Sewerage Companies table (WaSCs) for the quarter.
- Furthermore, we're proud to report 13.36% of our customers are now on our Priority Services Register (PSR). This is an increase of 0.56% from our position at the end of March 2024.
  - This means we continue to hold our industry-leading position (industry average 8%) and have achieved our end of AMP7 target early.
- More than 357,000 customers have received financial support this period, as we continue to support those customers who need help with their water bills.

Securing water supplies

- We have an ambitious goal to make sure every home and business in our region has a smart meter by 2035. This means in the next five years, we'll be upgrading an additional 1.1 million meters, which we'll connect to our network.

  - By the end of September 2024, we had installed 976,124 smart meters for customers since the start of this AMP. In October we hit the target of installing our one millionth smart meter across our region.
  - With the installation of our millionth smart meter, we're approaching nearly 50% of the region being on smart meters, making us the current industry leaders in this area.
- We continue to make positive strides in tackling leakage across our region. April to September 2024 saw us record 180.2 megalitres a day, compared to 177.6 megalitres a day in April to September 2023. If we experience a moderate winter we will remain on track to meet our internal target of 180.5 megalitres a day at year end.
  - Decades of investment have helped us achieve our long-standing track record on leakage from our own pipework and we remain industry leading, a position we have held since 2010.
- Work on two new reservoirs – one in Lincolnshire and another in the Fens – is expected to start in 2030 and the second phase of consultation closed in August 2024.
  - During this consultation phase, we gathered feedback from local communities and stakeholders on a range of issues, such as our emerging design for the reservoirs and early-stage proposals for wider areas of land in the vicinity of the reservoir needed for environmental mitigation and enhancement, construction, or wider uses.
  - We will collate and share the key themes and issues from the consultation later this year.
  - We are now starting conversations with landowners to discuss next steps and will continue to engage meaningfully with everyone who could be impacted by the projects.
- The construction of the new network of hundreds of kilometres of large-scale interconnecting pipelines and associated infrastructure continues. The Strategic Pipeline Alliance (SPA) now has a revised programme and schedule to deliver against.
  - It will now be completed during AMP8, rather than by end of 2025, as originally planned within the AMP7 performance commitments.
  - The new programme and schedule provide a realistic plan, which ensures we can deliver in line with our values in practice, while delivering against the commitment to secure water supplies for future generations and protect the environment by reducing groundwater abstractions.

Environmental performance

- We recognise performance is still to not where it needs to be, particularly in relation to water recycling assets.
  - Since the start of 2024 we have recorded seven serious pollutions.
  - Blockages and hydraulic overload continue to be our primary asset-related root causes of pollutions. We have seen a slight shift in the distribution of root causes with overload now the greatest in volume reflecting the increasing difficulty in immediate resolution and the importance of the work through the £100 million portfolio.
  - Our blockage run rate is down and best-in-AMP performance bolstered by our efforts in this space. This includes our Dynamic Sewer Visualisation (DSV) programme, base blockage clearance programmes and we are going harder on domestic misuse of wet wipes with a brand-new hyperlocal campaign in four hotspot areas that uses a combination of monitoring, enforcement and communication.

- Across our network at half year, we have seen strong performance across both internal and external sewer flooding, with a 25% year-on-year reduction for internal sewer flooding and 12% year-on-year reduction for external sewer flooding, further demonstrating our efforts are having an impact.
- This year we have established nine co-ordinated multi-agency groups in hotspot areas that are working to address complex flood risks. Supporting this work is the secondment of Rob Kelly at the Norfolk Strategic Flooding Alliance as the Water Management Director to underpin our flooding-reduction efforts in the area.

- Following the announcement made in June of an additional £100 million of support from our shareholders to tackle spills and pollutions, this capital is being utilised across a wide range of areas across the East of England:
    - £32 million on asset health interventions,
    - £22 million on blockage prevention,
    - £22 million on improving rising mains,
    - £17 million on improving system capacity,
    - £7 million on improving capability and insight.
- Central to our investment activities is significantly improving the volume of monitoring across our network. This is supporting our efforts to proactively identify and prevent pollutions before they occur and will see us install a range of monitors across the network.
- We updated our Pollution Incident Reduction Plan (PIRP) to provide an update on our pollutions performance, including outlining the actions we have taken since the launch of our 2023-25 PIRP.
- Between 2025-2030, our proposed business plan (subject to approval from Ofwat) includes proposals to invest over £600 million in flood prevention and the prevention of the environmental flooding impacts:
    - This includes reducing flood risk for properties, installation of further storm tanks to prevent sewage/contaminated water from entering our systems and maintaining flood protection measures such as storm overflows.
- Green infrastructure such as nature-based solutions and Sustainable Drainage Schemes (SuDS) continue to be our preferred method for increasing resilience.
    - Of all the nature-based solutions proposed in AMP8 across the whole industry, more than two-thirds of the green areas created will be in the East of England. This includes SuDS and treatment wetlands, covering around 54 hectares.

Supporting our People and Partners

- We are committed to ensuring that we become Safer Every Day. In service of that goal, our interventions are working towards driving individual and organisational accountability through a safety-focussed culture, supported by improved safety systems, procedures and learning.
    - Our Accident Frequency Rate (AFR) records the number of reportable accidents in every 100,000 hours worked and includes data from our own employees and our contractors. This has dropped from 0.10 at the end of March 2024 to 0.06 at the end of September 2024, against a target of 0.07. Since the start of AMP7 (2020) this has dropped from 0.13.

Board transition ahead of AMP8

- Michael Bradley was appointed as Chief Financial Officer on 28 November. He took over from Tony Donnelly, who held the role of Interim Chief Financial Officer.

Enquiries

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Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Principal risks and uncertainties

Our strategic priorities rely on effective risk management, which involves a thorough evaluation of the main risks we face. These risks relate to our infrastructure's criticality, the significance of our customers and personnel, climate change and environmental concerns, health and safety in our service delivery, cyber security and financial sustainability. We regularly report these risks to the Board.

In addition to these principal risks, we also proactively manage various lower-level business stream risks that contribute to the principal risks. We evaluate principal risks by taking into account a range of factors, including emerging risks and external threats.

The principal risks and uncertainties that the business faces over the remainder of this financial year are listed below:

1. Customer Proposition
2. Environment
3. Water Supply and Quality
4. Health and Safety
5. People
6. Technology
7. Finance
8. Reputation
9. Asset Infrastructure
10. Business Resilience
11. Commercial and Third-Party
12. Strategic Execution
13. Legislation

The risks we face are largely in line with those outlined in our annual integrated report and consolidated financial statements for the period ending 31 March 2024. For detailed descriptions of these risks, please refer to page 105 of our 2023/24 Annual Integrated Report.

In the past year we have continued to experience unprecedented levels of change and disruption, both in the UK and globally. Anglian Water has faced significant challenges, due to complex and interrelated issues, including global instability from ongoing conflicts. Energy costs, although decreasing, remain volatile and we continue to see impacts from the ongoing cost-of living crisis. Additionally, our region has been affected by extreme weather events, such as consistent, high levels of rainfall. Our risk profile has changed as a result. In response to our evolving risk profile, we have implemented additional controls and mitigating measures, to address and stabilise our risk position.

Businesses and households are facing increasing financial pressure. We are monitoring this risk –considering the cost-of-living crisis and the financial pressures that our customers will be facing – and we continue to proactively identify customers struggling to pay their bills, so we can provide both practical and financial support.

Climate change is a consideration of each of our principal and emerging risks, where applicable. The development of our PR24 planning process defined a number of climate scenarios, with alternative and adaptive pathways that can be adopted as the climate changes.

Financial performance (unaudited)

Results summary (unaudited)

The segmental analysis of the Group's financial results has been summarised below. The segment result comprises operating profit.

By class of business for the six months ended 30 September 2024

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	900.3	28.3	0.3		**928.9**
Inter-segment	-	5.9	-	(5.9)	**-**
	900.3	**34.2**	**0.3**	**(5.9)**	**928.9**
Segment result					
EBITDA[1]	490.2	3.4	(11.7)	-	**481.9**
Depreciation and amortisation	(207.1)	(1.9)	-	-	**(209.0)**
Share of joint ventures operating profit	-	2.6	-	-	**2.6**
	283.1	**4.1**	**(11.7)**	**-**	**275.5**
Cash flows					
Operating cash flow	375.3	1.6	(13.5)	-	**363.4**
Capital expenditure	(543.5)	(0.4)	(0.2)	-	**(544.1)**
Net debt excluding derivative financial instruments[1]	(7,440.8)	13.3	(2,204.1)	-	**(9,631.6)**

[1] As defined in note 18.

By class of business for the six months ended 30 September 2023

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	827.5	23.0	0.8	-	**851.3**
Inter-segment	-	3.8	-	(3.8)	**-**
	827.5	**26.8**	**0.8**	**(3.8)**	**851.3**
Segment result					
EBITDA[1]	447.7	3.1	(10.6)	(0.1)	**440.1**
Depreciation and amortisation	(191.8)	(1.4)	(0.2)	-	**(193.4)**
Share of joint ventures operating profit	-	1.1	-	-	**1.1**
	255.9	**2.8**	**(10.8)**	**(0.1)**	**247.8**
Cash flows					
Operating cash flow	389.9	(0.8)	(12.3)	-	**376.8**
Capital expenditure	(489.0)	(0.1)	-	-	**(489.1)**
Net debt excluding derivative financial instruments[1]	(6,692.5)	(3.5)	(2,129.3)	-	**(8,825.3)**

[1] As defined in note 18.

Each segment's performance is discussed in turn below:

Anglian Venture Holdings (AVH)

Revenue for the period increased from £26.8 million in the prior year to £34.2 million in the six months to 30 September 2024, with operating profits of £4.1 million compared to £2.8 million to September 2023. The Group's share of the Wave joint venture's operating profit was £2.6 million compared to a profit of £1.1 million in the prior year. The increase in operating profit excluding Wave reflects higher profits in Celtic Anglian Water due energy prices reducing. In the year, Wave improved its operating margins with an increased focus on reducing margin leakage.

The operating cash flow for the Anglian Venture Holdings businesses, which includes Property, of £1.6 million was £2.4 million higher than the prior period. This is primarily due to AVH solar incurring costs for the development of sites in the prior period not repeating and other favourable working capital movements.

Head Office and Other

The operating cash outflow for Head Office and Other was £13.5 million, compared to £12.3 million in the prior year. This is largely as a result of the timing of recharges to AWS and other minor working capital movements.

EBITDA and operating cash flow are broadly consistent with the prior period and in line with management expectations.

Anglian Water

Anglian Water Services
Income statement

Six months to 30 September

	% increase/ (decrease)	**2024 £m**	**2023 £m**
Revenue (excl. grants and contributions)	*10.4%*	**863.4**	**782.4**
Grants and contributions	*(18.2%)*	36.9	45.1
Other operating income		8.5	9.0
Operating costs	*7.7%*	(418.6)	(388.8)
EBITDA[1]	9.5%	**490.2**	**447.7**
Depreciation and amortisation	*8.0%*	(207.1)	(191.8)
Operating profit	*10.6%*	**283.1**	**255.9**
Interest (excluding indexation)		(96.4)	(91.4)
Indexation charge		(101.2)	(250.6)
Finance income		21.7	24.1
Adjusted profit/(loss) before tax[1]		**107.2**	**(62.0)**
Fair value gains on derivatives[2]		18.1	216.7
Profit before tax		**125.3**	**154.7**
Tax charge		(32.6)	(40.0)
Profit after tax		**92.7**	**114.7**

[1] As defined in note 18, financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements, and have been consistently applied within each period presented in these financial statements.

[2] In order to show pre-tax performance based on management's view of an underlying basis, the fair value gains and losses on financial derivatives have been shown separately in the table because these are volatile non-cash movements that distort the actual underlying economic performance.

Revenue

Revenue, excluding grants and contributions, for the six months was £863.4 million (2023: £782.4 million), an increase of £81.0 million (10.4%) on last year. The increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, £67.4 million increase.
- Household consumption up £12.9 million with warmer summer leading to increase in demand in the first half of the year. Non-household consumption down £1.0 million.
- Other increases in revenue of £1.7 million, with customer growth and increase in other appointed and non-appointed revenue.

The money we can raise from bills, along with how much we are allowed to invest in our service, is decided every five years through Ofwat's price-setting process and set out in our Final Determination (FD).

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. In the six months to 30 September 2024, there has been a downturn in the housing/developer market in which grants and contributions revenue is directly linked.

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; this was consistent with prior years.

Operating costs (including charge for bad and doubtful debts)

Operating costs including charges for bad and doubtful debt for the six months increased by £29.8 million (7.7%) to £418.6 million. The movement in operating costs of Anglian Water is principally due to inflation and costs such as tankering within Water Recycling Operational Logistics, chemicals and salaries that have increased over and above inflation. These movements are explained in the table below:

	£m
Prior period	388.8
Funded by Final Determination	
Inflation	10.8
Weather related	
Tankering	7.0
Power	1.3
External/Government charges	
Rates	2.9
Discharge permits	1.6
Other significant items	
Bad debt	2.2
Above inflation salary increases	5.2
Chemicals	2.9
Legal fee credit	(1.8)
Other	(2.3)
Total increase	29.8
September 2024	**418.6**

Inflation

The inflationary increases in our cost base formed part of the Final Determination and are therefore, whilst subject to a timing delay, funded through the inflationary increases in revenues.

Weather related

The wet weather during winter 2023/24 resulted in extremely high levels of water that continued into this financial year. Our spend on hired vehicles, mainly tankers, increased significantly as we continued to manage the flooding in the region.

Power

The increase in power is primarily a result of increased consumption at our water recycling sites due to the additional volumes of water flowing through these sites.

Rates and Discharge Permits

We saw increases in rates and discharge permits over and above inflation from the Local Authority and Environment Agency respectively.

Other significant items

Salaries have increased by £5.2 million, partly due to increased employee numbers and partly due to the agreed pay rise of 6.0% which was above CPIH of 2.9%. In addition, chemical costs also increased as a result of costs rising above inflation and additional consumption due to the wet weather.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 18 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 9.5% to £490.2 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 8.0% to £207.1 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

Operating profit

Operating profit has increased by 10.6% to £283.1 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs and profit before tax

Adjusted net finance costs (excluding fair value gains and losses on financial instruments) decreased from £317.9 million in the six month period to September 2023 to £175.9 million in the equivalent period in 2024. This was the result of the non-cash impact of lower inflation on index-linked debt which decreased from £250.6 million to £101.2 million and an increase of £7.4 million in net interest expense primarily due to higher rates and increased debt. The decrease in indexation was due to a decrease in year-on-year average Retail Price Index (RPI) from 10.1% to 3.2% and year-on-year average Consumer Price Index (CPI) from 7.6% to 2.1%. We have both RPI-linked debt and CPI-linked debt to hedge the RCV.

There was a fair value gain of £18.1 million on derivative financial instruments in the six months to September 2024, compared with a gain of £216.7 million in the six months to September 2023. The fair value gains in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factor for the gain in 2024 was a rise in Anglian Water CDS curve by 25 basis points which decreased the discounted present value of derivatives, forward inflation and interest rates moved negligibly during the six-month period to September 2024. The gain was smaller in comparison with the same six-month period last year due to forward interest rates not increasing as much (2023: 93 basis points).

Taxation

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Current tax:			
In respect of the current period	**(26.7)**	(17.3)	(47.3)
Adjustments in respect of prior periods	**-**	-	(0.4)
Total current tax credit	**(26.7)**	(17.3)	(47.7)
Deferred tax:			
Origination and reversal of temporary differences	**59.3**	57.3	82.8
Adjustments in respect of previous periods	**-**	-	(3.9)
Total deferred tax charge	**59.3**	57.3	78.9
Total tax charge on profit on continuing operations	**32.6**	40.0	31.2

Compared to the same period in the previous year, the total tax charge has decreased by £7.4 million to £32.6 million. This is primarily due to lower taxable profits.

We are one of the largest private investors in infrastructure in our region, having invested over £1 billion in the last two years. The Government actively encourages infrastructure investment and grants us capital allowances, which defer some of our corporation tax liabilities until a later period. Our customers directly benefit from the deferral as it helps to keep their bills lower.

In addition to the £32.6 million tax charge on the income statement, there is a charge of £9.3 million (2023: credit of £10.7 million) in the statement of other comprehensive income in relation to tax on actuarial gains on pension schemes and fair value gains on cash flow hedges.

Continuing to deliver our AMP7 capital investment programme

The increase in RCV, of £268 million since March 2024, reflects the significant investment we have made within our region.

2024/25 is the final year in the five-year AMP7 investment programme. Over the five years to 2025, we will invest a record £3 billion through our capital investment programme. This spend will help us achieve our Business Plan commitments and includes significant investments to ensure our region is resilient to the impacts of drought, climate change and population growth, alongside our largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong. Gross capital expenditure on an accruals basis across the appointed business has increased from £449 million in the first six months of 2023/24 to £529 million so far this year, as we continue to invest in our asset base to improve our performance for customers and the environment. As noted, the Board has agreed to an additional £350 million of capital investment in the current AMP to support delivery of our plan.

This has resulted in a £583.1 million increase in property, plant and equipment and intangible assets, net of depreciation.

Financial needs and resources

During the six-month period to September 2024, Anglian Water issued a 20-year £600 million bond. Repayments of £205.9 million were made in respect of maturing debt, which consisted of a £75 million 3.666% RPI index-linked 2024 and amortising payments on EIB index-linked debt.

At 30 September 2024, Anglian Water had borrowings net of cash of £7,440.8 million (£8,065.4 million including the fair valuation of derivatives), an increase of £463.9 million (an increase of £454.6 million including the fair value of derivatives) from 31 March 2024. The fair value of derivative financial liabilities was £624.6 million, excluding derivative financial liabilities of £8.8 million in respect of energy derivatives.

Net borrowings of £7,440.8 million comprised fixed, index-linked and variable-rate debt of £8,385.9 million, leases of £31.7 million and cash and deposits of £976.8 million. The increase in net borrowings, excluding the fair value of derivatives, primarily reflects the higher accretion on index-linked debt and continuing investment in our capital programme.

The business generated cash from operations of £375.3 million in the period (2023: £389.9 million). This decrease is primarily due to movements in working capital, principally as there is a natural delay before higher revenues flow into customer bills and subsequent cash collection combined with the timing of energy payments.

Liquidity

The company's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At 30 September 2024, Anglian Water held cash, deposits and current asset investments of £976.8 million (March 2024: £1,004.4 million).

As at September 2024 Anglian Water has access to £1,000.0 million of undrawn facilities (March 2024: £1,025.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £432.5 million of liquidity facilities (March 2024: £425.0 million), consisting of £294.0 million to finance debt service costs and £138.5 million to finance operating expenditure and maintenance capital expenditure in the event that the company 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 company, Anglian Water Services Financing (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 company upon utilisation of the facility.

Interest rates

The company'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 30 September 2024, taking into account interest rate swaps, 55.9 per cent (March 2024: 60.5 per cent) of the company's borrowings were at rates indexed to inflation, 30.3 per cent (March 2024: 28.4 per cent) were at fixed rates and 13.8 per cent (March 2024: 11.1 per cent) were at floating rates. At 30 September 2024, the proportion of inflation debt to regulated capital value was 45 per cent (March 2024: 47 per cent).

Pension funding

At 30 September 2024, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £50.0 million, compared to £30.7 million at 31 March 2024. This increase in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis compared to a smaller decrease in our assets which are hedging gilt-based liabilities.

Responsibility statement

The directors are responsible for preparing the interim financial statements in accordance with applicable law, regulations and accounting standards, and ensuring that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the group for that period.

The directors confirm that the condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the United Kingdom, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in related party transactions described in the last annual report.

By order of the Board:

Mark Thurston	**Michael Bradley**
Chief Executive	Chief Financial Officer

Anglian Water Group Limited

Group condensed income statement

for the six months ended 30 September 2024

Notes		**Half-year ended 30 September 2024 Unaudited £m**	Half-year ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
5	**Revenue**	**928.9**	851.3	1,676.1
	Other operating income	**8.5**	9.0	15.8
	Operating costs			
	Operating costs before depreciation, amortisation and loss allowance for expected credit losses	**(437.3)**	(404.7)	(848.1)
	Depreciation and amortisation	**(209.0)**	(193.4)	(391.8)
	Loss allowance for expected credit losses	**(18.2)**	(15.5)	(38.7)
	Total operating costs	**(664.5)**	(613.6)	(1,278.6)
	Operating profit	**272.9**	246.7	413.3
6	Finance costs	**(276.4)**	(410.1)	(693.3)
6	Finance income , including fair value gains on derivative financial instruments	**50.7**	252.9	273.5
	Net finance costs	**(225.7)**	(157.2)	(419.8)
	Share of profit/(loss) of joint ventures	**0.9**	(0.1)	2.4
	Profit before tax from continuing operations			
	Profit/(loss) before fair value gains[1]	**30.0**	(127.3)	(209.0)
6	Fair value gains on derivative financial instruments[1]	**18.1**	216.7	204.9
	Profit before tax from continuing operations	**48.1**	89.4	(4.1)
7	Tax charge	**(19.2)**	(27.2)	(7.1)
	Profit/(loss) for the period	**28.9**	62.2	(11.2)

[1]As defined in note 18

Notes 1 to 20 are an integral part of these condensed financial statements.

Group condensed statement of comprehensive income

for the six months ended 30 September 2024

Notes		**Half-year ended 30 September 2024 Unaudited £m**	Half-year ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
	Profit/(loss) for the period	**28.9**	62.2	(11.2)
	Other comprehensive income/(expense)			
	Items that will not be reclassified to income statement			
13	Actuarial gains/(losses) on retirement benefit	**15.3**	(35.2)	(28.5)
7	Income tax (charge)/credit on items that will not be reclassified	**(3.8)**	8.8	7.1
		11.5	(26.4)	(21.4)
	Items that may be reclassified subsequently to income statement			
14	Gains/(losses) on cash flow hedges recognised in equity	**14.4**	(9.5)	(36.5)
14	Losses on cost of hedging recognised in equity	**(5.4)**	(2.2)	(2.7)
14	Gains on cash flow hedges transferred to income statement	**13.3**	1.6	32.3
	Currency translation differences	**(0.6)**	0.4	(0.4)
7	Income tax (charge)/credit on items that may be reclassified	**(5.5)**	2.5	1.9
		16.2	(7.2)	(5.4)
	Other comprehensive income/(expense) for the period, net of tax	**27.7**	(33.6)	(26.8)
	Total comprehensive income/(expense) for the period	**56.6**	28.6	(38.0)

Anglian Water Group Limited

Group condensed balance sheet

as at 30 September 2024

Notes		**At 30 September 2024 Unaudited £m**	At 30 September 2023 Unaudited £m	At 31 March 2024 Audited £m
	Non-current assets			
	Goodwill	**445.8**	445.8	445.8
8	Other intangible assets	**283.3**	257.2	259.4
9	Property, plant and equipment	**11,767.4**	11,033.1	11,416.9
	Investment properties	**2.5**	3.5	3.4
10	Investments in joint ventures	**15.5**	12.1	14.6
12	Derivative financial instruments	**141.3**	286.1	233.1
13	Retirement benefit surplus	**81.7**	54.0	63.9
		12,737.5	12,091.8	12,437.1
	Current assets			
	Inventories	**30.0**	25.9	28.2
	Trade and other receivables	**835.3**	757.6	657.4
	Current tax receivables	**0.1**	-	-
	Investments - cash deposits	**537.1**	578.5	552.1
	Cash and cash equivalents	**622.1**	549.5	605.4
12	Derivative financial instruments	**0.2**	33.3	0.9
		2,024.8	1,944.8	1,844.0
	Total assets	**14,762.3**	14,036.6	14,281.0
	Current liabilities			
	Trade and other payables	**(801.9)**	(782.9)	(738.1)
	Current tax liabilities	**-**	(0.1)	(0.1)
11	Borrowings	**(578.5)**	(645.4)	(555.6)
12	Derivative financial instruments	**(14.3)**	(107.3)	(92.8)
	Provisions	**(5.2)**	(5.5)	(5.2)
		(1,399.9)	(1,541.2)	(1,391.8)
	Net current assets	**624.9**	403.6	452.1
	Non-current liabilities			
11	Borrowings	**(10,212.3)**	(9,307.9)	(9,785.1)
12	Derivative financial instruments	**(760.6)**	(796.3)	(796.5)
	Deferred tax liabilities	**(1,430.8)**	(1,420.1)	(1,402.5)
13	Retirement benefit deficit	**(29.2)**	(30.4)	(30.9)
	Provisions	**(4.0)**	(5.3)	(5.3)
		(12,436.9)	(11,559.9)	(12,020.3)
	Total liabilities	**(13,836.8)**	(13,101.1)	(13,412.1)
	Net assets	**925.5**	935.5	868.9

Continued on the next page.

Group condensed balance sheet (continued)

as at 30 September 2024

Notes		At 30 September 2024 Unaudited £m	At 30 September 2023 Unaudited £m	At 31 March 2024 Audited £m
	Capital and reserves			
	Share premium	**1,096.2**	1,096.2	1,096.2
	Retained earnings	**(203.0)**	(175.0)	(243.4)
14	Hedging reserve	**35.7**	11.9	14.9
14	Cost of hedging reserve	**(4.4)**	-	(0.4)
	Translation reserve	**1.0**	2.4	1.6
	Total equity	**925.5**	935.5	868.9

Notes 1 to 20 are an integral part of these condensed financial statements.

The condensed financial statements were approved by the Board of Directors on 4 December 2024 and signed on its behalf by:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Group condensed statement of changes in equity

for the six months ended 30 September 2024

	Share premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Translation reserve £m	**Total equity £m**
Six months ended 30 September 2024						
At 1 April 2024	1,096.2	(243.4)	14.9	(0.4)	1.6	868.9
Profit for the period	-	28.9	-	-	-	**28.9**
Other comprehensive income/(expense) for the period	-	11.5	20.8	(4.0)	(0.6)	**27.7**
Total comprehensive income/(expense) for the period	-	40.4	20.8	(4.0)	(0.6)	**56.6**
At 30 September 2024	**1,096.2**	**(203.0)**	**35.7**	**(4.4)**	**1.0**	**925.5**
Six months ended 30 September 2023						
At 1 April 2023	1,096.2	(210.8)	17.8	1.7	2.0	906.9
Profit for the period	-	62.2	-	-	-	62.2
Other comprehensive (expense)/income for the period	-	(26.4)	(5.9)	(1.7)	0.4	(33.6)
Total comprehensive income/(expense) for the period	-	35.8	(5.9)	(1.7)	0.4	28.6
At 30 September 2023	1,096.2	(175.0)	11.9	-	2.4	935.5
Year ended 31 March 2024						
At 1 April 2023	1,096.2	(210.8)	17.8	1.7	2.0	906.9
Loss for the year	-	(11.2)	-	-	-	(11.2)
Other comprehensive (expense)/income for the year	-	(21.4)	(2.9)	(2.1)	(0.4)	(26.8)
Total comprehensive expense	-	(32.6)	(2.9)	(2.1)	(0.4)	(38.0)
At 31 March 2024	1,096.2	(243.4)	14.9	(0.4)	1.6	868.9

Group condensed cash flow statement

for the six months ended 30 September 2024

Notes		**Half-year ended 30 September 2024 Unaudited £m**	Half-year ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
	Operating activities			
	Operating profit	**272.9**	246.7	413.3
	Adjustments for:			
	Depreciation and amortisation	**209.0**	193.4	391.8
	Assets adopted for £nil consideration	**(12.3)**	(20.8)	(48.2)
	Profit on disposal of property, plant and equipment	**(0.1)**	(1.0)	(1.5)
	Difference between pension charge and cash contributions	**(3.4)**	(1.6)	(3.6)
	Net movement in provisions	**(1.3)**	(0.6)	(1.8)
	Working capital:			
	(Increase)/ decrease in inventories	**(1.8)**	1.9	(0.4)
	Increase in trade and other receivables	**(178.3)**	(141.0)	(65.5)
	Increase in trade and other payables	**78.7**	99.8	59.6
	Cash generated from operations	**363.4**	376.8	743.7
	Income taxes paid	**(0.3)**	(0.3)	(0.6)
	Net cash flows from operating activities	**363.1**	376.5	743.1
	Investing activities			
	Repayment of loans by joint ventures	**6.3**	-	1.3
	Increase in loans to related parties	**-**	(2.4)	-
	Purchase of property, plant and equipment	**(496.5)**	(464.2)	(943.3)
	Purchase of intangible assets	**(48.0)**	(26.2)	(51.5)
	Proceeds from disposal of property, plant and equipment	**0.4**	1.3	1.9
	Interest received	**27.8**	29.0	54.9
	Decrease/ (increase) in short-term bank deposits	**15.0**	(261.8)	(235.4)
	Net cash used in investing activities	**(495.0)**	(724.3)	(1,172.1)
	Financing activities			
	Interest paid	**(207.6)**	(196.8)	(340.6)
	Debt issue costs paid	**(6.5)**	(11.2)	(16.8)
	Interest paid on leases	**(0.5)**	(0.5)	(1.1)
	Proceeds from amounts borrowed	**660.0**	1,323.0	1,421.0
	Repayment of amounts borrowed	**(275.9)**	(731.6)	(527.6)
	Repayment of principal on derivatives	**(85.0)**	-	(11.5)
	Receipt of principal on derivatives	**67.1**	-	-
	Repayment of principal on leases	**(3.0)**	(3.6)	(7.0)
	Net cash from financing activities	**148.6**	379.3	516.4
	Net increase in cash and cash equivalents	**16.7**	31.5	87.4
	Cash and cash equivalents at the beginning of the period	**605.4**	518.0	518.0
11	**Cash and cash equivalents at the end of the period**	**622.1**	549.5	605.4

1. Basis of preparation and accounting policies

The condensed financial statements for the six months ended 30 September 2024, which are unaudited, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom.

The condensed financial statements for the six months ended 30 September 2024, including comparative information, do not constitute statutory accounts of the Group. Statutory accounts for the year ended 31 March 2024, prepared (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019, and also prepared in accordance with International Financial Reporting Standards as issued by the IASB and with the requirements of the Companies (Jersey) law 1991, were approved by the Board on 10 July 2024 and the Auditor's report on those accounts was unqualified.

The condensed financial statements for the six months ended 30 September 2024 should be read in conjunction with the annual integrated report and consolidated financial statements for the year ended 31 March 2024 which can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

The accounting policies adopted in these condensed financial statements are consistent with those applied and set out in the annual integrated report and consolidated financial statements for the year ended 31 March 2024, except for the estimation of income tax for interim reporting.

The tax charge is based on the estimated effective tax rate before exceptional items, fair value adjustments and adjustments in respect of prior periods, for the full year to 31 March 2025.

New standards, amendments and interpretations effective or adopted for the first time this period

The accounting policies adopted in the preparation of the interim condensed consolidation financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 March 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1. Basis of preparation and accounting policies (continued)

a) Going concern

The Directors have undertaken a detailed review to assess the liquidity requirements of the Group compared against the cash and borrowing facilities available to the Group, as detailed below.

Given the relative size and importance of Anglian Water Services Limited (AWS) to the Group, the assessment initially focused on the going concern of AWS and is then updated to include wider Group considerations, including the Anglian Venture Holdings businesses and its ability to support the Wave joint venture if required.

The Directors have considered the potential impacts of the current market volatility and uncertainties within the sector in relation to the PR24 Draft Determination from Ofwat, and on-going investigations.

The base forecast, which has been updated for the latest internal and external information has been subjected to a range of severe but plausible downside scenarios as noted below. These forecasts include the additional £350 million Totex over and above what was allowed by Ofwat, as set out in the March 2024 Annual Integrated Report.

Anglian Water Services Limited has a single debt platform (sometimes known as a “common terms” or “CTA” debt platform) that has been structured so as to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and Anglian Water’s Licence (an “Aligned Debt Programme”). Aligned Debt Programmes operate on a single covenant package and shared security and intercreditor arrangement that binds all debt providers.

In addition, Osprey Acquisitions Limited also has a common terms debt platform similar to that at Anglian Water Services Limited and operates a single set of covenants that applies to all debt raised at this level of the Group.

The CTA introduces two terms, a Trigger Event and an Event of Default. The intention of a Trigger Event is that it is an early warning event designed to reinforce credit worthiness and to protect the Company and its finance creditors from an Event of Default occurring and consequently it is not considered to be a going concern event. It does not enable creditors to destabilise the Company through enforcing their security.

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of lower inflation and higher interest rates, as well as specific risks to the business, such as cyber-attacks or increased costs/reduced revenue due to adverse weather events.

In assessing Going Concern the Directors have considered a number of perspectives, including liquidity, profitability and debt covenants and tested these against both the base scenario and the three downside scenarios.

- Liquidity – the Group holds sufficient liquidity to cover the going concern period even under the most severe downside scenario.

1. Basis of preparation and accounting policies (continued)

a) Going concern (continued)

- Debt covenants – The business has significant headroom against Default Events (where EBITDA to net interest cover ratio is less than 2.0x or where net debt to RCV ratio is less than 95 per cent)under its securitised covenants with no plausible scenario identified that would cause an Event of Default. Whilst undesirable, a Trigger Event would not impact on the going concern assumption for the reasons noted below.

While certain worst-case scenarios indicate the potential for a Trigger Event, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments.

In July the business received its PR24 Draft Determination from Ofwat. Whilst this substantially falls outside of the going concern period it is worth noting that the Draft Determination is financeable and financially resilient to downside stress tests performed.

In addition to the impact of current volatility in debt markets on interest rates the Directors have considered the ability of the Company to raise debt and note that there is no requirement to do so in the Going Concern period.

Based on the above, the Directors believe that the business has sufficient liquidity to meet its liabilities as they fall due.

For these reasons, the Directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

2. Key sources of estimation uncertainty and critical accounting judgement

In preparing these condensed financial statements, the significant judgements made in applying the Group's accounting policies, and the key areas involving estimation, were the same as those disclosed in the consolidated financial statements for the year ended 31 March 2024.

3. Seasonality of operations

Whilst demand for water is usually higher during the drier spring and summer months, fluctuations in seasonal weather patterns can impact both revenue and costs. Historically, around half of the Group's operating profit arises in the first half of the year.

4. Segmental information

At 30 September 2024 the Group was organised into the following main businesses:

- Anglian Water – regulated water and water recycling services provider to customers in the east of England and Hartlepool.

- Anglian Venture Holdings – comprising:
    - Alpheus Environmental which operates industrial and commercial wastewater treatment works in the UK,
    - Celtic Anglian Water which operates water and wastewater treatment works in the Republic of Ireland,
    - Tide Services which operates property conveyancing, residential insurances and the provision of web hosted information services for utilities on behalf of other Group companies,
    - Wave which is a 50:50 joint venture with Northumbrian Water Group Limited to provide water services to non-household customers in the UK, and
    - OHL Property Holdings which oversees the construction of a new water recycling centre.
- Head Office and Other – comprises head office and other group functions, including Property.

There has been no change in the basis of segmentation or in the measurement of segmental profit or loss in the period.

No operating segments have been aggregated to form the above reportable operating segments.

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'. Segmental performance is evaluated based on both profit and loss and cash flows (see table below). Segmental assets and liabilities do not form part of the Board's performance assessment and, as such, are not included in the segmental information.

Inter-segment revenues and profits are fully eliminated on consolidation and are shown separately in the following tables. The segment result comprises operating profit plus share of joint ventures operating profit/(loss).

4. Segmental information (continued)

By class of business for the six months ended 30 September 2024

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	900.3	28.3	0.3		**928.9**
Inter-segment	-	5.9	-	(5.9)	**-**
	900.3	**34.2**	**0.3**	**(5.9)**	**928.9**
Segment result					
EBITDA[1]	490.2	3.4	(11.7)	-	**481.9**
Depreciation and amortisation	(207.1)	(1.9)	-	-	**(209.0)**
Share of joint ventures operating profit	-	2.6	-	-	**2.6**
	283.1	**4.1**	**(11.7)**	**-**	**275.5**
Cash flows					
Operating cash flow	375.3	1.6	(13.5)	-	**363.4**
Capital expenditure	(543.5)	(0.4)	(0.2)	-	**(544.1)**
Net debt excluding derivative financial instruments[1]	(7,440.8)	13.3	(2,204.1)	-	**(9,631.6)**

[1]As defined in note 18

By class of business for the six months ended 30 September 2023

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	827.5	23.0	0.8	-	**851.3**
Inter-segment	-	3.8	-	(3.8)	**-**
	827.5	**26.8**	**0.8**	**(3.8)**	**851.3**
Segment result					
EBITDA[1]	447.7	3.1	(10.6)	(0.1)	**440.1**
Depreciation and amortisation	(191.8)	(1.4)	(0.2)	-	**(193.4)**
Share of joint ventures operating profit	-	1.1	-	-	**1.1**
	255.9	**2.8**	**(10.8)**	**(0.1)**	**247.8**
Cash flows					
Operating cash flow	389.9	(0.8)	(12.3)	-	**376.8**
Capital expenditure	(489.0)	(0.1)	-	-	**(489.1)**
Net debt excluding derivative financial instruments[1]	(6,692.5)	(3.5)	(2,129.3)	-	**(8,825.3)**

[1]As defined in note 18

4. Segmental information (continued)

By class of business for the year ended 31 March 2024

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	1,626.6	49.2	0.3	-	**1,676.1**
Inter-segment	-	10.8	-	(10.8)	**-**
	1,626.6	**60.0**	**0.3**	**(10.8)**	**1,676.1**
Segment result					
EBITDA[1]	819.5	7.7	(22.1)	-	**805.1**
Depreciation and amortisation	(388.6)	(3.4)	0.2	-	**(391.8)**
Share of joint ventures operating profit	-	6.1	-	-	**6.1**
	430.9	**10.4**	**(21.9)**	**-**	**419.4**
Cash flows					
Operating cash flow	767.1	4.3	(27.7)	-	**743.7**
Capital expenditure	(992.3)	(0.5)	(0.1)	-	**(992.9)**
Net debt excluding derivative financial instruments[1]	(6,976.9)	3.1	(2,209.4)	-	**(9,183.2)**

[1] As defined in note 18

4. Segmental information (continued)

Reconciliation of segmental information

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Segment result	**275.5**	247.8	419.4
Finance costs	**(276.4)**	(410.1)	(693.3)
Finance income, including fair value gains on derivative financial instruments	**50.7**	252.9	273.5
Share of joint ventures interest payable	**(1.1)**	(1.0)	(2.6)
Share of joint ventures tax	**(0.6)**	(0.2)	(1.1)
Profit before tax from continuing operations	**48.1**	89.4	(4.1)
Total operating cash flow by segment	**363.4**	376.8	743.7
Income taxes paid	**(0.3)**	(0.3)	(0.6)
Net cash flows from operating activities	**363.1**	376.5	743.1
Purchase of property, plant and equipment	**(496.5)**	(464.2)	(943.3)
Purchase of intangible assets	**(48.0)**	(26.2)	(51.5)
Proceeds from disposal of property, plant and equipment	**0.4**	1.3	1.9
Capital expenditure spend by segment	**(544.1)**	(489.1)	(992.9)
Cash and cash equivalents	**622.1**	549.5	605.4
Cash deposits	**537.1**	578.5	552.1
Borrowings due within one year	**(578.5)**	(645.4)	(555.6)
Borrowings due after more than one year	**(10,212.3)**	(9,307.9)	(9,785.1)
Net debt by segment	**(9,631.6)**	(8,825.3)	(9,183.2)
Derivative financial instruments[1]	**(624.6)**	(556.3)	(633.9)
Net debt	**(10,256.2)**	(9,381.6)	(9,817.1)

(1) Derivative financial instruments exclude the liability of £8.8 million (30 September 2023: liability of £27.9 million; 31 March 2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

5. Revenue

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Anglian Water			
Household - measured	**555.0**	495.3	961.0
Household - unmeasured	**126.6**	121.4	239.8
Non-household - measured	**157.7**	144.4	290.8
Grants and contributions	**36.9**	45.1	97.8
Other	**24.1**	21.3	37.2
	900.3	827.5	1,626.6
Anglian Venture Holdings	**34.2**	26.8	60.0
Inter-segment eliminations	**(5.9)**	(3.8)	(10.8)
	928.6	850.5	1,675.8
Property revenue	**0.3**	0.8	0.3
	928.9	851.3	1,676.1

Included in grants and contributions are adopted assets of £12.3 million (30 September 2023: £20.4 million, 31 March 2024: £48.2 million) which are non-cash.

Other includes £15.3 million (30 September 2023: £14.2 million, 31 March 2024: £25.6 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income (note 6).

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the period, see our accounting policy in note 1 for further details.

Revenue recognised which exceeds the amounts billed is recorded as contract asset while payments received prior to delivering the service is recorded as contract liability. Refer below for the movement in contract assets and liabilities:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Contract liability			
At 1 April	**(330.3)**	(345.5)	(345.5)
Revenue recognised	**681.6**	616.7	1,200.8
Cash received in advance	**(659.8)**	(601.0)	(1,185.6)
Closing balance	**(308.5)**	(329.8)	(330.3)
Contract asset			
At 1 April	**406.5**	331.5	331.5
Revenue recognised	**712.7**	650.4	1,251.8
Amounts billed	**(668.9)**	(615.8)	(1,176.8)
Closing balance	**450.3**	366.1	406.5

6. Net finance costs

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Finance costs			
Interest expense on bank loans and overdrafts	**(24.0)**	(21.0)	(45.0)
Interest expense on other loans including financing expenses	**(192.9)**	(169.3)	(350.4)
Indexation [3]	**(101.2)**	(250.6)	(359.9)
Amortisation of debt issue costs	**(4.4)**	(4.6)	(8.0)
Interest on leases	**(0.4)**	(0.5)	(1.1)
Total finance costs	**(322.9)**	(446.0)	(764.4)
Less: amounts capitalised on qualifying assets	**46.5**	35.9	71.1
	(276.4)	(410.1)	(693.3)
Finance income			
Interest income on short-term bank deposits	**25.9**	27.8	52.7
Other interest income	**1.0**	1.1	2.2
Amortisation of fair value adjustments	**4.9**	6.0	11.1
Defined benefit pension scheme interest income	**0.8**	1.3	2.6
	32.6	36.2	68.6
Fair value gains/(losses) on derivative financial instruments			
Hedge ineffectiveness on fair value hedges [1]	**0.7**	1.4	1.9
Derivative financial instruments not designated as hedges	**19.0**	218.2	207.8
Recycling of de-designated cash flow hedge relationship [2]	**(1.6)**	(2.9)	(4.8)
	18.1	216.7	204.9
Finance income, including fair value gains on derivative financial instruments	**(50.7)**	252.9	273.5
Net finance costs	**(225.7)**	(157.2)	(419.8)

(1) Hedge ineffectiveness on fair value hedges comprises fair value gains on hedging instruments of £7.7 million (30 September 2023: £15.1 million, 31 March 2024: £24.4 million), offset by fair value losses of £7.0 million on hedged risks (30 September 2023: £13.7 million, 31 March 2024: £22.5 million).

(2) Please refer to note 14 for breakdown of hedging reserve.

(3) Indexation comprise of £ 64.2 million in borrowings (30 September 2023: £161.1 million, 31 March 2024: £229.9 million) and £37.0 million in derivatives(30 September 2023: £89.5 million, 31 March 2024: £130 million)

7. Taxation

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Current tax:			
In respect of the current period	**0.1**	0.3	0.6
Total current tax charge	**0.1**	0.3	0.6
Deferred tax:			
Origination and reversal of temporary differences	**19.1**	26.9	10.3
Adjustments in respect of previous periods	**-**	-	(3.8)
Total deferred tax charge	**19.1**	26.9	6.5
Total tax charge on profit on continuing operations	**19.2**	27.2	7.1

The tax charge for the six months ended 30 September 2024 is based on the estimated effective tax rate before exceptional items, fair value adjustments and adjustments in respect of prior periods, for the full year to 31 March 2025, of 51.1%.

The amounts included for tax liabilities in the financial statements include estimates and judgments. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

The tax charge on the Group’s profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (30 September 2023 and 31 March 2024: 25%) to the profit before tax from continuing operations as follows:

7. Taxation (continued)

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Profit before tax from continuing operations	**48.1**	89.4	(4.1)
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (30 September 2023 and 31 March 2024: 25%)	**12.0**	22.4	(1.0)
Effects of recurring items:			
Items not deductible for tax purposes			
Depreciation and losses on assets not eligible for tax relief	**0.8**	0.9	0.7
Disallowable expenditure	**0.4**	0.5	1.9
Interest restriction	**6.2**	3.5	10.3
Items not taxable	**-**	-	0.2
Difference in overseas tax rates	**(0.2)**	(0.3)	(0.6)
Joint ventures results reported net of tax	**(0.1)**	-	(0.6)
	19.1	27.0	10.9
Effects of non-recurring items:			
Other permanent differences	**0.1**	0.2	-
Adjustments in respect of prior periods	**-**	-	(3.8)
Tax charge for the period	**19.2**	27.2	7.1

In addition to the tax charged to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Deferred tax:			
Defined benefit pension schemes	**3.8**	(8.8)	(7.1)
Cash flow hedges	**5.5**	(2.5)	(1.9)
Total deferred tax charge/(credit) recognised in other comprehensive income	**9.3**	(11.3)	(9.0)

8. Other intangible assets

Other intangible assets comprise computer software, a right to operate asset arising on the acquisition of Celtic Anglian Water in 2016 and internally generated intangible assets which mainly comprise capitalised development expenditure.

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Cost			
At 1 April	**650.8**	707.7	707.7
Additions	**52.4**	30.9	58.3
Disposals	**-**	-	(115.2)
Exchange adjustments	**-**	(0.3)	-
Closing balance	**703.2**	738.3	650.8
Accumulated amortisation			
At 1 April	**(391.4)**	(448.4)	(448.4)
Charge for the period	**(28.3)**	(32.9)	(58.2)
Disposals	**-**	-	115.2
Exchange adjustments	**-**	0.2	-
Closing balance	**(419.7)**	(481.1)	(391.4)
Net book amount			
Closing balance	**283.3**	257.2	259.4

9. Property, plant and equipment

Property, plant and equipment comprises land and buildings, infrastructure assets, operational assets, vehicles, plant and equipment, and assets under construction.

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Cost			
At 1 April	**17,234.3**	16,259.4	16,259.4
Additions	**541.9**	487.6	1,044.5
Disposals	**(15.2)**	(14.0)	(69.6)
Closing balance	**17,761.0**	16,733.0	17,234.3
Accumulated depreciation			
At 1 April	**(5,817.4)**	(5,553.2)	(5,553.2)
Charge for the period	**(180.7)**	(160.4)	(333.4)
Disposals	**4.5**	13.7	69.2
Closing balance	**(5,993.6)**	(5,699.9)	(5,817.4)
Net book amount			
Closing balance	**11,767.4**	11,033.1	11,416.9

10. Investments in joint ventures

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
At 1 April	**14.6**	12.2	12.2
Profit/(Loss) for the period	**0.9**	(0.1)	2.4
Closing balance	**15.5**	12.1	14.6

The profit for the period of joint ventures comprises the Group's share of the results of the Wave joint venture as follows: operating profit of £2.6 million (30 September 2023: profit of £1.1 million, 31 March 2024: profit of £6.1 million), an interest expense of £1.1 million (30 September 2023: expense of £1.0 million, 31 March 2024: expense £2.6 million) and a tax charge of £0.6 million (30 September 2023: charge of £0.2, 31 March 2024: charge £1.1 million). Other joint ventures are immaterial to the Group.

11. Analysis of net debt

Net debt at 30 September 2024

	Current assets		Liabilities from financing activities			
	Net cash and cash equivalents £m	investments - cash deposits £m	Borrowings £m	Derivative financial instruments [(1)] £m	Total liabilities from financing activities £m	**Net debt total £m**
At 1 April 2024	605.4	552.1	(10,340.7)	(633.9)	(10,974.6)	**(9,817.1)**
Cash flows:						
Interest paid	(207.6)	-	-	-	-	**(207.6)**
Issue costs paid	(6.5)	-	5.7	-	5.7	**(0.8)**
Interest on leases	(0.5)	-	-	-	-	**(0.5)**
Increase in amounts borrowed	660.0	-	(660.0)	-	(660.0)	**-**
Repayment of amounts borrowed	(275.9)	-	275.9	-	275.9	**-**
Principal settlement on derivatives	(85.0)	-	-	85.0	85.0	**-**
Receipt of principal on derivatives	67.1	-	-	(67.1)	(67.1)	**-**
Repayment of principal on leases	(3.0)	-	3.0	-	3.0	**-**
Non-financing cash flows [(2)]	(131.9)	(15.0)	-	-	-	**(146.9)**
	16.7	(15.0)	(375.4)	17.9	(357.5)	**(355.8)**
Non-cash movements:						
Movement in interest accrual on debt	-	-	(18.7)	-	(18.7)	**(18.7)**
New lease agreements	-	-	(0.4)	-	(0.4)	**(0.4)**
Amortisation of issue costs	-	-	(4.4)	-	(4.4)	**(4.4)**
Amortisation of fair value adjustments	-	-	4.9	-	4.9	**4.9**
Indexation of borrowings and inflation	-	-	(64.2)	(37.0)	(101.2)	**(101.2)**
Foreign exchange gains/(losses)	-	-	22.5	(22.5)	-	**-**
Fair value gains/(losses)			(14.4)	50.9	36.5	**36.5**
	-	-	(74.7)	(8.6)	(83.3)	**(83.3)**
At 30 September 2024	**622.1**	**537.1**	**(10,790.8)**	**(624.6)**	**(11,415.4)**	**(10,256.2)**
Net debt at 30 September 2024 comprises:						
Non-current assets	-	-	-	141.3	141.3	**141.3**
Current assets	622.1	537.1	-	0.2	0.2	**1,159.4**
Current liabilities	-	-	(578.5)	(8.2)	(599.7)	**(599.7)**
Non-current liabilities	-	-	(10,212.3)	(757.9)	(10,957.2)	**(10,957.2)**
	622.1	**537.1**	**(10,790.8)**	**(624.6)**	**(11,415.4)**	**(10,256.2)**

11. Analysis of net debt (continued)

(1) Derivative financial instruments exclude the liability of £8.8 million (30 September 2023: liability of £27.9 million; 31 March 2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

(2) Non-financing cash flows comprise: net cash flows from operating activities of £363.1 million (30 September 2023: £376.5 million; 31 March 2024: £743.1 million), less net cash used in investing activities of £495.0 million (30 September 2023: £724.3 million; 31 March 2024: £1,172.1 million).

Energy hedges, excluded from net debt, are included within derivative financial instruments as follows:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Non-current assets	**-**	6.3	1.5
Current assets	**-**	3.8	0.9
Current liabilities	**(6.1)**	(31.1)	(13.2)
Non-current liabilities	**(2.7)**	(6.9)	(10.6)
	(8.8)	(27.9)	(21.4)

11. **Analysis of net debt** (continued)

Net debt at 30 September 2023

	Current assets		Liabilities from financing activities			
	Net cash and cash equivalents	investments - cash deposits	Borrowings	Derivative financial instruments [1]	Total liabilities from financing activities	Net debt total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	518.0	316.7	(9,223.8)	(697.7)	(9,921.5)	(9,086.8)
Cash flows:						
Interest paid	(196.8)	-	17.3	14.6	31.9	(164.9)
Issue costs paid	(11.2)	-	10.8	-	10.8	(0.4)
Interest on leases	(0.5)	-	-	-	-	(0.5)
Increase in amounts borrowed	1,323.0	-	(1,323.0)	-	(1,323.0)	-
Repayment of amounts borrowed	(731.6)	-	731.6	-	731.6	-
Repayment of principal on leases	(3.6)	-	3.6	-	3.6	-
Non-financing cash flows	(347.8)	261.8	-	-	-	(86.0)
	31.5	261.8	(559.7)	14.6	(545.1)	(251.8)
Non-cash movements:						
Movement in interest accrual on debt	-	-	(6.3)	-	(6.3)	(6.3)
New lease agreements	-	-	(2.8)	-	(2.8)	(2.8)
Amortisation of issue costs	-	-	(4.6)	-	(4.6)	(4.6)
Amortisation of fair value adjustments	-	-	6.0	-	6.0	6.0
Indexation of borrowings and inflation	-	-	(161.1)	(89.5)	(250.6)	(250.6)
Fair value gains/(losses) and foreign exchange	-	-	(1.0)	216.3	215.3	215.3
	-	-	(169.8)	126.8	(43.0)	(43.0)
At 30 September 2023	**549.5**	**578.5**	**(9,953.3)**	**(556.3)**	**(10,509.6)**	(9,381.6)
Net debt at 30 September 2023 comprises:						
Non-current assets	-	-	-	279.8	279.8	279.8
Current assets	549.5	578.5	-	29.5	29.5	1,157.5
Current liabilities	-	-	(645.4)	(76.2)	(721.6)	(721.6)
Non-current liabilities	-	-	(9,307.9)	(789.4)	(10,097.3)	(10,097.3)
	549.5	**578.5**	**(9,953.3)**	**(556.3)**	**(10,509.6)**	(9,381.6)

11. **Analysis of net debt** (continued)

Net debt at 31 March 2024

	Current assets		Liabilities from financing activities			
	Net cash and cash equivalents £m	investments - cash deposits £m	Borrowings £m	Derivative financial instruments (1) £m	Total liabilities from financing activities £m	Net debt total £m
At 1 April 2023	518.0	316.7	(9,223.8)	(697.7)	(9,921.5)	(9,086.8)
Cash flows:						
Interest paid	(340.6)	-	-	-		(340.6)
Issue costs paid	(16.8)	-	17.3	-	17.3	0.5
Interest on leases	(1.1)	-	-	-	-	(1.1)
Increase in amounts borrowed	1,421.0	-	(1,421.0)	-	(1,421.0)	-
Repayment of amounts borrowed	(527.6)	-	527.6	-	527.6	-
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5	-
Repayment of principal on leases	(7.0)	-	7.0	-	7.0	-
Non-financing cash flows	(429.0)	235.4	-	-	-	(193.6)
	87.4	235.4	(869.1)	11.5	(857.6)	(534.8)
Non-cash movements:						
Movement in interest accrual on debt	-	-	(55.0)	-	(55.0)	(55.0)
New lease agreements	-	-	(4.0)	-	(4.0)	(4.0)
Amortisation of issue costs	-	-	(8.0)	-	(8.0)	(8.0)
Amortisation of fair value adjustments	-	-	11.1	-	11.1	11.1
Indexation of borrowings and inflation	-	-	(229.9)	(130.0)	(359.9)	(359.9)
Foreign exchange gains/(losses)	-	-	49.1	(49.1)	-	-
Fair value gains/(losses)	-	-	(11.1)	231.4	220.3	220.3
	-	-	(247.8)	52.3	(195.5)	(195.5)
At 31 March 2024	**605.4**	**552.1**	**(10,340.7)**	**(633.9)**	**(10,974.6)**	(9,817.1)
Net debt at 31 March 2024 comprises:						
Non-current assets	-	-	-	231.6	231.6	231.6
Current assets	605.4	552.1	-	-	-	1,157.5
Current liabilities	-	-	(555.6)	(79.6)	(635.2)	(635.2)
Non-current liabilities	-	-	(9,785.1)	(785.9)	(10,571.0)	(10,571.0)
	605.4	**552.1**	**(10,340.7)**	**(633.9)**	**(10,974.6)**	(9,817.1)

11. Analysis of net debt (continued)

Current asset investments above comprise £537.1 million (30 September 2023: £578.5 million; 31 March 2024: £552.1 million) of short-term cash deposits with a maturity of more than three months.

At 30 September 2024, £471.8 million (30 September 2023: £385.4 million; 31 March 2024: £474.1 million) of the Group's cash and cash equivalents and £505.0 million (30 September 2023: £570.0 million; 31 March 2024: £530.0 million) of the short-term deposits were held by Anglian Water and its financing subsidiary. In order for these amounts to be made available to the rest of the Group, Anglian Water Services Limited must satisfy certain covenants, which were put in place on 30 July 2002 following a financial restructuring, prior to declaring dividends. A further £0.2 million (30 September 2023: £0.2 million; 31 March 2024: £0.2 million) of the Group's cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £3.0 million (30 September 2023: £1.2 million; 31 March 2024: £2.2 million) of the Group's cash and cash equivalents and £2.0 million (30 September 2023: £3.5 million; 31 March 2024: £2.1 million) of the short-term deposits were held by Rutland Insurance Limited (the Group's captive insurance company) in order to maintain its required solvency ratio.

12. Net debt and derivatives

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the tables.

At 30 September 2024

	Carrying value £m	Fair value £m
Cash and cash equivalents	**622.1**	**622.1**
Current asset investments - cash deposits	**537.1**	**537.1**
Borrowings		
Current	**(578.5)**	**(579.4)**
Non-current	**(10,212.3)**	**(10,112.4)**
Interest and cross currency interest rate swaps - assets		
Current	**0.2**	**0.2**
Non-current	**71.5**	**71.5**
Interest and cross currency interest rate swaps - liabilities		
Current	**(8.2)**	**(8.2)**
Non-current	**(153.9)**	**(153.9)**
RPI swaps - assets		
Non-current	**48.5**	**48.5**
RPI swaps - liabilities		
Non-current	**(405.1)**	**(405.1)**
CPI swaps - assets		
Non-current	**20.9**	**20.9**
CPI swaps - liabilities		
Non-current	**(198.5)**	**(198.5)**
RPI-CPI Basis swaps - assets		
Non-current	**0.4**	**0.4**
RPI-CPI Basis swaps - liabilities		
Non-current	**(0.4)**	**(0.4)**
Net debt	**(10,256.2)**	**(10,157.2)**
Energy derivatives - liabilities		
Current	**(6.1)**	**(6.1)**
Non-current	**(2.7)**	**(2.7)**
	(10,265.0)	**(10,166.0)**

12. Net debt and derivatives (continued)

At 30 September 2023

	Carrying value £m	Fair value £m
Cash and cash equivalents	549.5	549.5
Current asset investments - cash deposits	578.5	578.5
Borrowings		
Current	(645.4)	(653.6)
Non-current	(9,307.9)	(9,253.4)
Interest and cross currency interest rate swaps - assets		
Current	29.5	29.5
Non-current	68.3	68.3
Interest and cross currency interest rate swaps - liabilities		
Current	(2.2)	(2.2)
Non-current	(172.6)	(172.6)
RPI swaps - assets		
Non-current	182.6	182.6
RPI swaps - liabilities		
Current	(74.0)	(74.0)
Non-current	(407.8)	(407.8)
CPI swaps - assets		
Non-current	28.9	28.9
CPI swaps - liabilities		
Non-current	(209.0)	(209.0)
Net debt	(9,381.6)	(9,335.3)
Energy derivatives - assets		
Current	3.8	3.8
Non-current	6.3	6.3
Energy derivatives - liabilities		
Current	(31.1)	(31.1)
Non-current	(6.9)	(6.9)
	(9,409.5)	(9,363.2)

12. Net debt and derivatives (continued)

At 31 March 2024

	Carrying value £m	Fair value £m
Cash and cash equivalents	605.4	605.4
Current asset investments - cash deposits	552.1	552.1
Borrowings		
Current	(555.6)	(553.4)
Non-current	(9,785.1)	(9,911.3)
Interest and cross currency interest rate swaps - assets		
Non-current	83.8	83.8
Interest and cross currency interest rate swaps - liabilities		
Current	(1.1)	(1.1)
Non-current	(175.1)	(175.1)
RPI swaps - assets		
Non-current	129.3	129.3
RPI swaps - liabilities		
Current	(78.5)	(78.5)
Non-current	(405.8)	(405.8)
CPI swaps - assets		
Non-current	18.5	18.5
CPI swaps - liabilities		
Non-current	(205.0)	(205.0)
Net debt	(9,817.1)	(9,941.1)
Energy derivatives - assets		
Current	0.9	0.9
Non-current	1.5	1.5
Energy derivatives - liabilities		
Current	(13.2)	(13.2)
Non-current	(10.6)	(10.6)
	(9,838.5)	(9,962.5)

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the Group would incur if it elected to repay these borrowings before their maturity dates, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined by calculating the net realisable value that would have arisen if these contracts terminated at the reporting date with reference to estimated future cash flows and observable yield curves.

12. Net debt and derivatives (continued)

The fair value of cross-currency interest rate derivatives is determined using discounted cash flow analysis, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the observable foreign exchange rate as at the reporting date.

The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market prices at the reporting date.

Fair values of other non-current investments, non-current trade and other receivables, provisions and non-current trade and other payables have been estimated as not materially different from carrying value.

Derivative transactions expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The Group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. The majority of derivative instruments are classed as Level 2 and are valued using inputs that are observable for the asset or liability either directly or indirectly. The level 3 instrument valuation relates to where data inputs are obtained from a less liquid market and are comprised of CPI-linked inflation swaps which are traded based on a spread to liquid RPI inflation markets often referred to as the 'wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments.

For both level 2 and 3, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the period. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

12. Net debt and derivatives (continued)

Movements in the six months to 30 September 2024 for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
At the beginning of the period	**(186.6)**	(207.7)	(207.7)
Net (loss)/gain for the period	**(3.5)**	15.5	(3.5)
Settlements	**12.5**	12.1	24.6
At the end of the period	**(177.6)**	(180.1)	(186.6)

Gains and losses in the period are recognised in fair value losses on derivatives within the income statement.

The impact on a post-tax basis of reasonably possible changes in the significant assumptions used in valuing liabilities classified as level 3 within the fair value hierarchy are as follows:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Gain/(loss)			
1% increase in inflation rates	**(125.4)**	(125.7)	(124.9)
1% decrease in inflation rates	**109.7**	100.4	108.7

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, one per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

13. Net retirement benefit obligations

On 31 March 2018, the defined benefit sections of the Anglian Water Group Pension Scheme were closed for future accruals. All employees now have the option to participate in the Group's defined contribution scheme.

The liabilities of the Group's defined benefit pension schemes have been valued using the projected unit method and using the following main assumptions:

	Half-year ended 30 September 2024 % pa	Half-year ended 30 September 2023 % pa	Year ended 31 March 2024 % pa
Discount rate	**5.1**	5.5	4.8
Inflation rate			
RPI	**3.2**	3.4	3.3
CPI	**2.8/2.6**	2.9/2.7	2.9/2.7

The assets of the pension schemes have been updated to reflect their market value as at 30 September 2024.

The movement in the net defined benefit pension surplus was as follows:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
At the beginning of the period	**33.0**	56.0	56.0
Net interest income (see note 6)	**0.8**	1.3	2.6
Employers' contributions	**3.4**	1.5	2.9
Return on plan assets (excluding amounts included in net interest)	**(33.5)**	(148.5)	(57.4)
Experience adjustments	**(0.4)**	(15.2)	(9.5)
Actuarial gains arising from changes in assumptions	**49.2**	128.5	38.4
At the end of the period	**52.5**	23.6	33.0
Period end balance split by scheme:			
AWGPS	**80.2**	52.5	62.4
Unfunded pensions	**(29.1)**	(30.3)	(30.9)
Hartlepool	**1.1**	1.1	1.1
MPLAP	**0.3**	0.3	0.4
	52.5	23.6	33.0

13. **Net retirement benefit obligations** (continued)

The net pension surplus comprises:

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Pension schemes with a net surplus, included in non-current assets	**81.7**	54.0	63.9
Pension schemes with a net deficit, included in non-current liabilities	**(29.2)**	(30.4)	(30.9)
Net defined benefit pension surplus	**52.5**	23.6	33.0

Pension schemes in a net surplus position at the reporting date have been shown as retirement benefit surpluses within non-current assets on the balance sheet.

Ruling on amendment of Contracted-Out Salary-Related pension schemes

On 16 June 2023, the High Court handed down its decision in The Virgin Media Ltd v NTL Pension Trustees II which concerned the correct interpretation of section 37 of the Pension Schemes Act 1993. Subsequently Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024, it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that a section 37 confirmation was required where an alteration to a scheme's rules affected pension benefits attributable to past or future service benefits related to section 9(2B) rights between 6 April 1997 until the end of contracting-out on 5 April 2016. The Trustee with its advisers, and the Scheme Actuary are considering the possible implications for the Scheme. As it is too early at present to estimate the potential impact, if any, on the Scheme, no provision has been made in the financial statements.

14. **Hedging reserve**

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
At the beginning of the period	**14.9**	17.8	17.8
Gains/(losses) on energy cash flow hedges	**1.6**	(27.8)	(50.2)
(Losses)/gains on other cash flow hedges	**(2.9)**	16.3	(0.9)
Amounts transferred to the income statement	**11.7**	(1.3)	27.5
Amounts transferred to the income statement from discontinuation of cash flow hedges	**1.6**	2.9	4.8
Exchange movement on hedging instruments related to debt in cash flow hedges	**15.7**	2.0	14.6
Deferred tax movement on hedge relationships	**(6.9)**	2.0	1.3
At the end of the period	**35.7**	11.9	14.9

14. Hedging reserve (continued)

Cost of hedging reserve

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
At the beginning of the period	**(0.4)**	1.7	1.7
Losses on hedge relationships	**(5.4)**	(2.2)	(2.7)
Deferred tax movement on hedge relationships	**1.4**	0.5	0.6
At the end of the period	**(4.4)**	-	(0.4)

The hedging reserve represents the cumulative effective portion of gains and losses arising on the change in fair value of hedging instruments, excluding those fair value movements identified as costs of hedging within the specific hedge relationship. The cost of hedging reserve captures the movement in the fair value of the cost of hedging component.

15. Capital commitments

The Group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the outstanding value of orders placed at 30 September 2024.

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Property, plant and equipment	**329.1**	264.4	305.8
Intangible assets	**59.1**	48.4	58.6
	388.2	312.8	364.4

16. Contingencies

Ofwat and the Environment Agency ("EA") launched separate industry-wide investigations in 2021 into compliance with conditions of environmental permits. Ofwat's focus is potential non-compliance with legislation and with licence conditions (referred to as the Flow to Full Treatment investigation).

By June 2022 Ofwat opened enforcement cases against six water and wastewater companies ("WaSCs") including Anglian Water.

In July 2024, Ofwat announced the opening of enforcement cases into the remaining four WaSCs.

In August 2024, Ofwat issued draft enforcement notices following the conclusion of its investigation into three of the companies (Northumbrian Water, Thames Water and Yorkshire Water). In these draft enforcement notices Ofwat states that it has concluded that each company has failed to meet certain duties and obligations arising as a result of the Urban Waste Water Treatment (England and Wales) Regulations 1994, Section 94 of the Water Industry Act 1991 (WIA91) and Licence Condition P.

Ofwat is continuing to progress the enforcement cases in relation to the other seven WaSCs (including the case against Anglian Water).

Ofwat has the power to fine a Regulated Company up to 10 per cent. (for each respective breach) of its entire regulated turnover in the preceding 12 months if it fails to comply with certain of its statutory duties or the terms of its licence or fails to meet standards of performance. The proposed fines announced in August range from 5 per cent to 9 per cent. Any potential fine issued to Anglian Water (assuming it were in line with those issued to date) would result in the following: £43.6 million (assuming 5 per cent.), £61.1 million (assuming 7 per cent.) and £78.5 million (assuming 9 per cent.). There is no certainty that Ofwat would propose a fine within this range.

The EA's separate investigation (referred to as Operation Standard) is also ongoing. The Company has provided comprehensive information to both regulators and continues to engage positively with them.

In December 2023, Professor Carolyn Roberts (acting as the Proposed Class Representative) issued proceedings against Anglian Water alleging that the company has abused (and continues to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings have been issued against five other WASCs. Professor Roberts alleges that the WASCs have provided misleading information to the EA and to Ofwat with the result that Ofwat has allowed companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it is proposed to progress the claim as a class action in the Competition Appeal Tribunal ("CAT") on behalf of all relevant customers, the claim will need to be certificated before it can proceed to a substantive trail. A certification hearing took place before the CAT in September 2024. The outcome of that hearing is still awaited. The Directors consider that this application of the Competition Act is extremely novel and that there are a number of significant hurdles which must be overcome by the Claimant in connection with this litigation. Accordingly, there is no basis to conclude that the claim will be successful. There is also material overlap between this claim and Ofwat's and the EA's investigations (referred to above).

As is normal for a company of this size and nature, it is subject to a number of other claims, disputes and litigation, these will be recognised as a provision if the required thresholds for recognition are met. The directors consider an appropriate position has been taken in reflecting such items in these financial statements at this time.

17. Related party transactions

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the Group as they each have the ability to influence the financial and operating policies of both the Company and the Group. Other related parties comprise key management personnel.

Other than for transactions with the Wave joint venture (see below), there has been no material change during the six months ended 30 September 2024 in transactions with these related parties from that disclosure in the annual report and consolidated financial statements for the year ended 31 March 2024.

During the period ended 30 September 2024, the Group made sales on an arms-length basis of £95.1 million (30 September 2023: £92.7 million; 31 March 2024: £204.3 million) to the Wave joint venture, and recognised interest receivable of £1.0 million (30 September 2023: £1.1 million; 31 March 2024: £2.2 million). At 30 September 2024, the following amounts were due from the Wave joint venture:

- A £10.7 million (30 September 2023: £10.7 million and 31 March 2024: £10.7 million) 5.5 per cent medium-term loan repayable on 31 August 2027, or such other date as mutually agreed between the parties, included within investments in joint ventures;
- A £11.0 million (30 September 2023: £16.7 million and 31 March 2024: £16.7 million) loan at 12-month LIBOR plus 2.75 per cent with no fixed repayment date, included within trade and other receivables;
- A £2.7 million (30 September 2023: £7.4 million and 31 March 2024: £3.3 million) short-term working capital facility at one month LIBOR plus 2.75 per cent, included within trade and other receivables; and
- Accrued income of £15.3 million (30 September 2023: £9.1 million; 31 March 2024: £13.4 million), and interest receivable of £2.2 million (30 September 2023: £0.6 million; 31 March 2024: £2.2 million), included within trade and other receivables.

18. Alternative performance measures

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures ("APM"). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each period presented in these financial statements.

a) EBITDA

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the Group's overall financial performance. Each element of this APM is shown on the face of the income statement (page 20).

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
EBITDA	**481.9**	440.1	805.1
Net finance costs	**(225.7)**	(157.2)	(419.8)
Tax charge	**(19.2)**	(27.2)	(7.1)
Depreciation & amortisation	**(209.0)**	(193.4)	(391.8)
Share of joint ventures' profit/(loss) after tax	**0.9**	(0.1)	2.4
Profit/(Loss) for the period	**28.9**	62.2	(11.2)

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains/(losses) on derivative financial instruments. These fair value gains/(losses) are volatile, non-cash movements that distort the actual underlying economic performance (page 20).

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Net finance costs excluding fair value gains on derivative financial instruments	**(243.8)**	(373.9)	(624.7)
Fair value gains on derivative financial instruments	**18.1**	216.7	204.9
Net finance costs, including fair value gains on derivative financial instruments	**(225.7)**	(157.2)	(419.8)

18. Alternative performance (continued)

c) Adjusted profit before tax/Profit before fair value gains/(losses)

Calculated as profit before tax excluding fair value gains/(losses) on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains/(losses) are volatile, non-cash movements that distort the actual underlying economic performance (page 20).

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Adjusted profit/(loss) before tax/Profit/(loss) before fair value gains	**29.1**	(127.2)	(211.4)
Fair value gains on derivative financial instruments	**18.1**	216.7	204.9
Share of joint ventures' profit/(loss) after tax	**0.9**	(0.1)	2.4
Profit/(loss) before tax from continuing operations for the period	**48.1**	89.4	(4.1)

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business. See note 11 and below.

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Net cash and cash equivalents	**622.1**	549.5	605.4
Current asset investments	**537.1**	578.5	552.1
Borrowings	**(10,790.8)**	(9,953.3)	(10,340.7)
Net debt excluding derivatives	**(9,631.6)**	(8,825.3)	(9,183.2)
Derivatives	**(633.4)**	(584.2)	(655.3)
Less: energy derivatives	**8.8**	27.9	21.4
Adjusted net debt	**(10,256.2)**	(9,381.6)	(9,817.1)

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group’s values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited interim accounts. As such, the alternative performance measures referenced below refer to Anglian Water Services Limited.

18. **Alternative performance** (continued)

e) Capital Investment

Capital investment is the total property, plant, and equipment, and intangibles additions less capitalised interest, adopted assets, and capital additions in the non-appointed business. This is used as a measure to help us monitor how we are achieving our Business Plan commitments.

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Property, plant and equipment additions	**530.8**	487.5	1,044.0
Intangible assets additions	**52.3**	30.9	58.2
Capitalised interest	**(46.5)**	(35.9)	(71.0)
Adopted assets	**(12.3)**	(20.8)	(48.2)
Non-appointed business	**(0.4)**	(0.2)	(1.3)
Items shown as stock movement	**4.6**	(12.5)	(18.3)
Capital investment	**528.5**	449.0	963.4

f) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. This is calculated as the ratio of operating cash value less RCV depreciation, compared to the net interest paid during the year to show the interest cover. In accordance with the CTA, the 6 months to 30 September 2024 is not a test period.

19. **Events after the balance sheet date**

There have been no events between the balance sheet date, and the date on which the half-yearly report was approved by the Board, which would require adjustment to the condensed financial statements or any additional disclosures.

20. **Approval of the half-yearly report**

The half-yearly report was approved by the Board on 4 December 2024. The financial information set out in the half-yearly report is unaudited but has been reviewed by the Auditor. The Auditor’s report to the Directors is set out on page 57-58.

INDEPENDENT REVIEW REPORT TO ANGLIAN WATER GROUP LIMITED

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the group condensed income statement, the group condensed statement of comprehensive income, the group condensed balance sheet, the group condensed statement of changes in equity, the group condensed cash flow statement and related notes 1 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT REVIEW REPORT TO ANGLIAN WATER SERVICES LIMITED

for the six months ended 30 September 2024

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

4 December 2024