

Anglian Water Group Limited
Half-yearly report

for the six months ended 30 September 2019

Anglian Water Group Limited
Half-yearly management report
For the six months ended 30 September 2019

Group overview

Anglian Water Group Limited's ('the Group') principal business is Anglian Water Services ('Anglian Water'), the Group's regulated water and sewerage company, which supplies water and water recycling services to more than seven million customers in the east of England and Hartlepool. The Group also includes 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, and Wave which is a 50:50 joint venture with Northumbrian Water Group to provide water services to non-household customers in the UK.

Performing strongly against a challenging backdrop

Commenting on Anglian Water's results for the half year to 30 September 2019, Chief Executive Peter Simpson said:

"As we enter the final six months of our current five-year business plan we continue to provide best-in-class customer service to our seven million customers, leading the industry on reducing leakage, creating and maintaining a resilient network, and safeguarding our environment for future generations, while delivering strong financial performance. We were called out for praise by Ofwat in its 2018/19 Service Delivery Report, published in October, in which we were ranked the top-performing water company in England and Wales for our record across a wide range of performance measures.

"Yet of all our activity this year, I am most proud of the ground-breaking steps we have taken to set out Anglian Water's purpose as an organisation and embed public interest into our company constitution for the long term. In July we became the first UK water company – and, we believe, the first UK utility – to make a legal commitment to consider the impact of every decision we make on our community and the environment, as well as ensuring fair returns for our shareholders. This change to our Articles of Association crystallises a journey we've been on for many years and will ensure that public interest remains at the heart of Anglian Water for generations to come.

"In a period in which we have seen the impacts of climate change becoming ever more apparent in the East of England, the social and environmental challenges our fast-growing region faces have been brought into sharp focus. Groundwater levels in some areas have been at their lowest for 30 years; we've seen the UK's hottest ever temperature recorded in Cambridge, and our customers faced some of the most significant flooding seen in our region after unprecedented heavy rainfall at Wainfleet in Lincolnshire in June.

"We continue to prepare ourselves to meet these challenges over our next five-year business plan and beyond, through a long-term programme of strategic investment. Our plans include the installation of a million smart meters and the creation of a new Alliance partnership which will deliver 500km of pipeline to ensure we can move water around our network in times of need. We must invest now to ensure resilient supplies for the generations to come, a view supported by the majority of our customers, 500,000 of whom were engaged in the development of our plans.

"We passionately believe that our plan is the right one to safeguard the future of our region and enable it to flourish. However, it is not financeable based on Ofwat's Draft Determination, as we stated in our formal response in August. We have striven to find further cost efficiencies, made changes to our total expenditure (totex) plan and accepted Ofwat's proposal to test its new funding model, Direct Procurement for Customers, to finance a vital new treatment works at Elsham in the north of our region. These changes will see bills reduce by around 1.1 per cent over five years. We continue to work with Ofwat in the run up to Final Determination, to be issued later this month, and hope to reach an outcome which will meet the needs of our customers and the environment.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

“Our priority over the remainder of the year is to complete our current investment programme of work, our largest to date. It has enabled us to deliver the best customer service of any water and water recycling company in England and Wales, as rated by Ofwat’s qualitative measure. Not only that, we are on track to improve on our industry-leading performance on leakage and deliver our best-ever performance on drinking water quality – ready, in short, to hit the ground running at the start of our next five-year plan in April 2020.”

Media enquiries – Anglian Water Press office:

Ciaran Nelson / Karen Barclay
07802 802 027 / 07790 542 294

Financial, social and environmental highlights

- **Ground-breaking Articles of Association change** makes Anglian Water the first UK water company to embed a commitment to community and the environment in Anglian Water’s company constitution and puts us in line with European best practice for public interest entities. Following on from the Public Interest Commitments developed by Anglian Water and adopted by all water companies in April 2019, this industry-leading change codifies our long-held public purpose and will see us adopt and report against a set of responsible business principles, while directors will consider the impact on society and the environment of every decision they make.
- **Anglian Water ranked as top-performing company in Ofwat’s 2018/19 Service Delivery Report**, scoring in the top 25 per cent for seven of the 10 measures cited (wholesale, customer service, meeting performance commitments, earning financial incentives, leakage, water quality contacts and internal sewer flooding) and in the top 50 per cent for the remaining three (retail, supply interruptions and pollution incidents).
- **Anglian Water ranked top water and waste water company for the final year of Ofwat’s Service Incentive Mechanism** measure of customer service and number one across the whole business plan cycle.
- **Group revenue of £733.3 million, an increase of £20.0 million (2.8 per cent) on 2018.** This is consistent with the regulatory pricing mechanism, customer growth and increased housing development activity, partially offset by lower demand compared with the hot, dry summer in 2018.
- **Underlying profit before tax for the period of £36.7 million, down £1.6 million**, excludes fair value losses on derivatives of £171.3 million (2018: gains of £56.3 million). These are volatile non-cash annual movements which distort actual economic performance and therefore should be excluded when assessing underlying profit. Including these fair value movements, **Group loss before tax for the period was £134.6 million, down £229.2 million from a profit of £94.6 million.**
- **No interim dividend proposed.** Consistent with prior year, and in line with the Board’s commitment to reduce gearing in Anglian Water.
- **Five Green Bonds issued to date, funding 850 green projects and reducing CO₂ emissions** by more than 162,000 tonnes.
- **Ambitious programme underway to install solar power** at more than 100 further Anglian Water sites, cutting carbon emissions and lowering the cost to power our network.
- **Agenda-setting cross-sector innovation event held to tackle important challenges.** Three-day Innovate East event in partnership with Essex and Suffolk Water attracted 1,800 delegates from 400 organisations and saw actionable plans developed to reduce leakage, extend smart use of data and digital twinning, and create a new initiative to help communities adapt to climate change.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

- **Anglian Water one of only two companies to gain approval in the Drinking Water Inspectorate's new Risk Management Approval Scheme** to meet exacting new water industry standards.
- **Current holder of prestigious Utility of the Year award** and shortlisted for this year's award.
- **Winner of Business in the Community's Health and Wellbeing award 2019.**
- **Anglian Water Chairman Stephen Billingham made a Commander of the Order of the British Empire (CBE)** in the Queen's Birthday Honours in recognition of his service to Government-owned, public and regulated companies.

Further financial updates

- Operating profit down by £2.3 million (1.0 per cent). The decrease reflects reinvestment in proactive leakage maintenance, increases in below-ground infrastructure repairs and inflationary pressure on costs, partially mitigated by savings from efficiency initiatives. Although we had extreme weather events in 2019, we had no repeat of last year's 'Beast from the East' and hot, dry summer 2018.
- Cash generated from operations of £349.8 million, up 0.2 per cent on last year and consistent with higher revenues, partially offset by increased operating costs.
- Gross regulated capital investment in the period of £204.8 million (2018: £211.7 million). On track to deliver all our regulatory obligations. This includes £25.2 million (2018: £16.9 million) of reinvestment spend out of the £165 million of reinvestment previously announced over the last three years.

Looking to the future

- We await Ofwat's Final Determination on our proposals for 2020-2025, due on 16 December, and will work with the regulator to secure a settlement that works for our customers and the environment. The ratings agencies that rate Anglian Water's debt have Anglian Water on 'negative outlook', which is in line with their industry outlooks and the majority of individual users. Should the Final Determination be unchanged from the Draft, this could result in a downgrade of credit ratings.
- Preferred bidders identified for £500 million Strategic Pipeline Alliance which will see around 500km of large pipeline inter-connectors installed as part of our commitment to support making the East of England resilient to the risks of drought. The new system will facilitate the movement of water more easily across the Anglian Water region and will be supported by a digital twin (a digital replica of the network which helps us test, plan, anticipate and resolve issues in the virtual world).
- Developing proposals to support the economic growth of Cambridge by relocating the Cambridge Waste Water Treatment Plant, paving the way for the construction of 5,600 new homes, enabling sustainable housing growth and transport links, and unlocking regional employment opportunities.
- Continuing development of customer journey with launch of My Account app on Apple and Android platforms.
- Ambitious programme underway to install solar power at more than 100 further Anglian Water sites, cutting carbon emissions and lowering the cost to power our network.
- Additional support to be offered to an average of 475,000 vulnerable customers each year from 2020-2025.
- New collaborative community project underway in Lowestoft with partners including Business in the Community and Anglian Water Alliance partner Kier, following nationally recognised Wisbech regeneration.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

Safeguarding our environment

- Signed up to an ambitious £120 million multi-sector partnership which will see waste heat from Anglian Water treatment facilities used to heat two of the UK's largest greenhouses, being built in Suffolk and Norfolk – with the added benefit that water returned to the environment is cooled, removing excess heat from the river systems.
- Committed with other water companies to plant 11 million trees by 2030; Anglian Water's contribution will include at least 30 new treatment wetlands developed over the next five years.
- Renewable energy generation from combined heat and power (CHP) plants on track to reach 120 GWh in 2019/20 – enough to power 50,000 homes for 100 days.
- Adapting infrastructure to protect valuable chalk streams, including moving the abstraction point for Heigham Water Treatment Works in Norwich away from the delicate upstream stretch of river to the works itself.
- Anglian Water awarded Employer Champion status by the Society for the Environment to recognise commitment to developing employees specialising in environmental disciplines.

Leading on innovation

- Leading Coalition partnerships forged with Spanish water company Global Omnium and Dutch water company Vitens to share expertise and drive international collaboration.
- Saving money and cutting carbon: newly developed mobile sludge thickeners enabling saving of £1 million a year and cutting CO₂ emissions.
- Cutting-edge project underway using advanced transient pressure logging and online bacteria monitoring to ensure high standards of water quality at key storage locations in our network.

Building a resilient network

- £33 million investment programme installing new water mains in towns and cities across the region, including Milton Keynes, Norwich, Ipswich, Grimsby, Scunthorpe and Spalding, supporting future population growth and ensuring that water pressure can be maintained despite growing demand.
- Near-real time modelling and digital twinning projects driving faster diagnosis and resolution of issues.
- Planning underway for installation of one million smart meters in our region, supporting reduction of water consumption and effective leak management.

People at our heart

- Extended multi-skills talent expansion partnership developed by Anglian Water and its 12 Alliance partners to a further three colleges (West Suffolk College, Milton Keynes College and Grimsby Institute) following successful College of West Anglia pilot.
- Peter Simpson named UK's top CEO for second year running by users of job site Glassdoor, with a 99 per cent approval rating.
- Four awards secured at Institute of Water annual awards, including Training Organisation of the Year.
- Anglian Water awarded Employer Recognition Scheme Gold Award for outstanding support for the armed forces community.

Anglian Water Group Limited
Half-yearly management report (continued)
 For the six months ended 30 September 2019

This interim review has been prepared in respect of the six months ended 30 September 2019.

Group financial performance

Results for the six months ended 30 September 2019, which are unaudited, are as follows:

	2019	2018
	£m	£m
Revenue	733.3	713.3
Operating profit	219.9	222.2
Underlying profit before tax ⁽¹⁾	36.7	38.3
(Loss)/profit before tax	(134.6)	94.6
Cash generated from operations	349.8	349.2

⁽¹⁾ In order to show performance on an underlying basis the fair value losses of £171.3 million (2018: gains of £56.3 million) on financial derivatives have been excluded from the underlying finance costs, because there are volatile non-cash annual movements which distort the actual underlying economic performance.

⁽²⁾ On 1 April 2019, IFRS 16 'Leases' came into effect. The principal consequences of this new standard are that a lease liability reflecting future lease payments and a 'right-of-use' asset are recognised on the balance sheet, and an interest expense on the lease liability and depreciation on the 'right-of-use' asset are recorded in the income statement. It is noted that IFRS 16 was not applied retrospectively, as permitted by the standard, and therefore the comparatives are not presented on an IFRS 16 basis.

Revenue for the period was £733.3 million, an increase of £20.0 million from £713.3 million in 2018.

Anglian Water's revenue was £717.0 million (2018: £694.6 million), an increase of £22.4 million (3.2 per cent) on the same period last year. This primarily reflects the uplift in regulatory pricing for annual inflation, growth in customers and increased housing developer activity, partially offset by a slight fall in household consumption compared with the above average demand experienced in the hot, dry summer of 2018.

Anglian Venture Holdings' revenue for the half-year was £18.8 million (2018: £19.8 million).

Operating profit was £219.9 million, a decrease of £2.3 million from the £222.2 million profit in 2018.

Anglian Water's operating profit decreased by 1.5 per cent to £223.0 million (2018: £226.4 million), primarily driven by an increase in minor repair activities including our remedial actions following localised flooding in June, our reinvestment in leakage prevention and general inflationary pressures, partially offset by the effect of the net revenue increases.

Anglian Venture Holdings reported an operating profit of £0.4 million for the period (2018: £0.7 million).

The operating loss from other operations was £3.5 million (2018: £4.9 million).

Net finance costs for the period, excluding fair value (losses)/gains on derivative financial instruments, decreased by £0.1 million to £182.6 million (2018: £182.7 million).

Resultant underlying profit before tax was £36.7 million (2018: £38.3 million). After fair value (losses)/gains on derivative financial instruments, the loss before tax was £134.6 million (2018: profit of £94.6 million). The fair value losses on financial derivatives of £171.3 million (2018: gains of £56.3 million) are primarily a result of the average fall in interest rates of 41 basis points (2018: 21 basis points increase), which more than offset a smaller 10 basis points fall in average levels of forward inflation curves (2018: 14 basis points increase which reduced the overall gain in 2018).

Compared to the same period in the previous year, the total tax charge has decreased by £52.5 million from £34.0 million to a £18.5 million credit. This is primarily due to a reduction in profit before tax, now a loss before tax, caused by the fair value losses on derivative financial instruments, which gives rise to a deferred tax credit. Also, in the prior year the Group had a particularly high current tax charge and deferred tax credit as a result of the transition to IFRS 15 'Revenue' and disclaimed capital allowances to utilise Advance Corporation Tax.

Anglian Water Group Limited
Half-yearly management report (continued)
 For the six months ended 30 September 2019

The table below shows underlying profit before tax and the tax charge thereon.

	Underlying £m	Fair value losses £m	Statutory £m
Profit/(loss) before tax	36.7	(171.3)	(134.6)
Tax (charge)/credit	(10.6)	29.1	18.5
Effective tax rate	28.9%	17.0%	13.7%

The effective underlying tax rate of 28.9 per cent is higher than the corporation tax rate of 19 per cent primarily due to certain interest costs not being allowable for tax purposes.

Over the full year, total taxes paid or collected other than corporation tax will amount to in excess of £200 million. The most significant payments are in relation to business rates, employment taxes, VAT, environmental taxes and abstraction licences.

Our current tax charge reflects the incentives available for capital investment and the interest we pay to fund that investment, some of which is not deductible. We are one of the largest private investors in infrastructure in our region, investing more than £2 billion over five years. The Government actively encourages infrastructure investment and grants us capital allowances, which defer some of our corporation tax liabilities until a later period. Customers benefit from the deferral as it helps to keep their bills lower.

Cash flow

Cash generated from operations by the Group was £349.8 million (2018: £349.2 million), an increase of £0.6 million on the prior period. Anglian Water's operating cash flow was £5.5 million higher than the prior period at £366.2 million (2018: £360.7 million), while Head Office and Other operating cash flow reduced by £2.8 million, reflecting additional pension contributions, and Anglian Venture Holdings' operating cash flow reduced by £2.1 million.

Net cash outflow for capital investment was £228.9 million (2018: £249.1 million), which is net of the movement in creditors and accruals in the period. The vast majority of capital expenditure relates to the Anglian Water capital programme where gross regulated capital investment, which represents investment in our regulated asset base before deductions of contributions from developers and third parties, in the six months to 30 September 2019 was £204.8 million, in line with management expectations.

Net debt

Net debt increased by £271.5 million to £8,450.7 million in the six months to 30 September 2019.

Pension funding

At 30 September 2019 the net defined benefit pension obligation for the Group was £12.3 million (31 March 2019: £20.9 million). Actuarial assumptions reflect a decrease in the discount rate from 2.4% at March 2019 to 1.85% at September 2019 and future inflation assumptions reducing from 3.3% at March 2019 to 3.15% at September 2019. The scheme's asset performance has been below expectations during the period, and provision has been made for the discounted value of the committed future deficit contribution payments. Future contributions will continue to be made in line with actuarial advice.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

Principal risks and uncertainties

Effective risk management is central to the achievement of our strategic priorities. It is managed across our businesses through a number of formal and informal processes to identify new or escalating risks in a timely manner and ensure adequate controls and mitigating actions can be implemented.

The risks and uncertainties that the businesses face over the remainder of this financial year are listed below and are consistent with those included in the annual report and consolidated financial statements for the year ended 31 March 2019.

- *Political, regulatory and legislative changes* – ensuring we anticipate and plan for these changes
- *Financing our business* – managing the risks around funding a huge capital investment programme, and preparing for the political and regulatory challenges that we face
- *Pensions* – managing the risk around the actuarial pension funding obligations in relation to lower investment returns, low discount rates and longevity
- *Brexit* – the impact of a No Deal exit by the UK from Europe – working with the wider water industry to manage the risks to the industry, especially the supply chain, in the event of a No Deal exit. The structure of an exit deal and following transition period will be determined by the Government following the general election on 12 December
- *Regional growth* – managing the impact of increasing growth rates in our region
- *Long-term supply and demand resilience* – we operate in the driest region of the UK, and therefore managing the impact of weather changes and the potential for drought is a high priority
- *Pollutions* – managing our activities to minimise the risk and impact of pollutions
- *Failure to deliver our AMP6 plan* – ongoing focus of the business to deliver our AMP6 plan and commitments to our customers
- *Preparing for ODI changes in AMP7* – we have submitted a Business Plan that is strongly supported by our customers. We continue to prepare to deliver the commitments contained in the plan and await Ofwat's final determination later in December
- *Customer* – ensuring we give our customers the best service we can, as measured by the new measure of customer experience (C-MeX)
- *Health and safety* – maintaining the welfare of our employees and customers is paramount
- *Talent and succession* – maintaining an effective development of skills, talent and succession planning in the business
- *Cyber security* – continuing to manage and mitigate the increasing risk from cyber attacks, data theft and IT system failure
- *Water quality* – continuing to ensure the provision of safe, clean and high quality water to all our customers every day of the year.

Further detail on these risks and uncertainties is included in the annual report and consolidated financial statements for the year ended 31 March 2019, which can be found on the Anglian Water Group website at <https://www.awg.com/reports>.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

ANGLIAN WATER

Financial results

Results for the six months ended 30 September 2019, which are unaudited, are as follows:

	2019	2018 (Restated)
	£m	(1)(3) £m
Revenue	717.0	694.6
Other operating income ⁽¹⁾	7.5	7.4
Other operating costs ⁽¹⁾	(320.7)	(304.6)
Depreciation and amortisation	(180.8)	(171.0)
Operating profit	223.0	226.4
Finance income	2.6	0.8
Finance costs ⁽²⁾	(170.9)	(165.3)
Underlying profit before tax	54.7	61.9
Fair value (losses)/gains on derivative financial instruments	(171.3)	56.3
(Loss)/profit before tax	(116.6)	118.2
Tax credit/(charge)	18.3	(28.3)
(Loss)/profit after tax	(98.3)	89.9

- (1) The comparative other operating income and operating costs have been restated for the reclassification of certain income, previously treated as negative expenditure, as other operating income. The adjustment had not been included in the September 2018 interim accounts; however, this restatement is consistent with the treatment of these items in the March 2019 full year accounts, where this has been more fully explained. Accordingly, even though the amounts for 2018 are immaterial, we have restated to show them gross within other operating income, as we believe this will be helpful to users. The restatement has the effect of increasing other operating income in the prior period by £7.4 million, and increasing operating expenditure by the same amount, and therefore operating profit is unchanged for this reclassification.
- (2) In order to show pre-tax performance on an underlying basis the fair value gains and losses on financial derivatives have been excluded from the underlying finance costs.
- (3) On 1 April 2019, IFRS 16 'Leases' came into effect. The principal consequences of this new standard are that a lease liability reflecting future lease payments and a 'right-of-use' asset are recognised on the balance sheet, and an interest expense on the lease liability and depreciation on the 'right-of-use' asset are recorded in the income statement. It is noted that IFRS 16 was not applied retrospectively, as permitted by the standard, and therefore the comparatives are not presented on an IFRS 16 basis.

Revenue

Revenue for the period was £717.0 million, an increase of £22.4 million over the same period in the previous year. The overall increase primarily reflects the uplift in regulatory pricing for annual inflation, growth in customers and increased housing developer activity, partially offset by a slight fall in household consumption compared with the above average demand experienced in the hot, dry summer of 2018.

Other operating income

Other operating income, which is up marginally on the prior period, comprises external income from power generation, biosolid revenue, rents received and various other non-core activities.

Operating costs

Operating costs increased by £16.1 million (5.3 per cent) on the same period last year to £320.7 million. This is primarily driven by an increase in minor repair activities including our remedial actions following the localised flooding in June, our reinvestment in leakage prevention and general inflationary pressures. The following table sets out the principal movements in the period.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

ANGLIAN WATER

	£m	£m
At 30 September 2018		304.6
Costs relating to "Beast from the East" and hot dry summer 2018 in prior year not repeating	(6.5)	
General inflationary increases	8.6	
Increase in minor repair activities to maintain water and wastewater below ground infrastructure	7.4	
Reinvestment in leakage recovery and prevention	5.5	
Operating costs of newly commissioned plant	2.0	
Increase in chemical costs	1.6	
Increase in insurance costs	1.4	
Reduction in power costs	(1.6)	
Net efficiency savings achieved	(2.3)	
Net increase in operating costs	16.1	
At 30 September 2019		320.7

Depreciation and amortisation

Depreciation and amortisation is up 5.7 per cent compared with the same period last year, consistent with the impact of newly commissioned assets in the period.

Operating profit

Operating profit has decreased by 1.5 per cent to £223.0 million, which is consistent with higher operating costs and increased depreciation, partially offset by the effect of the revenue increases.

Financing costs

The underlying finance charge for the period was £170.9 million, an increase of £5.6 million compared with the same period last year. This is driven by an increase in borrowings as Anglian Water continues to invest in capital assets and strengthen its liquidity position to allow for any market volatility surrounding the regulatory determination process. This increase has been partially offset as cheaper new debt issuance has replaced more expensive maturing debt, and through lower interest costs on inflation linked debt due to lower inflation year on year. Finance income has risen by £1.8 million to £2.6 million, principally due to the higher average cash and investments held in the period.

The fair value losses on financial derivatives of £171.3 million (2018: gains of £56.3 million) are primarily a result of the average fall in interest rates of 41 basis points (2018: 21 basis points increase), which more than offset a smaller 10 basis points fall in average levels of forward inflation curves (2018: 14 basis points increase which reduced the overall gain in 2018). Fair value gains in the prior year included a charge of £11.7 million relating to the restructuring of derivatives which were cash settled in the period. The fair value losses in the current period are non-cash in nature and have no material effect on the underlying commercial operations of the business.

Taxation

Compared to the same period in the previous year the total tax charge has reduced by £46.6 million from a charge of £28.3 million last year to a credit of £18.3 million. This is primarily due to a reduction in profit before tax, now a loss before tax, caused by the fair value losses on derivative financial instruments, which gives rise to a deferred tax credit. Also, in the prior year, Anglian Water had a particularly high current tax charge and deferred tax credit as a result of the transition to IFRS 15 'Revenue' and disclaimed capital allowances to utilise Advance Corporation Tax.

Over the full year, total taxes paid or collected other than corporation tax will amount to in excess of £200 million. The most significant payments are in relation to business rates, employment taxes, VAT, environmental taxes and abstraction licences.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

ANGLIAN WATER

Our taxation charge reflects the incentives available for capital investment, and the interest we pay to fund that investment. We are one of the largest private investors in infrastructure in our region, making investments worth more than £2 billion over five years. The Government actively encourages infrastructure investment and grants us capital allowances, which defer some of our corporation tax liabilities until a later period. Customers benefit from the deferral as it helps to keep their bills lower.

Dividends

Dividends paid in the period amounted to £67.8 million (2018: £68.0 million). No interim dividend is planned for the second half of this year, which is consistent with the Board's decision to reduce dividends in order to lower gearing and to help fund the additional £165 million of capital reinvestment announced by the Board over the last few years.

Financing and cash flow

In respect of financing, Anglian Water continues to develop its funding profile to provide an economic hedge against the regulatory transition from RPI to CPIH (consumer price index including housing costs) linked revenues, and to align financing with the Anglian Water's focus on sustainability. In June, Anglian Water finalised the terms of a JPY 7 billion (£50.9 million) 20 year 0.855 per cent fixed rate green bond issuance, proceeds of which have been swapped to CPI. In addition, in April, Anglian Water received £65 million in relation to the 2.87 per cent fixed rate forward starting green bond traded in October 2018; this has been swapped into CPI. Anglian Water has increased and extended its existing bank facilities in order to lay the foundation for the funding of AMP7. To this end £550 million of Anglian Water's syndicated and bilateral facilities have been extended to mature in 2024 (with two additional one year extensions subject to lender consent) and the interest rate applicable on the facilities has been linked to the core ESG (environmental, social and corporate governance) objectives of reducing carbon, improving the efficient management of water resources through consumption and leakage reductions, minimising pollution incidents and supporting vulnerable customers.

As a result of the new leasing standard, IFRS 16, Anglian Water has brought on balance sheet £36.8m of lease debt, principally in respect of rented properties, and to a lesser extent hired vehicles.

Debt repayments in the period amounted to £126.3 million as a result of settling the JPY 5 billion (£34.7 million) 3.22 per cent fixed coupon and the £50 million 1.626 per cent RPI linked loans, and various other smaller scheduled amortising debt payments as they fell due.

The business generated cash from operations of £366.2 million in the period (2018: £360.7 million). The 1.5 per cent increase reflects the higher level of revenues, partially offset by higher operating costs.

Capital investment programme

Gross regulated capital investment, which represents investment in our regulated asset base before deductions of contributions from developers and third parties, in the six months to 30 September 2019 was £204.8 million (2018: £211.7 million). This is in line with management expectations and includes £25.2 million in relation to our previously announced £165 million reinvestment programme, which will, among other benefits, improve resilience in some critical parts of our network.

Pension

As previously reported, on 31 March 2018, the defined benefit schemes for Anglian Water Group and Hartlepool Water were closed to future accruals for existing members. The combined accounting surplus on these schemes at 30 September 2019 was £51.5 million, compared with £49.3 million at 31 March 2019. The slight increase in the surplus is principally a consequence of the corporate bond rate used to discount the scheme liabilities declining over the period, which has the effect of increasing the liabilities, more than offset by the growth in scheme asset values. In addition, Anglian Water has an unfunded pension liability of £47.3 million (31 March 2019: £45.8 million), resulting in an overall pension surplus of £4.2 million, compared with £3.5 million at 31 March 2019.

Anglian Water Group Limited
Half-yearly management report (continued)
For the six months ended 30 September 2019

ANGLIAN WATER

Business overview

Anglian Venture Holdings comprises the following businesses:

- Alpheus Environmental – operates industrial and commercial wastewater treatment works in the UK;
- Celtic Anglian Water – operates water and wastewater treatment works in the Republic of Ireland;
- Tide Services – operates property conveyancing, residential insurances and the provision of web hosted information services for utilities on behalf of other group companies; and
- Wave – a 50:50 joint venture with Northumbrian Water Group limited to provide retail services to non-household customers in the UK.

Financial performance

Results for the six months ended 30 September 2019, which are unaudited, are as follows:

	2019	2018
	£m	£m
Revenue	18.8	19.8
Operating profit	0.4	0.7
Share of joint ventures operating profit/(loss)	0.3	(0.3)
Segmental result	0.7	0.4
Operating cash flow	1.0	3.1

Anglian Venture Holdings generated revenue of £18.8 million (2018: £19.8 million) and an operating profit of £0.4 million (2018: £0.7 million) as set out below.

	Revenue		Operating profit	
	2019	2018	2019	2018
	£m	£m	£m	£m
Alpheus Environmental	3.3	4.0	0.2	0.4
Celtic Anglian Water	12.0	12.4	0.4	0.7
TIDE Services	3.5	3.4	0.1	0.1
Anglian Venture Holdings	-	-	(0.3)	(0.5)
	18.8	19.8	0.4	0.7
Share of joint ventures operating profit				
Wave			0.3	(0.3)
Segment result			0.7	0.4

[ENDS]