Anglian Water Group Limited

Half-yearly report

for the six months ended 30 September 2022

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 more than seven million customers in the east of England and Hartlepool.

The Group also includes Anglian Venture Holdings, which comprises:

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

A fast-paced, purpose-driven company on the front foot in the face of challenge

- **Resilience leadership evidenced with no hosepipe ban despite drought conditions and largest soil moisture deficits on record**
- **Record year of capex (£289 million in H1 and £1.3 billion AMP to date), with investment exceeding operating profit, focused on securing future water supply and delivering on environmental initiatives.**
- **Recently launched a £135 million package to help more than 330,000 customers struggling to pay their bills next year.**
- **Continued to demonstrate business resilience amidst ongoing macroeconomic uncertainty.**

Chief Executive, Peter Simpson, commented:

"In the first six months of the year, we have continued to adapt, demonstrating our resilience as a fast-paced, purpose-driven company on the front foot in the face of challenge. Our significant scale and long track-record provide us with ongoing stability against the wider volatile backdrop of economic, societal and environmental uncertainty, and headwinds such as the energy and cost of living crisis. This proactivity has enabled us to continue investing over and above our operating profit levels, safeguarding our capital programme, which is centred on building a resilient business, delivering environmental improvements across our region, and supporting our customers.

"Initiatives, such as our decision to proactively hedge our energy supply last year, have reduced the impact of certain external headwinds and, despite the challenging operational environment, we delivered a robust financial performance in the first half of the year. An increase in revenue during the first half provided some mitigation to inflationary increases in the cost base, resulting in an increase at the EBITDA[1] level. However, in line with others, our swing to an adjusted loss before tax[1] is the result of higher costs on inflation-linked debt.

"As a purpose-led business, we are building on our leading package for customers by providing record levels of support as the cost of living crisis intensifies, committing £135 million of tailored support and debt relief for those in financial difficulty. Support includes tariff schemes, our 'Back on Track' programme and our Anglian Water Assistance Fund. We expect to have helped more than 330,000 customers facing affordability challenges by year end.

"Building on our track record to invest for the future and secure resilient water supplies for our region, we did not need to implement a temporary usage ban (hosepipe ban) this summer despite an official drought being called across much of the UK. This demonstrates our progress in creating an infrastructure network that has resilience to climate change built in. Simultaneously, our industry-leading leakage reduction programme, the installation of nearly half a million smart meters in homes across our region to date, and campaigning to improve customer awareness of responsible water use, has kept taps flowing for our customers.

"This twin track strategy has meant, despite the prolonged, hot, dry weather and unprecedented peaks in demand, we put broadly the same amount of water into supply as we would in a normal summer. However, the largest soil moisture deficit we've seen has required a swift operational response to minimise interruptions, and we remain cautious and proactive as we enter the key reservoir refilling period with additional leakage and supply-side investment to maintain this resilient footing.

"We anticipate the creation of our strategic pipeline to move water around our region plus the announcement of two new reservoirs, will continue to secure future water supplies for years to come, and unlock a wide range of social, economic and other environmental benefits. These initiatives will also underpin our ability to reduce abstraction – one of the biggest contributions we can make to environmental protection – and we have made significant voluntarily reductions in abstraction from sensitive environments this AMP.

"We also remain acutely focused on delivering environmental improvements and momentum on our drive to net zero. Having taken steps to address our Environmental Performance Assessment (EPA) rating movement from 3 to 2 stars (out of 4), we can see a positive downward trajectory on total pollutions (28% reduction calendar year to date versus 2021). As a single measure, the EPA omits our excellent position on bathing water quality, our early delivery of the largest WINEP, the largest abstraction reduction of any company, the avoidance of drought permits, and 'green' initiatives such as treatment wetlands. We are advocating for a more inclusive measure that accounts for abstraction impacts and bathing water quality, among others.

[1] Alternative performance measure as defined in note 20

“The severe weather during summer has impacted some key measures including mains bursts and interruptions to supply. However, many of our performance metrics remain on track, and we continue to achieve significant headway with our Get River Positive programme. Our Event Duration Monitoring programme is ahead of target and 100% of the CSO network will have coverage next year. In this period we also committed to 26 new treatment wetlands, which will act as carbon sinks, and provide natural, additional filtration to enhance protection of chalk streams.

“A third of our energy consumed year-to-date has been from renewable sources, and we anticipate this to be the case across the remainder of the financial year. Our proactivity in switching to self-generation of renewables is a key component of our plan to reach net zero and further supports our energy resilience.

“Overall, we have made significant strategic and operational strides in the first half of the year, underpinned by our purpose, and our commitment to create a sustainable and resilient business. Whilst the macroeconomic environment remains challenging, Anglian Water has the platform in place to continue to deliver for the future.”

Financial highlights

	6 months to 30 Sept 2022	6 months to 30 Sept 2021 (restated[1])	Change	Change
	£m	£m	£m	%
Revenue	789.6	724.8	64.8	8.9
EBITDA[2]	415.9	391.8	24.1	6.2
Operating profit	230.5	218.5	12.0	5.5
Operating cash flow	351.7	347.7	4.0	1.2
Net debt before derivatives[3] as at 30 Sept	8,071.2	7,642.0	429.2	5.6

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 year presented in these financial statements.

[1] Our intangible asset accounting policy was amended in March 2022 to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of Software as a Service costs. The results, financial position and cash flows for the period ended 30 September 2021 have been restated as discussed in note 1.

[2] EBITDA is an alternative performance measure as defined in note 20.

[3] Net debt excluding derivatives is an alternative performance measure as defined in note 20.

The below commentary provides a high-level summary of the movements in the table above, more comprehensive commentary can be found in the financial performance section starting on page 11.

Revenue up £64.8 million (8.9 %)

- Result of prices set based on the November 2021 Consumer Price Index including owner occupiers' housing costs (CPIH) which recorded 4.6% along with the impact of changes applied to our tariffs from our CMA referral of the regulatory settlement.
- Revenue can also be impacted by consumption, however this was broadly consistent with the six months to September 2021 as we partially trend back to pre-Covid-19 levels.

EBITDA up £24.1 million (6.2 %)

- Revenue increase provides some protection against inflationary increases in our cost base.
- However, mix of costs does not match the mix used in the CPIH basket and so have seen additional costs in relation to chemicals and fuel.

- We have a robust energy hedging programme which means that our costs have not risen in line with wholesale prices as we were fully hedged for the year to March 2023 in advance of the most significant market increases. Our hedged prices are materially below the government cap and therefore, as with furlough rates relief in Covid, we have not had to make use of Government support for energy price rises.

Operating profit up £12.0 million (5.5 %)

- Whilst there have been significant inflationary effects across most input costs, our proactive energy hedging policy protected the business.

Operating cash flow up £4.0 million (1.2 %)

- Higher operating profit was offset by short term timing differences on working capital.

Net debt before derivatives up £429.2 million (5.6 %)

- Net debt increased as a result of indexation on debt as described above combined with our continuing capital investment programme.

No interim dividend is to be paid for this period

Reconciliation of operating profit to statutory profit before tax

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m
Operating profit	**230.5**	218.5
Net interest excluding indexation	**(117.5)**	(141.8)
Indexation on debt	**(259.0)**	(82.7)
Fair value gains/(losses) on derivatives	**663.9**	(91.6)
Share of loss of joint ventures	**(0.8)**	(2.5)
Statutory profit/(loss) before tax	**517.1**	(100.1)

- Statutory profit/(loss) comparisons year on year are distorted by short term swings on derivative financial instruments following the 23 September mini budget, which have partially reversed since that date. The fair value gain on derivatives is driven by the increase in interest rates which, despite the material movement in fair value, have only partially reversed fair value losses experienced over the past 10-year falling interest rate environment.
- In addition, this volatile market has resulted in higher interest costs on inflation-linked debt, consistent with many other utility companies.

Delivery and operational highlights 2022

Addressing cost of living crisis with a £135 million support package

- Builds on the 287,000 customers already supported in H1 2022/23. On track to support more than 330,000 customers by year end.
- Support includes concessionary tariffs, temporary instalment plans, payment breaks and Back on Track schemes.

No hosepipe ban, demonstrating results of decades worth of work in building resilience

- Our track record in investing for the future meant despite extreme heat and low rainfall levels in summer we did not hit drought triggers and did not need a hosepipe ban in our region.
- A direct result of creating an infrastructure network that is growing in resilience to impacts of climate change and our demand reduction programme.
- We remain proactive and cautious, closely monitoring rainfall, reservoir and aquifer recharge during the key winter season. Significant efforts and additional investment in leakage and supply-side interventions are in progress to maintain this resilient footing.

Announced two new reservoirs that will secure future water supplies

- State-of-the-art reservoirs, in Lincolnshire, and in Cambridgeshire Fens, will secure our future water supply and create a wide range of environmental, social and economic benefits.
- Reservoirs will mean reduced abstraction from sensitive environments, such as chalk-fed streams.
- We anticipate this will create new protected habitats for wildlife, new leisure destinations and business opportunities for local businesses and natural spaces for visitors and locals to explore.

Challenging year for performance against regulatory commitments

- Majority on track including environmental programme delivery, risk of drought restrictions, low pressure, unplanned outages and customer affordability.
- Much like the impacts of the flooding in early 2021, this year's hot, dry summer has impacted certain key measures including interruptions to supply and mains bursts, and our current performance trajectory indicates a similar Outcome Delivery Incentive (ODI) penalty position to last year. Our focus for H2 and beyond is ensuring we return to a glidepath to the performance the business is long-accustomed to.

A leading position on environment protection by voluntarily reducing abstraction licences

- Biggest reductions in abstraction this AMP (as a proportion of output) and on track to reduce by 85 Ml/d by 2025, despite operating in the driest region with the fastest growing population.
- As a result of efforts over decades to leave more water in the environment, 98.8% of SSSIs in our ownership are in a favourable condition (vs the national average of 38.6%). Given 65% of our region's SSSIs are also wetlands, this is even more significant.

- Abstraction reduction is one of the biggest contributions water companies can make to environmental protection. It is actions on abstraction that will ensure chalk streams have flows they need in pursuit of genuine, good ecological quality.
- We are advocating for truer environmental performance measurements, with more weight given to how much water is taken from the environment to redress the inequalities seen in the current EPA framework. As a single measure, the EPA omits our excellent position on bathing water quality, our early delivery of the largest WINEP, significant voluntary abstraction reductions, the avoidance of drought permits, and 'green' initiatives such as treatment wetlands.

Progress on our Get River Positive commitments

- Moving at pace to meet target reduction in average number of storm overflow spills to 20 by 2025 and commitment to zero 'Reason for Not Achieving Good status' (RNAG) incidents by 2030
- Announced 26 new treatment wetlands, with three sites fast-tracked to start in 2023, alongside progressing inland bathing waters, and delivering on the series of pledges for the environment and customers.
- Investing an additional £7 million on Get River Positive initiatives this year and next, including inland bathing water monitoring and citizen science.
- Largest ever environment programme (WINEP), which this AMP will deliver £800 million worth of environmental benefit, including reducing the impact of CSOs and creating new treatment wetlands.

Positive downward trajectory on total pollutions

- Achieved a 28% reduction in pollutions Jan-Sept 2022 (metric runs on a calendar year basis).
- Number of pollutions incidents per 10,000km of sewers in H1 has decreased by 8% and we remain on a glidepath to end the calendar year positively.

Swift operational response to drought and challenging ground conditions

- The hot, dry conditions over summer led to the greatest soil moisture deficit we've seen, creating significant ground movement and resulting bursts which we have responded to in order to minimise customer interruption and water loss.

Largest-ever single year programme of capital investment on track

- £289 million invested in the East of England so far in 2022/23, totalling £1.3 billion for the AMP so far, and although there are supply chain impacts from the war in Ukraine and other macroeconomic factors, we remain on a glidepath to deliver our largest-ever investment in a single year to the end of 2023.

Accelerated environmental programme delivery ahead of schedule

- Cumulative total of 1,184 schemes delivered since 2020, with a further 200 obligations forecasted for delivery this year. Schemes include investment in storm tanks, event duration monitors and bathing water quality.

Smart meters roll-out at rapid rate

- 1 in 5 customers now have a smart meter with 112,000 units installed in this period, bringing the total installed to 457,000 – helping to identify over 37,000 customer-side leaks this period.
- Resulting repairs have helped save approximately 2.3 ML/d across our region in this period alone.
- On track to meet 1.1 million installations by 2025, which equates to almost 50% of residential homes across the region.

Flow to Full Treatment

- As a purpose-driven company, bringing environmental and social prosperity is enshrined in the fabric of the business. Alongside our commitment to protect and enhance the environment through record-level capital investment programmes, we will also continue to work closely with our regulators and partners to deliver better environmental outcomes, as well as fully cooperating with the ongoing industry wide investigations by Ofwat and the Environment Agency.

On target to achieve operational carbon reductions versus our Net Zero 2018/19 baseline

- Still on track to meet 2030 net zero goals, with programmes like fleet decarbonisation and energy efficiency drives making good progress.
- This builds on a decade of carbon reduction focus enabling us to achieve a 63% reduction in capital carbon last year, against a 2010 baseline.

Making progress on the continued reduction of energy consumed across the business

- Electric vehicle programme and ongoing efforts to reduce energy expenditure throughout every aspect of the business continue to support this.

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Principal risks and uncertainties

Effective risk management is central to the achievement of our strategic priorities. We carefully assess the principal risks facing us. These risks centre around the criticality of our infrastructure; the importance of our customers and our people, climate change and the environment, health and safety in our service delivery, cyber security, and our ability to finance our business appropriately, and are reported regularly to the Board.

In addition to the principal risks, we also actively manage several low-level business stream risks which feed into our principal risks. Principal risks are assessed considering a combination 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. Regulatory and Policy
2. People
3. Health & Safety
4. Customer Proposition
5. Reputation
6. Legal
7. Financial
8. Commercial & Third Party
9. Technology
10. Asset Infrastructure
11. Water Supply & Quality
12. Strategic Execution
13. Environmental
14. Business Resilience

These risks are consistent with those included in the annual integrated report and consolidated financial statements for the year ended 31 March 2022. Full descriptions can be found on page 94 of our 2022 Annual Integrated Report.

We continue to monitor the ever-changing global environment, particularly rising energy costs, the cost of living crisis and the ongoing effects of the war in Ukraine against any potential financial impact and operational disruption. These topics are viewed as scenarios which impact on our principal risks and are therefore not included in our principal risks list, documented above.

We have a robust energy hedging programme which meant that we were fully hedged for the current year before the most significant energy price rises occurred. We continue to undertake activities to diversify our energy hedging in an extremely volatile market.

The war in Ukraine has seen a number of challenges experienced in our global supply chain with shortages of certain products and materials. These are expected to continue and in response, identification of alternative suppliers or de-risking where an alternative is not an option, is continuing to take place.

Business and households are facing increasing financial pressure with no obvious end in sight. We are monitoring this risk considering the cost of living crisis and the financial pressures that our customers will be facing and continuing to proactively identify customers struggling to pay their bills to provide both practical and financial support.

Climate change is a consideration of each of our principal and emerging risks. The development of our PR24 planning process will define a number of climate scenarios with alternative and adaptive pathways which can be adopted as the climate changes. The hot, dry summer this period has led to the largest soil moisture deficit we've seen, and we are therefore cautiously monitoring rainfall, reservoir and aquifer recharge as we progress through the crucial winter months. Significant efforts and additional investments in leakage and supply-side interventions are in train to secure supplies.

Financial performance

Results summary (unaudited)

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

By class of business for the six months ended 30 September 2022

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	760.9	28.7	-	-	**789.6**
Inter-segment	-	3.7	-	(3.7)	**-**
	760.9	**32.4**	**-**	**(3.7)**	**789.6**
Segment result					
EBITDA[1]	415.5	4.6	(4.2)	-	**415.9**
Depreciation and amortisation	(184.2)	(1.5)	0.3	-	**(185.4)**
Share of joint ventures operating profit	-	0.2	-	-	**0.2**
	231.3	**3.3**	**(3.9)**	**-**	**230.7**
Cash flows					
Operating cash flow	359.6	1.2	(9.1)	-	**351.7**
Capital expenditure	(289.0)	(0.2)	-	-	**(289.2)**
Net debt excluding derivative financial instruments[1]	(5,966.1)	8.2	(2,113.3)	-	**(8,071.2)**

[1] As defined in note 19

By class of business for the six months ended 30 September 2021

	Anglian Water (restated) £m	Anglian Venture Holdings (restated) £m	Head and Other (restated) £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	703.8	20.0	1.0	-	**724.8**
Inter-segment	0.1	3.5	28.0	(31.6)	**-**
	703.9	**23.5**	**29.0**	**(31.6)**	**724.8**
Segment result					
EBITDA[1]	391.2	3.7	9.1	(12.2)	**391.8**
Depreciation and amortisation	(171.7)	(1.7)	(0.5)	0.6	**(173.3)**
Share of joint ventures operating loss	-	(1.3)	-	-	**(1.3)**
	219.5	**0.7**	**8.6**	**(11.6)**	**217.2**
Cash flows					
Operating cash flow	361.3	19.9	(9.2)	(24.3)	**347.7**
Capital expenditure	(214.5)	(24.6)	-	24.3	**(214.8)**
Net debt excluding derivative financial instruments[1]	(5,548.0)	4.2[2]	(2,098.2)[2]	-	**(7,642.0)**

[1] As defined in note

[2] Figures restated for classification of internal debt.

Each segments performance is discussed in turn below:

Anglian Venture Holdings (AVH)

The increase in revenue and EBITDA is a result of higher inflation in the period, to which the main contract in Celtic Anglian Water is linked.

Following the purchase of group property by OHL Piper Ltd in the prior year, at March 2022 the business took the view to report all property business within the AVH segment. After accounting for the intra-group sale of property in the prior year, underlying operating cashflow, was £3.8 million lower than the prior period which is primarily as a result of the timing of the settlement of claims in CWRP Relocation Limited.

The improved net debt position reflects higher cash balances compared to September 2021.

Head Office and Other

EBITDA (net of intra-segment eliminations relating to the prior period property transaction) 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)	2022 £m	2021 £m (restated)[3]
Revenue (excl. grants and contributions)	*9.3%*	**716.0**	**655.2**
Grants and contributions	*(7.8%)*	44.9	48.7
Other operating income		7.7	7.2
Operating costs	*10.4%*	(353.1)	(319.9)
EBITDA[1]	6.2%	**415.5**	**391.2**
Depreciation and amortisation	*7.3%*	(184.2)	(171.7)
Operating profit	*5.4%*	**231.3**	**219.5**
Interest (excluding indexation)		(83.9)	(115.8)
Indexation charge		(259.0)	(82.7)
Finance income		6.7	0.4
Adjusted (loss)/profit before tax[1]		**(104.9)**	**21.4**
Fair value gains/(losses) on derivatives[2]		663.9	(91.6)
Profit/(loss) before tax		**559.0**	**(70.2)**
Tax charge		(139.5)	(324.6)
Profit/(loss) after tax		**419.5**	**(394.8)**

[1] As defined in note 19 of the AWS interim financial statements, 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 year 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.

[3] Our intangible asset accounting policy was amended in March 2022 to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of Software as a Service costs. The results, financial position and cash flows for the period ended 30 September 2021 have been restated as discussed in note 1.

Revenue

Revenue, excluding grants and contributions, for the six months was £716.0 million (2021: £655.2 million), an increase of £60.8 million (9.3 %) 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, £53.2 million increase.
- The impact of Covid-19 restrictions lifting, net £1.8 million increase. Household consumption down £4.1 million and non-household consumption up £5.9 million as we trend back to pre-Covid-19 levels of consumption.
- Other increases in revenue of £5.8 million including increases in customer numbers.

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. The previous year saw a strong rebound in the housing market following the easing of lockdown. In the 6 months to 30 September 2022 construction, and demand for new housing, is returning to more normal levels, which sees our income from grants and contributions reducing by £3.8 million compared to the same period last year.

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).

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 £33.2 million (10.4 %) to £353.1 million. This increase is explained in the table below:

	Total
Prior period	315.3
Prior period Software as a Service restatement	4.6
Prior period restated	319.9
Funded by FD	
Inflation	26.7
Capitalisation of replacement infrastructure assets	(7.1)
Weather related	
Drought-related expenditure	2.9
Bad debt provision	
Collection rates improvement	0.3
Reassessment of aged debt collection	(4.0)
Change in macroeconomic outlook	12.6
Power	
Self-generation	(3.8)
Non-commodity costs	(2.2)
Abstraction timing	(0.9)
Other significant items	
Fuel in excess of inflation	1.6
Chemicals in excess of inflation	4.8
Other	2.3
Total increase	33.2
September 2022	353.1

Prior year Software as a Service (SaaS) restatement

As disclosed in note 1, our intangible asset accounting policy was amended in March 2022 to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of Software as a Service costs, meaning certain costs that were previously capitalised have been expensed. This has resulted in an increase to operating costs of £4.6 million at September 2021 compared to what was previously reported.

Inflation

The inflationary increases in our costs base formed part of the Final Determination and are therefore funded through the inflationary increases in revenues.

Capitalisation of replacement infrastructure assets

In order to improve efficiency, there was a change in the way we deliver boundary box and external meter chamber replacement in the second half of last year. As a result of the change in delivery, which has moved from individual jobs to a scheme of work, the cost of the scheme is above our de-minimus threshold for capitalisation, resulting in the costs being treated as capital expenditure rather than operational.

Weather related

The past six months have seen very little rainfall and as a result we have seen exceptionally dry ground conditions. This has meant we have seen increases in pumping costs as we move water round the region and also increased costs in maintaining our leading leakage position as ground movements interfere with our infrastructure.

Bad debt provision

The increase in bad debt charge is primarily a result of two factors:

1. The reassessment of provision in our debt over 48 months old, a £4.0 million reduction, as a result of continued positive collection in combination with a change to our write-off policy in April 2020.

2. In addition, we estimate the impact of future macro-economic factors on our collection performance as required by IFRS 9. In September 2021 we released £6.6 million of this provision as the projected impact of Covid-19 on unemployment subsided. In the current period, given the cost of living crisis and latest unemployment forecasts we have increased the provision by £6.0 million resulting in a £12.6 million year-on-year movement. Further details can be found in note 2.

Power

Power costs pre inflation have decreased compared to the six months to September 2021 as a result of the following three factors:

1. Power consumption in our Water Recycling business unit was higher in the six months to September 2021 due to the lasting impacts of the wet weather in Winter 2020/21. In addition, we have increased self-generation at our Water Recycling sites which has in turn reduced power usage.

2. Lower consumption in our Water business unit in the period associated with the hot weather, as we were unable to abstract water from rivers due to low levels.
3. Non-commodity costs are lower than at a similar point last year as non-commodity costs reduced as a result of the increasing wholesale prices which have been hedged.

Other significant items

Other significant items primarily relate to costs that have risen above average inflation, such as fuel and chemicals.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 19 of the AWS interim financial statements and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 6.2 % to £415.5 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 7.3 % to £184.2 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 5.4 % to £231.3 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), as defined in note 19 of the AWS interim financial statements, increased from £198.1 million in the six-month period to September 2021 to £336.2 million in the equivalent period in 2022. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £176.3 million to £259.0 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 3.9 % to 11.9 % and year-on-year average Consumer Price Index (CPI) from 2.4 % to 9.6 %. We have both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV).

There was a fair value gain of £663.9 million on derivative financial instruments in the six months to September 2022, compared with a loss of £91.6 million in the six months to September 2021. 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 factors for the gain in 2022 were primarily due to decreases in the average levels of forward inflation expectations, in combination with the rise in forward interest rates (decreasing the discounted present value of derivatives). During the period, forward inflation decreased by circa 29 basis points and forward interest rates increased by 274 basis points across the curves.

Taxation

	Half-year Ended 30 Sept 2022	Half-year Ended 30 Sept 2021	Year ended 31 March 2022
	£m	£m	£m
Current tax:			
In respect of the current period	**(8.7)**	(49.3)	(13.6)
Adjustments in respect of prior periods	**-**	-	(5.1)
Total current tax credit	**(8.7)**	(49.3)	(18.7)
Deferred tax:			
Origination and reversal of temporary differences	**148.2**	29.0	(25.9)
Adjustments in respect of previous periods	**-**	-	1.2
Increase in corporation tax rate	**-**	344.9	353.6
Total deferred tax charge	**148.2**	373.9	328.9
Total tax charge on profit on continuing operations	**139.5**	324.6	310.2

Compared to the same period in the previous year, the total tax charge has decreased by £185.1 million from a charge of £324.6 million to a charge of £139.5 million. This is primarily due to the impact the change in tax rate had on the deferred tax charge in the previous year, offset by an increase due to the higher gains on derivative movements in the current year.

We are one of the largest private investors in infrastructure in our region, having invested just 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.

As our deferred liability will not arise until after the new rate is in force in April 2023 we have to state the liability using the increased rate of 25%. This is represented by the £344.9 million shown in last year's comparative tax charge. This is therefore a non-cash tax charge. In addition, tax forms part of the revenue building block and therefore any future tax charges will be funded through revenues. Further, Ofwat introduced a tax true-up reconciliation in the current AMP to account for changes in tax rates.

In addition to the £139.5 million tax charge on the income statement, there is a charge of £27.9 million (2021: £4.8 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value gains on cash flow hedges.

IAS 34 requires that the amount of the current tax charge/(credit) and the deferred tax charge/(credit) recognised in the period is based upon the full year tax forecasts and is calculated in the ratio of the amount of profit before tax arising in the half-year compared with the forecast for the full year.

Continuing to deliver our AMP7 capital investment programme

2022/23 is the third 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 with gross annual capital expenditure on a cash basis across the appointed business increasing from £228.7 million in the six months to 30 September 2021 to £289.0 million in the six months to September 2022 (£124.2 million on capital maintenance, £164.8 million on capital enhancement). This is broadly in line with management expectations and is particularly pleasing given the significant increase in the size of the programme compared to AMP6 in addition to the supply chain impacts from the war in Ukraine and other macroeconomic factors.

This has resulted in a £128.0 million increase in Property, plant and equipment and intangible assets, net of depreciation over the six months.

Financial needs and resources

During the six-month period to September 2022, Anglian Water issued a 10-year Canadian Maple Bond amounting to CA$350.0 million which was swapped to a sterling equivalent of £224.8 million.

Repayments of £308.3 million were made in respect of maturing debt, which consisted of a £250 million 5.837% fixed rate debt and £15 million 1.37% index-linked private placement, and amortising payments on EIB index-linked debt.

At 30 September 2022, Anglian Water had borrowings net of cash of £5,966.1 million (£6,345.3 million including the fair valuation of derivatives), an increase of £344.7 million (a decrease of £364.6 million including the fair value of derivatives) from 31 March 2022. The fair value of derivative financial liabilities was £515.5 million, excluding derivative financial assets of £136.3 million in respect of energy derivatives. Net borrowings of £5,966.1 million comprised fixed, index-linked and variable-rate debt of £6,506.3 million, leases of £33.5 million and cash and deposits of £573.7 million. The increase in net borrowings, excluding the fair value of derivatives, primarily reflects the higher accretion on index-linked debt. In addition to above, a £100 million CPIH index linked forward starting debt was transacted and proceeds received on 8 November. Due to the timing of proceeds, this was not included in the debt figures above.

The business generated cash from operations of £359.6 million in the period (2021: £361.3 million). The decrease primarily reflects short term timing differences on working capital more than offsetting improvements in EBITDA described above.

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 2022, Anglian Water held cash, deposits and current asset investments of £573.7 million (March 2022: £870.7 million). The decrease in cash amounts held is reflective of the higher debt repayments than new debt issuances in the period, the payment of the March 2022 final dividend and also the net of operational and residual investing and financing cashflows.

As at September 2022 Anglian Water has access to £600.0 million of undrawn facilities (March 2022: £600.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £375.0 million of liquidity facilities (March 2022: £375.0 million), consisting of £254.0 million to finance debt service costs and £121.0 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. See note 1 for further commentary over the liquidity requirements of the group in relation to going concern.

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 Plc (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 2022, taking into account interest rate swaps, 69.7 % (March 2022: 68.9 %) of the company's borrowings were at rates indexed to inflation, 24.8 % (March 2022: 25.1 %) were at fixed rates and 5.5 % (March 2022: 6 %) were at floating rates. At 30 September 2022, the proportion of inflation debt to regulated capital value was 50.4 % (2021: 51.4 %).

Pension funding

At 30 September 2022, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £124.2 million, compared to £163.4 million at 31 March 2022. This decrease 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 greater 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:

Peter Simpson

Chief Executive

Steven Buck

Chief Financial Officer

Anglian Water Group Limited

Group condensed income statement

for the six months ended 30 September 2022

Notes		**Half-year ended 30 September 2022 Unaudited £m**	Half-year ended 30 September 2021 Unaudited (restated) £m	Year ended 31 March 2022 Audited £m
5	**Revenue**	**789.6**	724.8	1,452.8
	Other operating income	**7.7**	7.2	12.3
	Operating costs			
	Operating costs before depreciation, amortisation and charge for bad and doubtful debts	**(364.0)**	(331.8)	(666.2)
	Depreciation and amortisation	**(185.4)**	(173.3)	(351.1)
	Charge for bad and doubtful debts	**(17.4)**	(8.4)	(11.1)
	Total operating costs	**(566.8)**	(513.5)	(1,028.4)
	Operating profit	**230.5**	218.5	436.7
6	Finance income	**9.7**	1.2	3.9
6	Finance costs, including fair value gains/losses on derivative financial instruments	**277.7**	(317.3)	(646.5)
	Net finance income/(costs)	**287.4**	(316.1)	(642.6)
	Share of loss of joint ventures	**(0.8)**	(2.5)	(2.6)
	Loss before tax from continuing operations			
	Loss before fair value gains/losses[1]	**(146.8)**	(8.5)	(93.4)
6	Fair value gains/(losses) on derivative financial instruments	**663.9**	(91.6)	(115.1)
	Profit/(loss) before tax from continuing operations	**517.1**	(100.1)	(208.5)
7	Tax charge	**(128.2)**	(310.8)	(289.1)
	Profit/(loss) for the period	**388.9**	(410.9)	(497.6)

[1]As defined in note 20

Notes 1 to 22 are an integral part of these condensed financial statements.

The results, financial position and cash flows for the period ended 30 September 2021 have been restated as a result of the change in accounting policy as discussed in note 1.

Anglian Water Group Limited

Group statement of comprehensive income

for the six months ended 30 September 2022

Notes		**Half-year ended 30 September 2022 Unaudited £m**	Half-year ended 30 September 2021 Unaudited (restated) £m	Year ended 31 March 2022 Audited £m
	Profit/(loss) for the period	**388.9**	(410.9)	(497.6)
	Other comprehensive income			
	Items that will not be reclassified to income statement			
15	Actuarial (losses)/gains on retirement benefit deficit	**(102.7)**	(26.0)	203.8
7	Income tax on items that will not be reclassified	**26.2**	**6.7**	**(40.3)**
		(76.5)	(19.3)	163.5
	Items that may be reclassified subsequently to income statement			
16	Gains on cash flow hedges recognised in equity	**151.0**	40.0	59.3
16	Gains/(losses) on cost of hedging recognised in equity	**0.9**	(2.8)	(2.6)
16	Gains on cash flow hedges transferred to income statement	**5.0**	6.7	14.0
16	Losses on cost of hedging transferred to income statement	**-**	(0.6)	-
	Currency translation differences	**0.5**	0.1	0.4
7	Income tax on items that may be reclassified	**(39.2)**	**(8.2)**	**(15.0)**
		118.2	35.2	56.1
	Other comprehensive income for the period, net of tax	**41.7**	15.9	219.6
	Total comprehensive income/(expense) for the period	**430.6**	(395.0)	(278.0)

Group condensed balance sheet

as at 30 September 2022

Notes		**At 30 September 2022 Unaudited £m**	At 30 September 2021 Unaudited (restated) £m	At 31 March 2022 Audited £m
	Non-current assets			
	Goodwill	**445.8**	445.8	445.8
9	Other intangible assets	**242.9**	211.5	225.5
10	Property, plant and equipment	**10,415.9**	10,120.0	10,305.9
	Investment properties	**3.6**	3.2	3.6
11	Investments in joint ventures	**11.9**	12.7	12.6
	Derivative financial instruments	**241.1**	85.3	57.8
15	Retirement benefit surplus	**165.7**	44.1	269.1
		11,526.9	10,922.6	11,320.3
	Current assets			
	Inventories	**25.9**	23.3	23.8
	Trade and other receivables	**690.5**	610.7	567.2
	Current tax receivables	**-**	-	-
	Investments	**357.7**	428.7	430.7
	Cash and cash equivalents	**402.3**	588.1	613.4
	Derivative financial instruments	**80.3**	47.1	56.5
		1,556.7	1,697.9	1,691.6
	Total assets	**13,083.6**	12,620.5	13,011.9
	Current liabilities			
	Trade and other payables	**(684.9)**	(580.2)	(610.5)
	Current tax liabilities	**0.4**	-	-
	Borrowings	**(1,100.8)**	(863.9)	(517.4)
	Derivative financial instruments	**(4.1)**	(8.6)	(10.1)
14	Provisions	**(5.0)**	(8.3)	(3.7)
		(1,794.4)	(1,461.0)	(1,141.7)
	Net current (liabilities)/assets	**(237.7)**	236.9	549.9
	Non-current liabilities			
	Borrowings	**(7,730.4)**	(7,794.9)	(8,286.0)
	Derivative financial instruments	**(696.5)**	(1,100.6)	(1,192.8)
	Deferred tax liabilities	**(1,534.0)**	(1,361.6)	(1,393.1)
15	Retirement benefit deficit	**(36.5)**	(62.8)	(41.8)
14	Provisions	**(2.7)**	(6.3)	(6.2)
		(10,000.1)	(10,326.2)	(10,919.9)
	Total liabilities	**(11,794.5)**	(11,787.2)	(12,061.6)
	Net assets	**1,289.1**	833.3	950.3

Continued on the next page

Group condensed balance sheet (continued)

as at 30 September 2022

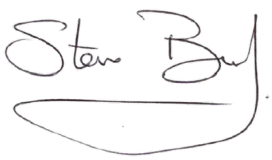
Notes		**At 30 September 2022 Unaudited £m**	At 30 September 2021 Unaudited £m	At 31 March 2022 Audited £m
	Capital and reserves			
	Share premium	**1,096.2**	1,096.2	1,096.2
	Retained earnings	**52.7**	(264.0)	(167.9)
16	Hedging reserve	**137.4**	0.2	20.4
16	Cost of hedging reserve	**1.0**	(0.1)	0.3
	Translation reserve	**1.8**	1.0	1.3
	Total equity	**1,289.1**	833.3	950.3

Notes 1 to 22 are an integral part of these condensed financial statements.

The condensed financial statements were approved by the Board of Directors on 7 December 2022 and signed on its behalf by:

Peter Simpson

Chief Executive



Steven Buck

Chief Financial Officer

Anglian Water Group Limited

Group condensed statement of changes in equity

for the six months ended 30 September 2022

	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 2022						
At 1 April 2022	1,096.2	(167.9)	20.4	0.3	1.3	950.3
Profit for the period	-	388.9	-	-	-	**388.9**
Other comprehensive (expense)/income for the period	-	(76.5)	117.0	0.7	0.5	**41.7**
Total comprehensive income	-	312.4	117.0	0.7	0.5	**430.6**
Dividends paid	-	(91.8)	-	-	-	**(91.8)**
At 30 September 2022	**1,096.2**	**52.7**	**137.4**	**1.0**	**1.8**	**1,289.1**
Six months ended 30 September 2021						
At 1 April 2021 (as previously reported)	1,096.2	208.2	(37.4)	2.4	0.9	1,270.3
Change in accounting policy		(42.0)				(42.0)
At 1 April 2021 (restated)	1,096.2	166.2	(37.4)	2.4	0.9	1,228.3
Loss for the period	-	(410.9)	-	-	-	(410.9)
Other comprehensive (expense)/income for the period	-	(19.3)	37.6	(2.5)	0.1	15.9
Total comprehensive (expense)/income	-	(430.2)	37.6	(2.5)	0.1	(395.0)
At 30 September 2021 (Restated)	1,096.2	(264.0)	0.2	(0.1)	1.0	833.3
Year ended 31 March 2022						
At 1 April 2021 (as previously reported)	1,096.2	208.2	(37.4)	2.4	0.9	1,270.3
Change in accounting policy		(42.0)				(42.0)
At 1 April 2021 (restated)	1,096.2	166.2	(37.4)	2.4	0.9	1,228.3
Loss for the year	-	(497.6)	-	-	-	(497.6)
Other comprehensive income/(expense) for the year	-	163.5	57.8	(2.1)	0.4	219.6
Total comprehensive (expense)/income	-	(334.1)	57.8	(2.1)	0.4	(278.0)
At 31 March 2022	1,096.2	(167.9)	20.4	0.3	1.3	950.3

Anglian Water Group Limited

Group condensed cash flow statement

for the six months ended 30 September 2022

Notes		**Half-year ended 30 September 2022 Unaudited**	Half-year ended 30 September 2021 Unaudited (restated)	Year ended 31 March 2022 Audited
		£m	£m	£m
	Operating activities			
	Operating profit	**230.5**	218.5	436.7
	Adjustments for:			
	Depreciation and amortisation	**185.4**	173.3	351.1
	Assets adopted for £nil consideration	**(13.9)**	(23.5)	(39.2)
	Profit on disposal of property, plant and equipment	**(0.8)**	(0.9)	(5.0)
	Difference between pension charge and cash contributions	**(1.6)**	(9.9)	(26.6)
	Net movement in provisions	**(2.2)**	1.6	(3.1)
	Working capital:			
	Increase in inventories	**(2.1)**	(1.7)	(2.2)
	Increase in trade and other receivables	**(127.9)**	(66.8)	(15.3)
	Increase in trade and other payables	**84.3**	57.1	47.0
		351.7	347.7	743.4
	Income taxes paid	**(0.4)**	(0.3)	(0.8)
	Net cash flows from operating activities	**351.3**	347.4	742.6
	Investing activities			
	Repayment of loans by joint ventures	**4.0**	8.0	2.0
	Purchase of property, plant and equipment	**(254.4)**	(203.0)	(465.8)
	Purchase of intangible assets	**(35.6)**	(13.0)	(58.7)
	Proceeds from disposal of property, plant and equipment	**0.8**	1.2	5.7
	Interest received	**7.2**	1.8	3.4
	Decrease/(increase) in short-term bank deposits	**73.0**	(340.2)	(342.2)
	Net cash used in investing activities	**(205.0)**	(545.2)	(855.6)
	Financing activities			
	Interest paid	**(176.6)**	(181.4)	(281.9)
	Debt issue costs paid	**(1.8)**	(19.4)	(28.7)
	Interest paid on leases	**(0.4)**	(0.4)	(1.2)
	Increase in amounts borrowed	**225.1**	1,385.0	2,040.5
	Repayment of amounts borrowed	**(308.3)**	(741.4)	(1,338.4)
	Receipt of principal on derivatives	**-**	72.9	75.9
	Repayment of principal on leases	**(3.6)**	(2.7)	(13.1)
	Dividends paid	**(91.8)**	-	-
	Net cash (used in)/from financing activities	**(357.4)**	512.6	453.1
	Net (decrease)/increase in cash and cash equivalents	**(211.1)**	314.8	340.1
	Cash and cash equivalents at the beginning of the period	**613.4**	273.3	273.3
	Cash and cash equivalents at the end of the period	**402.3**	588.1	613.4

1. Basis of preparation and accounting policies

The condensed financial statements for the six months ended 30 September 2022, which are unaudited, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom.

The Anglian Water Group Limited, and it's subsidiaries, (the Group) financial statements comprise a consolidation of the financial statements of Anglian Water Group Limited and its subsidiaries at 30 September 2022. Intercompany sales and profit are eliminated fully on consolidation.

The condensed financial statements for the six months ended 30 September 2022, including comparative information, do not constitute statutory accounts of Anglian Water Group Limited). Statutory accounts for the year ended 31 March 2022, prepared in accordance with International Financial Reporting Standards (IFRS) as 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, were approved by the Board on 13 July 2022 and the Auditor's report on those accounts was unqualified. The condensed financial statements for the six months ended 30 September 2022 should be read in conjunction with the annual integrated report and consolidated financial statements for the year ended 31 March 2022 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 2022, 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 2023.

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

The following standards and amendments are effective in the Group's consolidated financial statements:

- Amendments to IFRS 3 'Reference to the Conceptual Framework (Effective from January 2022)
- Annual Improvements to IFRS 2018-2020 (Effective from January 2022)
- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (Effective from January 2022

None of the changes to IFRS described above have a material impact on the Group's consolidated financial statements.

1. Basis of preparation and accounting policies (continued)

IFRIC guidance clarification on treatment of configuration and customisation costs in a cloud computing arrangement

The September 2021 financial statements have been restated as a result of the IFRS Interpretations Committee ('IFRIC') agenda decision on the treatment of configuration and customisation costs in a cloud computing arrangement as ratified by the International Accounting Standards Board in April 2021. At the date of publishing the prior year financial statements, the Group was conducting a detailed assessment of the impacted items and therefore did not disclose restated figures in those financial statements. The opening balances in the Group accounts for the year ending 31 March 2022 were restated and the restatement of the 6 months to 30 September, as shown below, is consistent with that.

The guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a software-as-a-service (SaaS) arrangement, it is necessary for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets.

The Group's previous policy was to capitalise such customisation and configuration costs. The Group has therefore changed its accounting policy to align to the agenda decision. A detailed assessment was conducted to identify the impact to align the current year financial statements to this conclusion and to restate comparative periods.

1. Basis of preparation and accounting policies (continued)

IFRIC guidance clarification on treatment of configuration and customisation costs in a cloud computing arrangement (continued)

The following tables summarise the impact of the change in policy on the financial statements of the Group.

Restated Condensed Income Statement

	Half year ended 30 September 2021		
	As published	Change in Accounting policy	**Restated**
	£m	£m	**£m**
Continuing operations			
Operating costs before depreciation and amortisation	(327.2)	(4.6)	**(331.8)**
Depreciation and amortisation	(179.2)	5.9	**(173.3)**
Operating profit	217.2	1.3	**218.5**
Finance costs including fair value losses on derivative financial instruments	(316.9)	(0.4)	**(317.3)**
Loss before tax from continuing operations			
Profit before fair value losses on derivative financial instruments	(9.4)	0.9	**(8.5)**
Loss before tax from continuing operations	(101.0)	0.9	**(100.1)**
Tax	(310.6)	(0.2)	**(310.8)**
Loss for the period	(411.6)	0.7	**(410.9)**

1. Basis of preparation and accounting policies (continued)

IFRIC guidance clarification on treatment of configuration and customisation costs in a cloud computing arrangement (continued)

Restated Condensed Group Balance Sheet at 30 September 2021

	At 30 September 2021		
	As published £m	Change in Accounting policy £m	**Restated £m**
Non-current assets			
Other intangible assets	272.1	(60.6)	**211.5**
Current liabilities			
Trade and other payables	(589.8)	9.6	**(580.2)**
Non-current liabilities			
Deferred tax liabilities	(1,371.3)	9.7	**(1,361.6)**
Net assets	874.6	(41.3)	**833.3**
Capital and reserves			
Retained earnings	(222.7)	(41.3)	**(264.0)**
Total equity	874.6	(41.3)	**833.3**

Standards, amendments and interpretations not yet effective and not early adopted

The following standards and amendments have not been adopted in the Group's consolidated financial statements as they are not yet effective:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (Effective date not yet decided by IASB)
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' (Effective from January 2023)
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (Effective from January 2023)
- Amendments to IAS 8 'Definition of Accounting Estimates' (Effective from January 2023)
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Effective from January 2023)
- Amendments to IFRS 17 'Insurance Contracts' (Effective January 2023)

The Group does not expect the future application of these amendments to have any significant impact on the consolidated financial statements.

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.

In line with the assessment at March 2022, the review included a range of downside outcomes as a result of the macro-economic environment. Key updates since the previous assessment are as follows:

- There continues to be considerable market volatility particularly in terms of energy, interest rates and inflation.
- Higher inflation is improving gearing relative to RCV.
  These updates along with company specific changes have been incorporated into our latest forecast which has been approved by the Board. This forecast forms our base going concern assessment which looks at liquidity, profitability and debt covenants.

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 focusing on the impact of the cost of living crisis and higher unemployment, the impacts of higher inflation and interest rates, as well as specific risks to the business, such as our ability to meet our stretching renewable energy generation targets.

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.

1. Basis of preparation and accounting policies (continued)

a) Going Concern (continued)

- Liquidity – the Group holds sufficient liquidity to cover the going concern period even under the most severe downside scenario.
- Profitability – The majority of the Group's revenues are underpinned by the regulatory model and the business has a detailed plan in place to deliver in line with the CMA FD. Our most severe scenario represents an 11 % reduction in EBITDA.
- Debt covenants – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) 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.

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 assumptions and significant judgements

In preparing these condensed financial statements, the methodology used in 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 2022.

Whilst the methodology used was consistent with March 2022, between the February and August market data publications by the Bank of England, forecast unemployment in 2024/25 rose by approximately 100 basis points. As a result, management have increased the bad debt provision by £6.0 million. A further 100 basis point increase in unemployment forecasts in 2024/25 would increase the bad debt charge by £2.2 million.

A key consideration, but not one which the Group views as representing a material estimation uncertainty, is climate change. Climate change is a global challenge and an emerging risk not only to the environment but markets, businesses and people throughout the world. Climate change is embedded into everything we do and our long-term strategy effectively identifies, manages and mitigates these key risks. Consideration has been given to the impact of climate-related risks on management's judgements and estimates, including the carrying value of our assets and their useful economic lives (UEL) as a result of our 2030 net zero route map.

Whilst the impact of climate-related risks on the consolidated financial statements for the 6 months to 30 September 2022 is not material, the Directors are aware of the ever-changing risks associated to climate change and will continue to regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

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 2022 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,
    - OHL Property Holdings which oversees the construction of a new water recycling centre, and
    - OHL Piper Limited – a property rental business.

- Head Office and Other – comprises head office and other group functions, including Property.

Following the purchase of group property by OHL Piper Ltd in the prior year, the business took the view to report all property business within the AVH segment.

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 2022

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	760.9	28.7	-	-	**789.6**
Inter-segment	-	3.7	-	(3.7)	**-**
	760.9	**32.4**	**-**	**(3.7)**	**789.6**
Segment result					
EBITDA[1]	415.5	4.6	(4.2)	-	**415.9**
Depreciation and amortisation	(184.2)	(1.5)	0.3	-	**(185.4)**
Share of joint ventures operating profit	-	0.2	-	-	**0.2**
	231.3	**3.3**	**(3.9)**	**-**	**230.7**
Cash flows					
Operating cash flow	359.6	1.2	(9.1)	-	**351.7**
Capital expenditure	(289.0)	(0.2)	-	-	**(289.2)**
Net debt excluding derivative financial instruments[1]	(5,966.0)	8.2	(2,113.4)	-	**(8,071.2)**

[1]As defined in note 20

By class of business for the six months ended 30 September 2021

	Anglian Water (restated) £m	Anglian Venture Holdings (restated) £m	Head Office and Other (restated) £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	703.8	20.0	1.0	-	**724.8**
Inter-segment	0.1	3.5	28.0	(31.6)	**-**
	703.9	**23.5**	**29.0**	**(31.6)**	**724.8**
Segment result					
EBITDA[1]	391.2	3.7	9.1	(12.2)	**391.8**
Depreciation and amortisation	(171.7)	(1.7)	(0.5)	0.6	**(173.3)**
Share of joint ventures operating profit	-	(1.3)	-	-	**(1.3)**
	219.5	**0.7**	**8.6**	**(11.6)**	**217.2**
Cash flows					
Operating cash flow	361.3	19.9	(9.2)	(24.3)	**347.7**
Capital expenditure	(214.5)	(24.6)	-	24.3	**(214.8)**
Net debt excluding derivative financial instruments[1]	(5,548.0)	4.2[2]	(2,098.2)[2]	-	**(7,642.0)**

4. Segmental information (continued)

By class of business for the year ended 31 March 2022

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	1,399.8	53.0	-	-	**1,452.8**
Inter-segment	-	7.9	24.6	(32.5)	**-**
	1,399.8	**60.9**	**24.6**	**(32.5)**	**1,452.8**
Segment result					
EBITDA[1]	788.5	10.3	(11.0)	-	**787.8**
Depreciation and amortisation	(347.7)	(2.9)	(0.5)	-	**(351.1)**
Share of joint ventures operating profit	-	(0.4)	-	-	**(0.4)**
Inter-segment	-	-	9.5	(9.5)	**-**
	440.8	**7.0**	**(2.0)**	**(9.5)**	**436.3**
Cash flows					
Operating cash flow	749.9	14.7	(21.2)	-	**743.4**
Capital expenditure	(518.2)	(0.6)	-	-	**(518.8)**
Net debt excluding derivative financial instruments[1]	(5,621.3)	3.8	(2,141.8)	-	**(7,759.3)**

[1] As defined in note 20

[2] Figures restated for classification of internal debt.

4. **Segmental information** (continued)

Reconciliation of segmental information

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 (restated) £m	Year ended 31 March 2022 £m
Segment result	**230.7**	217.2	436.3
Finance income	**9.7**	1.2	3.9
Finance costs including fair value gains/(losses)	**277.7**	(317.3)	(646.5)
Share of joint ventures interest payable	**(1.0)**	(0.9)	(1.8)
Share of joint ventures tax	**-**	(0.3)	(0.4)
Profit/(loss) before tax from continuing operations	**517.1**	(100.1)	(208.5)
Total operating cash flow by segment	**351.7**	347.7	743.4
Income taxes paid	**(0.4)**	(0.3)	(0.8)
Net cash flows from operating activities	**351.3**	347.4	742.6
Purchase of property, plant and equipment	**(254.4)**	(203.0)	(465.8)
Purchase of intangible assets	**(35.6)**	(13.0)	(58.7)
Proceeds from disposal of property, plant and equipment	**0.8**	1.2	5.7
Capital expenditure spend by segment	**(289.2)**	(214.8)	(518.8)
Cash and cash equivalents	**402.3**	588.1	613.4
Cash deposits	**357.7**	428.7	430.7
Borrowings due within one year	**(1,100.8)**	(863.9)	(517.4)
Borrowings due after more than one year	**(7,730.4)**	(7,794.9)	(8,286.0)
Net debt by segment	**(8,071.2)**	(7,642.0)	(7,759.3)
Derivative financial instruments[1]	**(515.5)**	(1,028.9)	(1,162.0)
Net debt	**(8,586.7)**	(8,670.9)	(8,921.3)

[1] Derivative financial instruments exclude the asset of £136.3 million (30 September 2021: asset of £52.1 million; 31 March 2022: asset of £73.4 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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Anglian Water			
Household - measured	**448.7**	409.8	807.1
Household - unmeasured	**113.9**	110.6	221.3
Non-household - measured	**130.6**	112.5	228.9
Grants and contributions[1]	**44.9**	48.7	100.1
Other	**22.8**	22.3	42.4
	760.9	703.9	1,399.8
Anglian Venture Holdings	**32.4**	23.5	60.9
Inter-segment eliminations	**(3.7)**	(3.6)	(7.9)
	789.6	723.8	1,452.8
Property revenue	**-**	1.0	-
	789.6	724.8	1,452.8

[1] Included in grants and contributions are adopted assets of £13.9 million (Sept 2021: £23.5 million, March 2022: £39.2 million) and diversions of £2.7 million (Sept 2021: £3.0 million, March 2022: £8.1 million)

6. Net finance costs

	Half-year ended 30 September 2022 £m	Half-year ended 30 September (restated) 2021 £m	Year ended 31 March 2022 £m
Finance income			
Interest income on short-term bank deposits	**5.7**	0.3	1.7
Defined benefit pension scheme interest income	**3.1**	-	0.5
Other interest income	**0.9**	0.9	1.7
	9.7	1.2	3.9
Finance costs			
Interest expense on bank loans and overdrafts	**(2.4)**	(1.3)	(2.7)
Interest expense on other loans including financing expenses	**(144.1)**	(150.0)	(290.2)
Indexation of loan stock	**(259.0)**	(82.7)	(255.0)
Amortisation of debt issue costs	**(4.1)**	(4.1)	(12.9)
Interest on leases	**(0.4)**	(0.4)	(1.2)
Amortisation of fair value adjustments	**6.7**	6.9	13.9
Total finance costs	**(403.3)**	(231.6)	(548.1)
Less: amounts capitalised on qualifying assets	**17.1**	5.9	16.7
	(386.2)	(225.7)	(531.4)
Fair value gains/(losses) on derivative financial instruments			
Fair value (loss)/gains on energy hedges	**(0.2)**	0.2	-
Hedge ineffectiveness on cash flow hedges	**-**	0.5	0.5
Hedge ineffectiveness on fair value hedges	**(0.9)**	(0.6)	0.4
Amortisation of adjustment to debt in fair value hedge	**-**	(0.1)	(0.1)
Derivative financial instruments not designated as hedges	**669.9**	(85.6)	(104.1)
Recycling of de-designated cash flow hedge relationship	**(4.9)**	(6.0)	(11.8)
	663.9	(91.6)	(115.1)
Finance costs, including fair value gains/(losses) on derivative financial instruments	**277.7**	(317.3)	(646.5)
Net finance costs	**287.4**	(316.1)	(642.6)

7. Taxation

	Half-year ended 30 September 2022	Half-year ended 30 September 2021 (restated)	Year ended 31 March 2022
	£m	£m	£m
Current tax:			
In respect of the current period	**0.3**	0.3	0.8
Total current tax charge	**0.3**	0.3	0.8
Deferred tax:			
Origination and reversal of temporary differences	**127.9**	(24.0)	(56.4)
Adjustments in respect of previous periods	**-**	-	(0.8)
Increase in corporation tax rate	**-**	334.5	345.5
Total deferred tax charge	**127.9**	310.5	288.3
Total tax charge on loss on continuing operations	**128.2**	310.8	289.1

The tax charge for the six months ended 30 September 2022 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 2022, of 25.6%.

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 19% (30 September 2021 and 31 March 2022: 19%) to the profit before tax from continuing operations as follows:

7. **Taxation** (continued)

	Half-year ended 30 September 2022 £m	Half-year ended 30 September (restated) 2021 £m	Year ended 31 March 2022 £m
Profit/(loss) before tax from continuing operations	**517.1**	(100.1)	(208.5)
Profit/(loss) before tax from continuing operations at the standard rate of corporation tax in the UK of 19% (2021: 19%)	**98.3**	(18.9)	(39.6)
Effects of recurring items:			
Items not deductible for tax purposes			
Depreciation and losses on assets not eligible for tax relief	**0.9**	0.2	0.4
Disallowable expenditure	**0.3**	0.1	2.3
Interest restriction	**1.8**	1.4	4.7
Difference in overseas tax rates	**(0.2)**	(0.2)	(0.4)
Joint ventures results reported net of tax	**0.2**	0.5	0.5
	101.3	(16.9)	(32.1)
Effects of non-recurring items:			
Profit on disposal of business subject to statutory exemption			
Increase in corporation tax rate	**-**	334.5	345.5
Effects of differences between rates of current and deferred tax	**30.7**	(5.8)	(15.9)
Effects of Capital Allowance super-deduction	**(3.4)**	(0.9)	(7.6)
Other permanent differences	**(0.4)**	(0.1)	-
Adjustments in respect of prior periods	**-**	-	(0.8)
Tax charge for the period	**128.2**	310.8	289.1

7. Taxation (continued)

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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Deferred tax:			
Defined benefit pension schemes	**(26.2)**	(6.5)	51.9
Cash flow hedges	**39.2**	10.8	17.6
Increase in corporation tax rate - pensions	**-**	(0.2)	(11.6)
Increase in corporation tax rate - hedges	**-**	(2.6)	(2.6)
Total deferred tax charge	**13.0**	1.5	55.3
Total tax charge recognised in other comprehensive income	**13.0**	1.5	55.3

8. Dividends

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Dividend paid	**91.8**	-	-
	91.8	-	-

9. 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 2022 £m	Half-year ended 30 September 2021 (restated) £m	Year ended 31 March 2022 £m
Cost			
At 1 April (as previously reported)	**637.3**	675.4	577.7
Change in accounting policy	**-**	(97.7)	-
At 1 April (restated)	**637.3**	577.7	577.7
Additions	**38.5**	25.8	62.1
Disposals	**(12.3)**	-	(2.5)
Exchange adjustments	**0.9**	0.2	-
Closing balance	**664.4**	603.7	637.3
Accumulated amortisation			
At 1 April (as previously reported)	**(411.8)**	(407.7)	(372.9)
Change in accounting policy	**-**	34.8	-
At 1 April (restated)	**(411.8)**	(372.9)	(372.9)
Charge for the period	**(21.4)**	(19.2)	(41.0)
Disposals	**12.3**	-	2.1
Exchange adjustments	**(0.6)**	(0.1)	-
Closing balance	**(421.5)**	(392.2)	(411.8)
Net book amount			
Closing balance	**242.9**	211.5	225.5

10. 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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Cost			
At 1 April	**15,571.7**	15,031.4	15,031.4
Additions	**273.9**	230.9	573.0
Disposals	**(13.4)**	(18.8)	(32.7)
Closing balance	**15,832.2**	15,243.5	15,571.7
Accumulated depreciation			
At 1 April	**(5,265.8)**	(4,987.9)	(4,987.9)
Charge for the period	**(164.0)**	(154.1)	(310.0)
Disposals	**13.5**	18.5	32.1
Closing balance	**(5,416.3)**	(5,123.5)	(5,265.8)
Net book amount			
Closing balance	**10,415.9**	10,120.0	10,305.9

11. Investments in joint ventures

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
At 1 April	**12.7**	15.2	15.2
Loss for the period	**(0.8)**	(2.5)	(2.6)
Closing balance	**11.9**	12.7	12.6

The loss for the period of joint ventures comprises the Group's share of the results of the Wave joint venture as follows: operating profit of £0.2 million (30 September 2021: loss of £1.3 million, 31 March 2022: loss of £0.4 million), an interest expense of £1.0 million (30 September 2021: expense of £0.9 million, 31 March 2022: expense of £1.8 million) and a tax credit of £nil (30 September 2021: credit of £0.3 million, 31 March 2022: charge of £0.4 million). Other joint ventures are immaterial to the Group.

12. Analysis of net debt

Net debt at 30 September 2022

	Net cash and cash equivalents	Current asset investments - cash deposits	Liabilities from financing activities: Borrowings	Liabilities from financing activities: Derivative financial instruments [1]	
	£m	£m	£m	£m	**£m**
At 1 April 2022	613.4	430.7	(8,803.4)	(1,162.0)	**(8,921.3)**
Cash flows:					
Interest paid	(176.6)	-	17.5	6.9	**(152.2)**
Issue costs paid	(1.8)	-	1.8	-	**-**
Interest on leases	(0.4)	-	-	-	**(0.4)**
Increase in amounts borrowed	225.1	-	(225.1)	-	**-**
Repayment of amounts borrowed	(308.3)	-	308.3	-	**-**
Repayment of principal on leases	(3.6)	-	3.6	-	**-**
Non-financing cash flows [2]	54.5	(73.0)	-	-	**(18.5)**
	(211.1)	(73.0)	106.1	6.9	**(171.1)**
Non-cash movements:					
Movement in interest accrual on debt	-	-	23.4	-	**23.4**
New lease agreements	-	-	(0.8)	-	**(0.8)**
Amortisation of issue costs	-	-	(4.1)	-	**(4.1)**
Amortisation of fair value adjustments	-	-	6.7	-	**6.7**
Indexation of borrowings and RPI swaps	-	-	(171.1)	(87.9)	**(259.0)**
Fair value gains and losses and foreign exchange	-	-	12.0	727.5	**739.5**
	-	-	(133.9)	639.6	505.7
At 30 September 2022	**402.3**	**357.7**	**(8,831.2)**	**(515.5)**	**(8,586.7)**
Net debt at 30 September 2022 comprises:					
Non-current assets	-	-	-	171.9	**171.9**
Current assets	402.3	357.7	-	7.8	**767.8**
Current liabilities	-	-	(1,100.8)	(3.7)	**(1,104.5)**
Non-current liabilities	-	-	(7,730.4)	(691.5)	**(8,421.9)**
	402.3	**357.7**	**(8,831.2)**	**(515.5)**	**(8,586.7)**

12. Analysis of net debt (continued)

(1) Derivative financial instruments exclude the asset of £136.3 million (30 September 2021: asset £52.1 million; 31 March 2022: asset of £73.4 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 £351.3 million (30 September 2021: £347.4 million; 31 March 2022: £742.6 million), less net cash used in investing activities of £205.0 million (30 September 2021: £545.2 million; 31 March 2022: £855.6 million) and dividends paid of £91.8 million (30 September 2021 and 31 March 2022: £nil).

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

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Non-current assets	**69.2**	17.9	27.5
Current assets	**72.5**	34.2	48.1
Current liabilities	**(0.4)**	-	-
Non-current liabilities	**(5.0)**	-	(2.2)
	136.3	52.1	73.4

12. Analysis of net debt (continued)

Net debt at 30 September 2021

	Net cash and cash equivalents (restated)	Current asset investments - cash deposits	Liabilities from financing activities: Borrowings	Liabilities from financing activities: Derivative financial instruments (1)	
	£m	£m	£m	£m	**£m**
At 1 April 2021	273.3	88.5	(8,006.2)	(841.0)	**(8,485.4)**
Cash flows:					
Interest paid	(181.4)	-	18.9	2.4	**(160.1)**
Issue costs paid	(19.4)	-	19.4	-	**-**
Interest on leases	(0.4)	-	-	-	**(0.4)**
Increase in amounts borrowed	1,385.0	-	(1,385.0)	-	**-**
Repayment of amounts borrowed	(741.4)	-	741.4	-	**-**
Repayment of principal on derivatives	72.9	-	-	(72.9)	**-**
Repayment of principal on leases	(2.7)	-	2.7	-	**-**
Non-financing cash flows (2)	(197.8)	340.2	-	-	**142.4**
	314.8	340.2	(602.6)	(70.5)	**(18.1)**
Non-cash movements:					
Movement in interest accrual on debt	-	-	25.8	-	**25.8**
New lease agreements	-	-	(4.4)	-	**(4.4)**
Amortisation of issue costs	-	-	(4.1)	-	**(4.1)**
Amortisation of fair value adjustments	-	-	6.9	-	**6.9**
Indexation of borrowings and RPI swaps	-	-	(57.9)	(24.8)	**(82.7)**
Fair value gains and losses and foreign exchange	-	-	(16.3)	(92.6)	**(108.9)**
	-	-	(50.0)	(117.4)	(167.4)
At 30 September 2021	**588.1**	**428.7**	**(8,658.8)**	**(1,028.9)**	**(8,670.9)**
Net debt at 30 September 2021 comprises:					
Non-current assets	-	-	-	67.4	**67.4**
Current assets	588.1	428.7	-	12.9	**1,029.7**
Current liabilities	-	-	(863.9)	(8.6)	**(872.5)**
Non-current liabilities	-	-	(7,794.9)	(1,100.6)	**(8,895.5)**
	588.1	**428.7**	**(8,658.8)**	**(1,028.9)**	**(8,670.9)**

12. Analysis of net debt (continued)

Net debt at 31 March 2022

	Net cash and cash equivalents	Current asset investments - cash deposits	Liabilities from financing activities: Borrowings	Liabilities from financing activities: Derivative financial instruments (1)	
	£m	£m	£m	£m	**£m**
At 1 April 2021	273.3	88.5	(8,006.2)	(841.0)	**(8,485.4)**
Cash flows:					
Interest paid	(281.9)	-	29.0	(3.0)	**(255.9)**
Issue costs paid	(28.7)	-	28.7	-	**-**
Interest on leases	(1.2)	-	-	-	**(1.2)**
Increase in amounts borrowed	2,040.5	-	(2,040.5)	-	**-**
Repayment of amounts borrowed	(1,338.4)	-	1,338.4	-	**-**
Repayment of principal on derivatives	75.9	-	-	(75.9)	**-**
Repayment of principal on leases	(13.1)	-	13.1	-	**-**
Non-financing cash flows (2)	(113.0)	342.2	-	-	**229.2**
	340.1	342.2	(631.3)	(78.9)	**(27.9)**
Non-cash movements:					
Movement in interest accrual on debt	-	-	(8.8)	-	**(8.8)**
New lease agreements	-	-	(8.4)	-	**(8.4)**
Amortisation of issue costs	-	-	(12.9)	-	**(12.9)**
Amortisation of fair value adjustments	-	-	13.9	-	**13.9**
Indexation of borrowings and RPI swaps	-	-	(170.2)	(84.8)	**(255.0)**
Fair value gains and losses and foreign exchange	-	-	20.5	(157.3)	**(136.8)**
	-	-	(165.9)	(242.1)	(408.0)
At 31 March 2022	**613.4**	**430.7**	**(8,803.4)**	**(1,162.0)**	**(8,921.3)**
Net debt at 31 March 2022 comprises:					
Non-current assets	-	-	-	30.3	**30.3**
Current assets	613.4	430.7	-	8.4	**1,052.5**
Current liabilities	-	-	(517.4)	(10.1)	**(527.5)**
Non-current liabilities	-	-	(8,286.0)	(1,190.6)	**(9,476.6)**
	613.4	**430.7**	**(8,803.4)**	**(1,162.0)**	**(8,921.3)**

12. Analysis of net debt (continued)

Current asset investments above comprise £357.7 million (30 September 2021: £428.7 million; 31 March 2022: £430.7 million) of short-term cash deposits with a maturity of more than three months.

At 30 September 2022, £234.7 million (30 September 2021: £483.6 million; 31 March 2022: £478.7 million) of the Group’s cash and cash equivalents and £339.0 million (30 September 2021: £425.0 million; 31 March 2022: £392.0 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 2021: £0.2 million; 31 March 2022: £0.2 million) of the Group’s cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £0.8 million (30 September 2021: £0.5 million; 31 March 2022: £0.4 million) of the Group’s cash and cash equivalents and £3.7 million (30 September 2021: £4.2 million; 31 March 2022: £3.7 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.

13. 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 2022

	Carrying value £m	Fair value £m
Cash and cash equivalents	**402.3**	**402.3**
Current asset investments - cash deposits	**357.7**	**357.7**
Borrowings		
Current	**(1,100.8)**	**(1,196.0)**
Non-current	**(7,730.4)**	**(8,321.6)**
Interest and cross currency interest rate swaps - assets		
Current	**3.3**	**3.3**
Non-current	**152.3**	**152.3**
Interest and cross currency interest rate swaps - liabilities		
Current	**(0.4)**	**(0.4)**
Non-current	**(203.5)**	**(203.5)**
RPI swaps - liabilities		
Current	**(3.3)**	**(3.3)**
Non-current	**(299.9)**	**(299.9)**
CPI swaps - assets		
Current	**4.5**	**4.5**
Non-current	**19.6**	**19.6**
CPI swaps - liabilities		
Non-current	**(188.1)**	**(188.1)**
Net debt	**(8,586.7)**	**(9,273.1)**
Energy derivatives - assets		
Current	**72.5**	**72.5**
Non-current	**69.2**	**69.2**
Energy derivatives - liabilities		
Current	**(0.4)**	**(0.4)**
Non-current	**(5.0)**	**(5.0)**
	(8,450.4)	**(9,136.8)**

13. Net debt and derivatives (continued)

At 30 September 2021

	Carrying value £m	Fair value £m
Cash and cash equivalents	588.1	588.1
Current asset investments - cash deposits	428.7	428.7
Borrowings		
Current	(863.9)	(1,719.5)
Non-current	(7,794.9)	(8,585.8)
Interest and cross currency interest rate swaps - assets		
Current	12.9	12.9
Non-current	67.4	67.4
Interest and cross currency interest rate swaps - liabilities		
Current	(8.6)	(8.6)
Non-current	(228.2)	(228.2)
RPI swaps - liabilities		
Non-current	(619.2)	(619.2)
CPI swaps - liabilities		
Non-current	(253.2)	(253.2)
Net debt	(8,670.9)	(10,317.4)
Energy derivatives - assets		
Current	34.2	34.2
Non-current	17.9	17.9
	(8,618.8)	(10,265.3)

13. Net debt and derivatives (continued)

At 31 March 2022

	Carrying value £m	Fair value £m
Cash and cash equivalents	613.4	613.4
Current asset investments - cash deposits	430.7	430.7
Borrowings		
Current	(517.4)	(532.7)
Non-current	(8,286.0)	(10,220.3)
Interest and cross currency interest rate swaps - assets		
Current	3.7	3.7
Non-current	30.3	30.3
Interest and cross currency interest rate swaps - liabilities		
Current	(0.3)	(0.3)
Non-current	(218.3)	(218.3)
RPI swaps - liabilities		
Current	(9.8)	(9.8)
Non-current	(645.0)	(645.0)
CPI swaps - assets		
Current	4.7	4.7
CPI swaps - liabilities		
Non-current	(327.3)	(327.3)
Net debt	(8,921.3)	(10,870.9)
Energy derivatives - assets		
Current	48.1	48.1
Non-current	27.5	27.5
Energy derivatives - liabilities		
Non-current	(2.2)	(2.2)
	(8,847.9)	(10,797.5)

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.

13. 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.

13. Net debt and derivatives (continued)

Movements in the six months to 30 September 2022 for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
At the beginning of the period	**(322.7)**	(188.1)	(188.2)
Net gain/(loss) for the period	**148.9**	(74.2)	(156.4)
Settlements	**9.7**	9.1	21.9
At the end of the period	**(164.1)**	(253.2)	(322.7)

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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Gain/(loss)			
1% increase in inflation rates	**(139.2)**	(193.6)	(203.2)
1% decrease in inflation rates	**119.4**	162.8	162.6

Given the long-dated nature of the Group’s derivative book, 1 % has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

14. Provisions

Provisions primarily comprise legal claims and potential pollution fines which are expected to crystallise over a period of approximately two years.

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
At 1 April	**9.9**	12.9	12.9
Additional provisions recognised	**0.7**	2.6	2.3
Unused amounts reversed	**(1.3)**	-	(0.4)
Utilised in the year	**(1.6)**	(0.9)	(4.9)
Closing balance	**7.7**	14.6	9.9

Maturity analysis of total provisions:

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Current	**5.0**	8.3	3.7
Non-current	**2.7**	6.3	6.2
	7.7	14.6	9.9

15. 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 2022 % pa	Half-year ended 30 September 2021 % pa	Year ended 31 March 2022 % pa
Discount rate	**5.3**	2.1	2.7
Inflation rate			
RPI	**3.7**	3.5	3.7
CPI	**3.3/3.1**[1]	3.0	3.3/3.1[1]

[1] Inflation related assumptions for MPLAP.

The assets of the pension schemes have been updated to reflect their market value as at 30 September 2022.

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

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

	Half-year ended 30 September 2022 % pa	Half-year ended 30 September 2021 % pa	Year ended 31 March 2022 % pa
At the beginning of the period	**227.3**	(2.6)	(2.6)
Charged to operating profit	**-**	(0.2)	(0.4)
Net interest income (see note 6)	**3.1**	**-**	**0.5**
Employers' contributions	**1.5**	10.1	26.0
Return on plan assets (excluding amounts included in net interest)	**(600.5)**	94.4	9.3
Experience (losses)/gains on liabilities	**(53.2)**	-	72.5
Actuarial gains/(losses) arising from changes in assumptions	**555.2**	(98.3)	110.2
Short term cash offset	**(4.2)**	-	-
Change arising from minimum funding requirement[1]	**-**	(22.1)	11.8
At the end of the period	**129.2**	(18.7)	227.3
Period end balance split by scheme:			
AWGPS	**164.6**	42.7	215.1
Unfunded pensions	**(32.3)**	(46.0)	(41.8)
Hartlepool	**1.1**	1.4	1.6
MPLAP	**(4.2)**	(16.8)	52.4
	129.2	(18.7)	227.3

[1]The change arising from the minimum funding requirement reflects the provision made for the discounted value of the committed future deficit contribution payments within the Morrison Pension & Life Assurance Plan (MPLAP).

The reduction in the value of the MPLAP scheme reflects a partial buy-in on 14 September 2022. The remaining deficit was funded by the company in October 2022.

15. Net retirement benefit obligations (continued)

The net pension deficit comprises:

	Half-year ended 30 September 2022 % pa	Half-year ended 30 September 2021 % pa	Year ended 31 March 2022 % pa
Pension schemes with a net surplus, included in non-current assets	**165.7**	44.1	269.1
Pension schemes with a net deficit, included in non-current liabilities	**(36.5)**	(62.8)	(41.8)
Net defined benefit pension surplus/(deficit)	**129.2**	(18.7)	227.3

16. Hedging reserve

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
At the beginning of the period	**20.4**	(37.4)	(37.4)
Gains on cash flow energy hedges	**63.0**	42.8	64.3
Amounts transferred to the income statement	**0.1**	0.6	2.9
Gains/(losses) on cash flow hedges	**102.5**	(51.2)	(54.4)
Amounts transferred to the income statement from discontinuation of cash flow hedges	**4.9**	6.1	11.1
Exchange movement on hedging instruments related to debt in cash flow hedges	**(14.5)**	48.4	49.4
Deferred tax movement on cash flow hedges	**(39.0)**	(9.1)	(15.5)
At the end of the period	**137.4**	0.2	20.4

Cost of hedging reserve

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
At the beginning of the period	**0.3**	2.4	2.4
Amounts transferred to the income statement	**-**	(0.6)	-
Gains/(losses) on cash flow hedges	**0.9**	(2.8)	(2.6)
Deferred tax movement on cash flow hedges	**(0.2)**	0.9	0.5
At the end of the period	**1.0**	(0.1)	0.3

16. Hedging reserve (continued)

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.

17. 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 2022.

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Property, plant and equipment	**136.1**	77.0	112.1
Intangible assets	**30.7**	52.6	25.7
	166.8	129.6	137.8

18. Contingencies

As disclosed in the 31 March 2022 financial statements, the Group has received indications of claims from four groups of property search companies who, pursuant to the Environmental Information Regulations, assert that certain information that Anglian Water Services Limited provided to them should have been provided free of charge. In April 2020, circa 100 property search companies (an amalgamation of two of the four groups) served proceedings on all the Water and Sewerage Undertakers in England and Wales, including Anglian Water Services Limited. Anglian Water Services, in common with its co-defendant's, has filed a robust defence. This is an industry-wide issue and at this stage the Directors consider, based on current legal advice, that the claim is unlikely to succeed and, in any event, would not to be material to the financial standing of the company. During the period to 30 September 2022, there has been no change to the Group's position.

Flow to full treatment: Ofwat and the Environment Agency launched industry-wide investigations in 2021 into compliance with conditions of environmental permits. While the final outcome of these investigations isn't yet known, we've provided comprehensive information to both regulators and continue to engage positively with them.

As is normal for a Group of this size and nature, it is subject to a number of other claims, disputes and litigation. The Directors consider that an appropriate position has been taken in reflecting such items in these financial statements.

19. 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 2022 in transactions with these related parties from that disclosure in the annual report and consolidated financial statements for the year ended 31 March 2022.

During the period ended 30 September 2022, the Group made sales on an arms-length basis of £88.0 million (30 September 2021: £85.1 million; 31 March 2022: £171.4 million) to the Wave joint venture, and recognised interest receivable of £0.7 million (30 September 2021: £0.8 million; 31 March 2022: £1.7 million). At 30 September 2022, the following amounts were due from the Wave joint venture:

- A £10.7 million (30 September 2021: £10.7 million and 31 March 2022: £10.7 million) 5.5 % 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 £nil million (30 September 2021: £4.0 million and 31 March 2022: £4.0 million) 5.0 % preference loan repayable in annual instalments of £4.0 million from August 2018, included within trade and other receivables;
- A £16.7 million (30 September 2021: £16.7 million and 31 March 2022: £16.7 million) loan at 12 month LIBOR plus 2.75 % with no fixed repayment date, included within trade and other receivables;
- A £15.0 million (30 September 2021: £9.0 million and 31 March 2022: £15.0 million) short-term working capital facility at one month LIBOR plus 2.75 %, included within trade and other receivables; and
- Accrued income of £5.5 million (30 September 2021: £6.7 million; 31 March 2022: £4.9 million), and interest receivable of £0.9 million (30 September 2021: £0.9 million; 31 March 2022 £1.7 million), included within trade and other receivables.

Dividends paid to investors are set out in note 8.

20. Alternative performance measures

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 year 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 22).

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
EBITDA	**415.1**	389.3	785.2
Net finance income/(costs)	**287.4**	(316.1)	(642.6)
Tax charge	**(128.2)**	(310.8)	(289.1)
Depreciation & amortisation	**(185.4)**	(173.3)	(351.1)
Profit/(Loss) for the period	**388.9**	(410.9)	(497.6)

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 22).

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Net finance costs excluding fair value gains/(losses) on derivative financial instruments	**(376.5)**	(224.5)	(527.5)
Fair value gains/(losses) on derivative financial instruments	**663.9**	(91.6)	(115.1)
Finance costs, including fair value gains/(losses) on derivative financial instruments	**287.4**	(316.1)	(642.6)

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 22).

20. Alternative performance measures (continued)

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Adjusted profit before tax/Profit before fair value gains/(losses)	**(146.8)**	(8.5)	(93.4)
Tax charge	**(128.2)**	(310.8)	(289.1)
Fair value gains/(losses) on derivative financial instruments	**663.9**	(91.6)	(115.1)
Profit/(loss) for the period	**388.9**	(410.9)	(497.6)

d) Net debt

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 12 and below.

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Net cash and cash equivalents	**402.3**	588.1	613.4
Current asset investments	**357.7**	428.7	430.7
Borrowings	**(8,831.2)**	(8,658.8)	(8,803.4)
Net debt excluding derivatives	**(8,071.2)**	(7,642.0)	(7,759.3)
Derivatives	**(379.2)**	(976.8)	(1,088.6)
Less: energy derivatives	**(136.3)**	(52.1)	(73.4)
Net debt	**(8,586.7)**	(8,670.9)	(8,921.3)

21. 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.

22. Approval of the half-yearly report

The half-yearly report was approved by the Board on 7 December 2022. 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 63-64.

Independent review to Anglian Water Group

for the six months ended 30 September 2022

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 2022 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 22

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 2022 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.

Independent review to Anglian Water Group

for the six months ended 30 September 2022

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.

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.

Deloitte LLP

Statutory Auditor

Birmingham United Kingdom

7 December 2022