Anglian Water Group Limited

Half-yearly report

for the six months ended 30 September 2023

Anglian Water Group Limited

Half-yearly results for the six months ended 30 September 2023 (continued)

30 November 2023

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

Chief Executive, Peter Simpson, commented:

"Amidst an ongoing challenging backdrop, we have continued to invest over and above our operating profit, with capital expenditure in the period of £449 million. The first six months of 2023/24 saw Anglian Water Group achieve a 7.8% increase in revenue to £851.3 million and a 7.0% increase in operating profit to £246.7 million.

"We are currently delivering a plan we committed to five years ago, and during that time customer priorities and public perception have dramatically changed. We are responding to this and will continue to invest to ensure our water recycling infrastructure is resilient to the growing impacts of climate change, so that performance in crucial areas, like pollutions, improves to where it needs to be. This remains our biggest area of focus and we are redoubling our efforts and redirecting resources to achieve improvements. It is why, as well as continuing to invest in our customers' number one priority – safe, clean, resilient water – our £9 billion Business Plan for 2025-2030 places huge emphasis on this adaptation, doubling our investment in the environment, to £4 billion.

"The absence of extreme weather between April and end of September has seen performance returning to normal across leakage, burst mains and interruptions to supply, as predicted. We've also achieved improved results for customer experience (CMeX), developer experience (DMeX) and provided record levels of financial support for more than 333,000 customers. Our AMP8 plan builds significantly on this record package, with customer bills expected to rise just 21p per day (15.5%) by 2030, a shareholder-funded medical needs discount, and support to ensure no customer will be in water poverty.

"For 2023/24, we expect to be in penalty at year-end. We have much work to do and are disappointed not to have met all our customer expectations, but we are confident in the action plans we have in place. We are also pleased that our shareholders have agreed to an additional £250 million of capital investment in the current AMP to support delivery of our plan. In addition, positive results are also coming from our shareholder-funded Get River Positive commitment, which is reducing storm spills and improving river health, as we remain committed to delivering on our purpose to bring environmental and social prosperity to our region."

Financial results:

	6 months to 30 Sept 2023	6 months to 30 Sept 2022	Change	Change
	£m	£m	£m	%
Revenue	**851.3**	789.6	61.7	7.8
EBITDA[1]	**440.1**	415.9	24.2	5.8
Operating profit	**246.7**	230.5	16.2	7.0
Operating cash flow	**376.8**	351.7	25.1	7.1
Net debt before derivatives[2] **as at 30 Sept**	**8,825.3**	8,071.2	754.1	9.3

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

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

Financial highlights:

Revenue up £61.7 million (+7.8%) to £851.3 million

- The increase is, in part, a result of prices set based on the November 2022 Consumer Price Index (CPIH) inflation of 9.3%, and the impact of changes applied to our tariffs as agreed with the regulator.

EBITDA up £24.2 million (+5.8%) to £440.1 million

- Earnings before interest, taxes, depreciation and amortisation (EBITDA) is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 5.8 per cent to £440.1 million, which is consistent with the effect of the increases in revenue described above, offset partly by increases in operating costs set out on page 12.
- Our proactive approach to energy hedging enabled us to have flexibility in the most volatile and expensive market periods.

Operating profit up £16.2 million (+7.0%) to £246.7 million

- Operating profit has increased by 7.0 per cent to £246.7 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation. In addition, we have seen consistent performance in the AVH businesses and Head Office.

Operating cash flow up £25.1 million (+7.1%) to £376.8 million

- Higher operating cash has been driven by higher EBITDA as described above.

Net debt increased to £8.8 billion (+9.3%)

- Net debt increased primarily because of our continuing capital investment programme and higher accretion on index-linked debt. Gearing has remained constant with Regulated Capital Value (RCV) also increasing on the same basis. We raised £860 million in the period to fund this programme for the remainder of the AMP.

Dividend

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

Green finance

- In June we issued a Green Bond to the value of £860 million to finance capital expenditure to the end of the current regulatory period (AMP7) in 2025.
- The Bond will finance in whole, or in part, projects related to the Eligible Green Categories of "Environmentally Sustainable Management of living natural resources and land use" and "Climate Change Adaptation" with the latter focusing on resilient water supplies.
- Circa £360 million will fund WINEP-related projects and circa £500 million will be split across our Water Recycling Management Plan and major infrastructure, including our strategic pipeline.

Reconciliation of operating profit to statutory profit before tax

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m
Operating profit	**246.7**	230.5
Interest excluding indexation	**(159.5)**	(133.9)
Indexation on debt	**(250.6)**	(259.0)
Finance income	**36.2**	16.4
Adjusted loss before tax (as defined in note 20)	**(127.2)**	(146.0)
Share of loss of joint ventures	**(0.1)**	(0.8)
Fair value gains on derivatives	**216.7**	663.9
Statutory profit before tax	**89.4**	517.1

Statutory profit has decreased by £427.7 million largely as a result of the decrease in fair value gain on derivatives. This decrease is non-cash and is due to forward-looking interest rates not increasing significantly coupled with forward-looking inflation rates not having the same decrease as in HY 2022/23.

In addition, net interest charges excluding indexation for the Group were £5.8 million lower than the prior year at £123.3 million, primarily as a result of higher interest income on our deposits due to higher market rates.

The above commentary provides a high-level summary of the movements in the table above, more comprehensive commentary can be found on pages 8-15.

Delivery and Operational highlights

AMP8 Business plan submitted to Ofwat

- The plan proposes £9 billion of essential investment in the East of England between 2025 to 2030 and will create 7,000 jobs.
- We will double our investment in the environment to £4 billion – with £1 billion specifically to tackle storm overflows – and create treatment wetlands the size of 100 football pitches.
- By 2030, we will have prepared two new reservoirs for construction, which will supply 625,000 properties across our region, and £476 million will be allocated to support new housing, plus the extension of our strategic pipeline to ensure the region remains resilient to drought.
- We will support all customers at risk of water poverty and launch a shareholder-funded medical needs discount as an industry first. By 2030 average bills will rise by just 21p a day and we will have doubled our package of support for customers.
- The plan has been built based on insight from stakeholders across the region as well as independent research carried out by Capital Economics, a consultancy specialising in economic analysis and insight, which ranks the Anglian Water region as England's second most challenged area.
- Our AMP8 plan will help unlock huge opportunities for our region thrive. See our Thriving East report.
- Ofwat will now review the plan and we await their initial assessment, expected early 2024. In the meantime, we remain focused on delivering the current plans for this AMP.

Environmental performance

- Although we are not on track to meet performance commitment levels for some Outcome Delivery Incentives (ODIs), we are making year-on-year performance improvements in many. In measures such as Leakage and Per Capita Consumption we are leading or upper quartile performers when comparing absolute performance to other companies in the sector.
- We recognise performance is not where it needs to be, particularly in relation to water recycling assets. While critical lead measures are showing improvement, more time is needed to realise this in performance outcomes. This continues to be our biggest area of focus and following detailed review, we know the very narrow, slow flowing watercourses, which are a specific feature of our region, create an increased vulnerability to serious pollutions. This is something our action plan seeks to address.
- Our Pollution Incident Reduction Plan, published this period, outlines how interventions such as predictive analytics, enhanced blockage detection and partnership working with environmental specialists ECAS will start to drive down avoidable blockages. As we embed these changes we are gaining greater insight than ever before and lead indicators are improving. For example, calendar year to date, we have seen the lowest number of blockages on our foul network in five years. We anticipate a downward trajectory in our pollution numbers in AMP8 as a result of the improvements we are making today.
- Benign weather in the period has meant interruptions to supply, mains repairs and other ODIs impacted by the extreme weather last year are showing a significant improvement as predicted.

- Work continues to deliver on our Get River Positive commitments:
  - Event Duration Monitoring programme is on course for completion by the end of this calendar year and will see 100% of our 1,471 storm overflows monitored. The roll out is providing us with the data and insight to continue targeting and reducing spills.
  - More than 10,000 additional sewer monitors have been installed across our network, giving us greater visibility of performance across our sewer network in near real-time.
  - Shareholder reinvestment of £7 million has been allocated to partnership projects which will deliver improvements over the remainder of the AMP.
- Water resilience measures continue to produce strong results. Per Capita Consumption continues to be strong, with levels lower than before Covid, reflecting the ongoing success of our smart meter programme and customer engagement on water efficiency. This AMP, 639,000 smart meters have been installed, more than 95,000 this period.
- Leakage performance is in line with expectations and remains industry-leading but is off target against the ODI owed to last year's extreme weather which continues to impact the three-year rolling result.
- Progress continues on our strategic interconnector pipeline, which will secure water supplies for multiple generations while protecting important environments. However, due to the complexity of this project, particularly in securing planning permissions across 14 local authorities, as well as an AMP period that was notable for its range of exceptional external circumstances, including Covid, supply chain issues and increasing costs over and above the level funded, we are reviewing the project timelines and phasing. We remain completely committed to delivering the entirety of our strategic pipeline, and all associated environmental obligations, and crucially we have now successfully purchased all of the steel pipeline required and also received 100% of the infrastructure planning permissions.
- We remain committed to net zero and despite common challenges related to reducing process emissions, we remain on track to meet our 2030 goals.
- Flow to Full Treatment: As a purpose-driven company, 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.

Delivering for our customers

- More than 333,000 customers have received financial support this period, our largest-ever half year figure, as we continue to distribute our sector-leading £135 million package of support for 2023/24.
- 11.9% of customers are on our Priority Services Register, well ahead of our full year target and the industry at large (average 5-6%).
- Customer experience for the second quarter was strong, moving from ninth place to sixth, and ranked first for water services.

Board transitions ahead of AMP8

- Peter Simpson has notified the Board of his planned retirement from Anglian Water once a suitable replacement can be found. Peter has been CEO of Anglian for a decade and with Anglian Water for 34 years. Peter will remain focussed on delivering the current company strategy while the Board commences a rigorous process to appoint a successor.
- Tony Donnelly has been appointed Interim Group Chief Financial Officer while a permanent CFO is found. Tony is a long-standing member of our management board, having been Managing Director of Anglian Venture Holdings since 2014.

- Dr Ros Rivaz is joining Anglian Water as Chair of our Board, and will oversee the transition in leadership as we move into the coming AMP period. Dr Rivaz is our first-ever female chair and has extensive leadership and operational experience in roles across various blue chip companies in regulated industries. She was previously Chair of the Board for the Nuclear Decommissioning Authority and Non-Executive Director for the UK Government's MOD Defence Equipment and Support Agency.

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Principal risks and uncertainties

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

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

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

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

The risks we face are largely in line with those outlined in our annual integrated report and consolidated financial statements for the period ending 31 March 2023. For detailed descriptions of these risks, please refer to page 83 of our 2022/23 Annual Integrated Report.

There has been significant volatility over the last 12 months, driven by a range of factors including weather patterns, the ongoing cost of living crisis, energy costs and the ongoing effects of the war in Ukraine. We continue to monitor these risks 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.

Business and households are facing increasing financial pressure. We are monitoring this risk considering the cost of living crisis and the financial pressures that our customers will be facing and 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, where applicable. The development of our PR24 planning process defined a number of climate scenarios with alternative and adaptive pathways which can be adopted as the climate changes.

Financial performance

Results summary (unaudited)

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

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

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

[1]As defined in note 20

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

Each segment's performance is discussed in turn below:

Anglian Venture Holdings (AVH)

Revenue for the period decreased from £32.4 million in the same period as prior year to £26.8 million, with operating profits of £2.8 million compared to £3.3 million in 2022. The Group's share of the Wave joint venture's operating profit was £1.1 million compared to a profit of £0.2 million in the prior year. The decrease in operating profit excluding Wave reflects lower profits in Celtic Anglian Water due to higher energy prices. In the year, Wave improved its operating margins with an increased focus on reducing margin leakage.

The operating cash flow for the Anglian Venture Holdings businesses, which includes Property, of an outflow of £0.8 million was £2.0 million lower than the prior period. This is primarily due to AVH solar incurring costs for the development of sites and a reduction in CAW operating cash due to the prior year including a receipt in advance from Irish Water.

Head Office and Other

The operating cash outflow for Head Office and Other was an outflow of £12.3 million, being a £3.2 million reduction on prior year. This is largely as a result of the timing of recharges to AWS and other minor working capital movements.

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

Anglian Water

Anglian Water Services
Income statement

Six months to 30 September

	% increase/ (decrease)	**2023 £m**	**2022 £m**
Revenue (excl. grants and contributions)	*9.3%*	**782.4**	**716.0**
Grants and contributions	*0.4%*	45.1	44.9
Other operating income		9.0	7.7
Operating costs	*10.1%*	(388.8)	(353.1)
EBITDA[1]	7.7%	**447.7**	**415.5**
Depreciation and amortisation	*4.1%*	(191.8)	(184.2)
Operating profit	*10.6%*	**255.9**	**231.3**
Interest (excluding indexation)		(91.4)	(83.9)
Indexation charge		(250.6)	(259.0)
Finance income		24.1	6.7
Adjusted loss before tax[1]		**(62.0)**	**(104.9)**
Fair value gains on derivatives[2]		216.7	663.9
Profit before tax		**154.7**	**559.0**
Tax charge		(40.0)	(139.5)
Profit after tax		**114.7**	**419.5**

[1] As defined in note 20 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.

Revenue

Anglian Water's revenue, excluding grants and contributions, for the six months was £782.4 million (2022: £716.0 million), an increase of £66.4 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, £85.1 million increase.
- Household consumption down £14.2 million due to lower summer demand this year following the hot dry summer of 2022. Non-household consumption up £2.6 million as we see movement towards pre-Covid-19 levels of consumption.
- Other decreases in revenue of £7.2 million, net of customer growth and increase in other appointed and non-appointed revenue.

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

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. In the 6 months to 30 September 2023 construction, there has been a downturn in the housing/developer market in which grants and contributions revenue is directly linked.

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities; this was consistent with prior years.

Operating costs (including charge for bad and doubtful debts)

Operating costs including charges for bad and doubtful debt for the six months increased by £35.7 million (10.2%) to £388.8 million. The movement in operating costs of Anglian Water is principally due to inflation and power cost increases, with the prior year being hedged prior to the spike in prices following the Russian invasion of Ukraine. This has been partly offset by continuing efficiencies across the business as we rise to the productivity challenge set by our regulator for the current AMP. These movements are explained in the table below:

	£m
Prior period	353.1
Funded by FD	
Inflation	23.6
Weather related	
Unwind of drought-related expenditure	(1.8)
Power	21.6
Rates	(2.0)
Other significant items	
Regulatory fees	0.9
Ongoing efficiency programme	(5.5)
Other	(1.1)
Total increase	35.7
September 2023	388.8

Inflation

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

Weather related

The past six months have seen relatively benign weather conditions compared to the same period last year when very little rainfall led to exceptionally dry ground conditions giving rise to increased costs in order to maintain our leading leakage position.

Power

The increase in power is due to the prior year energy prices being locked-in ahead of the war in Ukraine, whereas the current year reflects the significant cost increases since then. Our proactive energy hedging approach enabled us to have flexibility in the most volatile and expensive market periods.

Rates

A rates reduction was negotiated in the second half of 2022/23 resulting in a lower rates charge in the first six months of this year compared to the prior year.

Other significant items

These include a £0.9 million increase in the Ofwat licence fee, £5.5 million arising from cost efficiency programmes with the balance relating to a range of individually small items.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 20 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 7.7 per cent to £447.7 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

Depreciation and amortisation is up 4.1 per cent to £191.8 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

Operating profit

Operating profit has increased by 10.6 per cent to £255.9 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs and profit before tax

Adjusted net finance costs (excluding fair value gains and losses on financial instruments) decreased from £336.2 million in the six-month period to September 2022 to £317.9 million in the equivalent period in 2023. This was the result of the non-cash impact of lower inflation on index-linked debt which decreased from £259.0 million to £250.6 million and an increase of £18.3 million in interest income due to higher rates and cash balance.

The decrease in indexation was due to a decrease in year-on-year average Retail Price Index (RPI) from 12.0% to 10.1% and year-on-year average Consumer Price Index (CPI) from 9.6% to 7.6%. We have both RPI-linked debt and CPI-linked debt to hedge the RCV.

There was a fair value gain of £216.7 million on derivative financial instruments in the six months to September 2023, compared with a gain of £663.9 million in the six months to September 2022. 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 lower gain in 2023 compared with the same period in 2022 are that the average levels of forward inflation expectations remained similar to last year, in combination with the rise in forward interest rates (decreasing the discounted present value of derivatives) for the period to September 2023 being lower than the rise in the same period in 2022.

Taxation

	Half-year Ended 30 September 2023 £m	Half-year Ended 30 September 2022 £m	Year ended 31 March 2023 £m
Current tax:			
In respect of the current period	**(17.3)**	(8.7)	(25.4)
Adjustments in respect of prior periods		-	0.7
Total current tax credit	**(17.3)**	(8.7)	(24.7)
Deferred tax:			
Origination and reversal of temporary differences	**57.3**	148.2	113.0
Adjustments in respect of previous periods	**-**	-	1.9
Total deferred tax charge	**57.3**	148.2	114.9
Total tax charge on profit on continuing operations	**40.0**	139.5	90.2

Compared to the same period in the previous year, the total tax charge has decreased by £99.5 million from a charge of £139.5 million to a charge of £40.0 million. This is primarily due to the lower 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.

In addition to the £40.0 million tax charge on the income statement, there is a credit of £10.7 million (2022: charge of £27.9 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value losses on cash flow hedges.

Continuing to deliver our AMP7 capital investment programme

2023/24 is the fourth 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 an accruals basis across the appointed business increasing from £281 million in the first 6 months of 2022/23 to £449 million so far this year. This reflects both the 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, increasing costs over and above what had been funded by inflation. As noted the Board have agreed to an additional £250 million of capital investment in the current AMP to support delivery of our plan.

This has resulted in a £326.2 million increase in Property, plant and equipment and intangible assets, net of depreciation.

Financial needs and resources

During the six-month period to September 2023, Anglian Water issued two bonds, an 8-year £300 million bond and a £560 million 16-year bond.

Repayments of £241.6million were made in respect of maturing debt, which consisted of a £200 million 6.875% fixed rate debt and amortising payments on EIB index-linked debt.

At 30 September 2023, Anglian Water had borrowings net of cash of £6,692.5 million (£7,248.8 million including the fair valuation of derivatives), an increase of £444.6 million (an increase of £303.2 million including the fair value of derivatives) from 31 March 2023. The fair value of derivative financial liabilities was £556.3 million, excluding derivative financial liabilities of £27.9 million in respect of energy derivatives. Net borrowings of £6,692.5 million comprised fixed, index-linked and variable-rate debt of £7,612.2 million, leases of £35.7 million and cash and deposits of £955.4 million. The increase in net borrowings, excluding the fair value of derivatives, primarily reflects the higher accretion on index-linked debt and raising of £860 million of bonds as part of our continuing capital investment programme.

The business generated cash from operations of £389.9 million in the period (2022: £359.6 million). This increase is primarily due to increases in EBITDA.

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 2023, Anglian Water held cash, deposits and current asset investments of £955.4million (March 2023: £633.1 million). The increase in cash amounts held is reflective of the higher new debt issuances than debt repayments in the period.

As at September 2023 Anglian Water has access to £1,025.0 million of undrawn facilities (March 2023: £975.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £425.0 million of liquidity facilities (March 2023: £375.0 million), consisting of £294.0 million to finance debt service costs and £131.0 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.

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, 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 2023, taking into account interest rate swaps, 62.0 per cent (March 2023: 66.6 per cent) of the company's borrowings were at rates indexed to inflation, 27.9 per cent (March 2023: 26.2 per cent) were at fixed rates and 10.1 per cent (March 2023: 7.2 per cent) were at floating rates. At 30 September 2023, the proportion of inflation debt to regulated capital value was 48.3 per cent (March 2023: 47.9 per cent).

Pension funding

At 30 September 2023, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £21.0 million, compared to £51.1 million at 31 March 2023. 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

Anthony Donnelly

Chief Financial Officer

Anglian Water Group Limited

Group condensed income statement

for the six months ended 30 September 2023

Notes		**Half-year ended 30 September 2023 Unaudited £m**	Half-year ended 30 September 2022 Unaudited £m	Year ended 31 March 2023 Audited £m
5	**Revenue**	**851.3**	789.6	1,549.6
	Other operating income	**9.0**	7.7	16.0
	Operating costs			
	Operating costs before depreciation, amortisation and charge for bad and doubtful debts	**(404.7)**	(364.0)	(735.4)
	Depreciation and amortisation	**(193.4)**	(185.4)	(381.7)
	Charge for bad and doubtful debts	**(15.5)**	(17.4)	(30.2)
	Total operating costs	**(613.6)**	(566.8)	(1,147.3)
	Operating profit	**246.7**	230.5	418.3
6	Finance income	**36.2**	16.4	43.8
6	Finance costs, including fair value gains on derivative financial instruments	**(193.4)**	271.0	(193.5)
	Net finance (costs)/income	**(157.2)**	287.4	(149.7)
	Share of loss of joint ventures	**(0.1)**	(0.8)	(0.4)
	Loss before tax from continuing operations			
	Loss before fair value gains[1]	**(127.3)**	(146.8)	(377.1)
6	Fair value gains on derivative financial instruments	**216.7**	663.9	645.3
	Profit before tax from continuing operations	**89.4**	517.1	268.2
7	Tax charge	**(27.2)**	(128.2)	(64.5)
	Profit for the period	**62.2**	388.9	203.7

[1]As defined in note 20

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

Group condensed statement of comprehensive income

for the six months ended 30 September 2023

Notes		**Half-year ended 30 September 2023 Unaudited £m**	Half-year ended 30 September 2022 Unaudited £m	Year ended 31 March 2023 Audited £m
	Profit for the period	**62.2**	388.9	203.7
	Other comprehensive expense			
	Items that will not be reclassified to income statement			
15	Actuarial losses on retirement benefit obligations	**(35.2)**	(102.7)	(206.5)
7	Income tax on items that will not be reclassified	**8.8**	26.2	51.7
		(26.4)	(76.5)	(154.8)
	Items that may be reclassified subsequently to income statement			
16	(Losses)/gains on cash flow hedges recognised in equity	**(9.5)**	151.0	27.9
16	(Losses)/gains on cost of hedging recognised in equity	**(2.2)**	0.9	1.8
16	Gains/(losses) on cash flow hedges transferred to income statement	**1.6**	5.0	(31.1)
	Currency translation differences	**0.4**	0.5	0.7
7	Income tax on items that may be reclassified	**2.5**	(39.2)	0.2
		(7.2)	118.2	(0.5)
	Other comprehensive (expense)/ income for the period, net of tax	**(33.6)**	41.7	(155.3)
	Total comprehensive income for the period	**28.6**	430.6	48.4

Anglian Water Group Limited

Group condensed balance sheet

for the six months ended 30 September 2023

Notes		**At 30 September 2023 Unaudited £m**	At 30 September 2022 Unaudited £m	At 31 March 2023 Audited £m
	Non-current assets			
	Goodwill	**445.8**	445.8	445.8
9	Other intangible assets	**257.2**	242.9	259.3
10	Property, plant and equipment	**11,033.1**	10,415.9	10,706.2
	Investment properties	**3.5**	3.6	3.6
11	Investments in joint ventures	**12.1**	11.9	12.2
12	Derivative financial instruments	**286.1**	241.1	194.4
15	Retirement benefit surplus	**54.0**	165.7	89.0
		12,091.8	11,526.9	11,710.5
	Current assets			
	Inventories	**25.9**	25.9	27.8
	Trade and other receivables	**757.6**	690.5	598.9
	Investments	**578.5**	357.7	316.7
	Cash and cash equivalents	**549.5**	402.3	518.0
12	Derivative financial instruments	**33.3**	80.3	55.8
		1,944.8	1,556.7	1,517.2
	Total assets	**14,036.6**	13,083.6	13,227.7
	Current liabilities			
	Trade and other payables	**(782.9)**	(684.9)	(700.3)
	Current tax liabilities	**(0.1)**	0.4	(0.1)
12	Borrowings	**(645.4)**	(1,100.8)	(1,165.0)
12	Derivative financial instruments	**(107.3)**	(4.1)	(53.4)
14	Provisions	**(5.5)**	(5.0)	(5.8)
		(1,541.2)	(1,794.4)	(1,924.6)
	Net current assets/(liabilities)	**403.6**	(237.7)	(407.4)
	Non-current liabilities			
12	Borrowings	**(9,307.9)**	(7,730.4)	(8,058.8)
12	Derivative financial instruments	**(796.3)**	(696.5)	(893.8)
	Deferred tax liabilities	**(1,420.1)**	(1,534.0)	(1,405.0)
15	Retirement benefit deficit	**(30.4)**	(36.5)	(33.0)
14	Provisions	**(5.3)**	(2.7)	(5.6)
		(11,559.9)	(10,000.1)	(10,396.2)
	Total liabilities	**(13,101.6)**	(11,794.5)	(12,320.8)
	Net assets	**935.5**	1,289.1	906.9

Continued on the next page.

Group condensed balance sheet (continued)

for the six months ended 30 September 2023

Notes		**At 30 September 2023 Unaudited £m**	At 30 September 2022 Unaudited £m	At 31 March 2023 Audited £m
	Capital and reserves			
	Share premium	**1,096.2**	1,096.2	1,096.2
	Retained earnings	**(175.0)**	52.7	(210.8)
16	Hedging reserve	**11.9**	137.4	17.8
16	Cost of hedging reserve	**-**	1.0	1.7
	Translation reserve	**2.4**	1.8	2.0
	Total equity	**935.5**	1,289.1	906.9

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 29 November 2023 and signed on its behalf by:

Peter Simpson
Chief Executive

Anthony Donnelly
Chief Financial Officer

Anglian Water Group Limited

Group condensed statement of changes in equity

for the six months ended 30 September 2023

	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 2023						
At 1 April 2023	1,096.2	(210.8)	17.8	1.7	2.0	**906.9**
Profit for the period	-	62.2	-	-	-	**62.2**
Other comprehensive (expense)/income for the period	-	(26.4)	(5.9)	(1.7)	0.4	**(33.6)**
Total comprehensive income	-	35.8	(5.9)	(1.7)	0.4	**28.6**
At 30 September 2023	**1,096.2**	**(175.0)**	**11.9**	**-**	**2.4**	**935.5**
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	-	(91.8)	-	-	-	(91.8)
At 30 September 2022	1,096.2	52.7	137.4	1.0	1.8	1,289.1
Year ended 31 March 2023						
At 1 April 2022	1,096.2	(167.9)	20.4	0.3	1.3	950.3
Profit for the year	-	203.7	-	-	-	203.7
Other comprehensive (expense)/income for the year	-	(154.8)	(2.6)	1.4	0.7	(155.3)
Total comprehensive income	-	48.9	(2.6)	1.4	0.7	48.4
Dividends	-	(91.8)	-	-	-	(91.8)
At 31 March 2023	1,096.2	(210.8)	17.8	1.7	2.0	906.9

Anglian Water Group Limited

Group condensed cash flow statement

for the six months ended 30 September 2023

Notes		**Half-year ended 30 September 2023 Unaudited £m**	Half-year ended 30 September 2022 Unaudited £m	Year ended 31 March 2023 Audited £m
	Operating activities			
	Operating profit	**246.7**	230.5	418.3
	Adjustments for:			
	Depreciation and amortisation	**193.4**	185.4	381.7
	Assets adopted for £nil consideration	**(20.8)**	(13.9)	(46.0)
	Profit on disposal of property, plant and equipment	**(1.0)**	(0.8)	(3.9)
	Difference between pension charge and cash contributions	**(1.6)**	(1.6)	(28.9)
	Net movement in provisions	**(0.6)**	(2.2)	1.5
	Working capital:			
	Decrease/(Increase) in inventories	**1.9**	(2.1)	(4.0)
	Increase in trade and other receivables	**(141.0)**	(127.9)	(46.1)
	Increase in trade and other payables	**99.8**	84.3	29.9
		376.8	351.7	702.5
	Income taxes paid	**(0.3)**	(0.4)	(0.6)
	Net cash flows from operating activities	**376.5**	351.3	701.9
	Investing activities			
	Repayment of loans by joint ventures	**-**	4.0	14.4
	Increase in loans to related parties	**(2.4)**	-	-
	Purchase of property, plant and equipment	**(464.2)**	(254.4)	(588.5)
	Purchase of intangible assets	**(26.2)**	(35.6)	(75.8)
	Proceeds from disposal of property, plant and equipment	**1.3**	0.8	4.4
	Interest received	**29.0**	7.2	24.1
	(Increase)/decrease in short-term bank deposits	**(261.8)**	73.0	114.0
	Net cash used in investing activities	**(724.3)**	(205.0)	(507.4)
	Financing activities			
	Interest paid	**(196.8)**	(176.6)	(300.5)
	Debt issue costs paid	**(11.2)**	(1.8)	(2.4)
	Interest paid on leases	**(0.5)**	(0.4)	(0.8)
	Increase in amounts borrowed	**1,323.0**	225.1	1,117.8
	Repayment of amounts borrowed	**(731.6)**	(308.3)	(1,005.8)
	Repayment of principal on leases	**(3.6)**	(3.6)	(6.4)
	Dividends paid	**-**	(91.8)	(91.8)
	Net cash from/(used in) financing activities	**379.3**	(357.4)	(289.9)
	Net increase/(decrease) in cash and cash equivalents	**31.5**	(211.1)	(95.4)
	Cash and cash equivalents at the beginning of the period	**518.0**	613.4	613.4
12	**Cash and cash equivalents at the end of the period**	**549.5**	402.3	518.0

1. Basis of preparation and accounting policies

The condensed financial statements for the six months ended 30 September 2023, which are unaudited, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom.

The condensed financial statements for the six months ended 30 September 2023, including comparative information, do not constitute statutory accounts of the Group. Statutory accounts for the year ended 31 March 2023, 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, and in accordance with International Financial Reporting Standards as issued by the IASB and with the requirements of the Companies (Jersey) Law 1991, were approved by the Board on 13 July 2023 and the Auditor's report on those accounts was unqualified. The condensed financial statements for the six months ended 30 September 2023 should be read in conjunction with the annual integrated report and consolidated financial statements for the year ended 31 March 2023 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 2023, 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 2024.

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

The accounting policies adopted in the preparation of the interim condensed consolidation financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 March 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1. Basis of preparation and accounting policies (continued)

a) Going concern

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

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

In line with the assessment at March 2023, 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.

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 focus 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 cost pressures, particularly as a result of weather events. Finally, the scenarios consider the impact on our cash collection as a result of a cyber-attack.

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.
- Debt covenants – The business has significant headroom against Default Events under its securitised covenants with no plausible scenario identified that would cause an Event of Default. Whilst undesirable, a Trigger Event would not impact on the going concern assumption for the reasons noted below.

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

In October the business submitted its PR24 Business Plan for consideration by Ofwat. Whilst this falls outside of the going concern period it is worth noting that the plan submitted is financeable and financially resilient to downside stress tests performed.

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

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

2. Key sources of estimation uncertainty and critical accounting judgements

In preparing these condensed financial statements, the significant judgements made in applying the Group’s accounting policies, and the key areas involving estimation, were the same as those disclosed in the consolidated financial statements for the year ended 31 March 2023.

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 2023 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 2023 the Group was organised into the following main businesses:

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

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

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

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

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

4. Segmental information (continued)

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

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

[1]As defined in note 20

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)**

By class of business for the year ended 31 March 2023

	Anglian Water £m	Anglian Venture Holdings £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue					
External	1,494.9	54.4	0.3	-	**1,549.6**
Inter-segment	-	9.4	-	(9.4)	**-**
	1,494.9	**63.8**	**0.3**	**(9.4)**	**1,549.6**
Segment result					
EBITDA[1]	802.8	9.1	(11.9)	-	**800.0**
Depreciation and amortisation	(379.1)	(2.8)	0.2	-	**(381.7)**
Share of joint ventures operating profit	-	2.1	-	-	**2.1**
	423.7	**8.4**	**(11.7)**	**-**	**420.4**
Cash flows					
Operating cash flow	710.9	5.5	(13.9)	-	**702.5**
Capital expenditure	(660.0)	(0.3)	0.4	-	**(659.9)**
Net debt excluding derivative financial instruments[1]	(6,247.9)	(1.7)	(2,139.5)	-	**(8,389.1)**

[1] As defined in note 20

4. **Segmental information** (continued)

Reconciliation of segmental information

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Segment result	**247.8**	230.7	420.4
Finance income	**36.2**	9.7	43.8
Finance costs including fair value gains	**(193.4)**	277.7	(193.5)
Share of joint ventures interest payable	**(1.0)**	(1.0)	(2.3)
Share of joint ventures tax	**(0.2)**	-	(0.2)
Profit before tax from continuing operations	**89.4**	517.1	268.2
Total operating cash flow by segment	**376.8**	351.7	702.5
Income taxes paid	**(0.3)**	(0.4)	(0.6)
Net cash flows from operating activities	**376.5**	351.3	701.9
Purchase of property, plant and equipment	**(464.2)**	(254.4)	(588.5)
Purchase of intangible assets	**(26.2)**	(35.6)	(75.8)
Proceeds from disposal of property, plant and equipment	**1.3**	0.8	4.4
Capital expenditure spend by segment	**(489.1)**	(289.2)	(659.9)
Cash and cash equivalents	**549.5**	402.3	518.0
Cash deposits	**578.5**	357.7	316.7
Borrowings due within one year	**(645.4)**	(1,100.8)	(1,165.0)
Borrowings due after more than one year	**(9,307.9)**	(7,730.4)	(8,058.8)
Net debt by segment	**(8,825.3)**	(8,071.2)	(8,389.1)
Derivative financial instruments[1]	**(556.3)**	(515.5)	(697.7)
Net debt	**(9,381.6)**	(8,586.7)	(9,086.8)

[1] Derivative financial instruments exclude the liability of £27.9 million (30 September 2022: asset of £136.3 million; 31 March 2023: asset of £0.7 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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Anglian Water			
Household - measured	**495.3**	448.7	859.9
Household - unmeasured	**121.4**	113.9	223.7
Non-household - measured	**144.4**	130.6	260.6
Grants and contributions	**45.1**	44.9	106.0
Other	**21.3**	22.8	44.7
	827.5	760.9	1,494.9
Anglian Venture Holdings	**26.8**	32.4	63.8
Inter-segment eliminations	**(3.8)**	(3.7)	(9.4)
	850.5	789.6	1,549.3
Property revenue	**0.8**	-	0.3
	851.3	789.6	1,549.6

Grants and contributions includes adopted assets of £20.4 million (30 September 2022: £13.9 million, 31 March 2023: £46.0 million) and diversions of £6.9 million (30 September 2022: £2.7 million, 31 March 2023: £6.8 million).

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Contract liability			
At 1 April	**(345.5)**	(288.6)	(338.3)
Revenue recognised	**616.7**	562.6	1,083.6
Cash received in advance	**(601.0)**	(575.5)	(1,090.8)
Closing balance	**(329.8)**	(301.5)	(345.5)
Contract asset			
At 1 April	**331.5**	294.1	310.0
Revenue recognised	**650.4**	605.6	1,120.5
Amounts billed	**(615.8)**	(582.0)	(1,099.0)
Closing balance	**366.1**	317.7	331.5

6. Net finance costs

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Finance income			
Interest income on short-term bank deposits	**27.8**	5.7	22.7
Defined benefit pension scheme interest income	**1.3**	3.1	6.3
Other interest income	**1.1**	0.9	1.9
Amortisation of fair value adjustments	**6.0**	6.7	12.9
	36.2	16.4	43.8
Finance costs			
Interest expense on bank loans and overdrafts	**(21.0)**	(2.4)	(25.5)
Interest expense on other loans including financing expenses	**(169.3)**	(144.1)	(284.2)
Indexation of loan stock	**(250.6)**	(259.0)	(561.4)
Amortisation of debt issue costs	**(4.6)**	(4.1)	(7.6)
Interest on leases	**(0.5)**	(0.4)	(0.8)
Total finance costs	**(446.0)**	(410.0)	(879.5)
Less: amounts capitalised on qualifying assets	**35.9**	17.1	40.7
	(410.1)	(392.9)	(838.8)
Fair value gains/(losses) on derivative financial instruments			
Fair value loss on energy hedges	**-**	(0.2)	-
Hedge ineffectiveness on cash flow hedges	**-**	-	0.3
Hedge ineffectiveness on fair value hedges	**1.4**	(0.9)	-
Derivative financial instruments not designated as hedges	**218.2**	669.9	654.2
Recycling of de-designated cash flow hedge relationship	**(2.9)**	(4.9)	(9.2)
	216.7	663.9	645.3
Finance costs, including fair value gains on derivative financial instruments	**(193.4)**	271.0	(193.5)
Net finance costs	**(157.2)**	287.4	(149.7)

7. Taxation

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Current tax:			
In respect of the current period	**0.3**	0.3	0.7
Total current tax charge	**0.3**	0.3	0.7
Deferred tax:			
Origination and reversal of temporary differences	**26.9**	127.9	62.6
Adjustments in respect of previous periods	**-**	-	1.2
Total deferred tax charge	**26.9**	127.9	63.8
Total tax charge on loss on continuing operations	**27.2**	128.2	64.5

The tax charge for the six months ended 30 September 2023 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 2024, of 21.2%.

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

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (30 September 2022 and 31 March 2023: 19%) to the profit before tax from continuing operations as follows:

7. **Taxation** (continued)

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Profit before tax from continuing operations	**89.4**	517.1	268.2
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (30 September 2022 and 31 March 2023: 19%)	**22.4**	98.3	51.0
Effects of recurring items:			
Items not deductible for tax purposes			
Depreciation and losses on assets not eligible for tax relief	**0.9**	0.9	0.6
Disallowable expenditure	**0.5**	0.3	1.4
Interest restriction	**3.5**	1.8	3.9
Difference in overseas tax rates	**(0.3)**	(0.2)	(0.3)
Joint ventures results reported net of tax	**-**	0.2	0.1
	27.0	101.3	56.7
Effects of non-recurring items:			
Effects of differences between rates of current and deferred tax	**-**	30.7	17.4
Effects of capital allowance super-deduction	**-**	(3.4)	(10.8)
Other permanent differences	**0.2**	(0.4)	-
Adjustments in respect of prior periods	**-**	-	1.2
Tax charge for the period	**27.2**	128.2	64.5

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Deferred tax:			
Defined benefit pension schemes	**(8.8)**	(26.2)	(51.7)
Cash flow hedges	**(2.5)**	39.2	(0.2)
Total deferred tax (charge)/credit	**(11.3)**	13.0	(51.9)
Total tax (charge)/credit recognised in other comprehensive income	**(11.3)**	13.0	(51.9)

8. Dividends

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Dividend paid	**-**	91.8	91.8
	-	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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Cost			
At 1 April	**707.7**	637.3	637.3
Additions	**30.9**	38.5	82.7
Disposals	**-**	(12.3)	(12.3)
Exchange adjustments	**(0.3)**	0.9	-
Closing balance	**738.3**	664.4	707.7
Accumulated amortisation			
At 1 April	**(448.4)**	(411.8)	(411.8)
Charge for the period	**(32.9)**	(21.4)	(48.9)
Disposals	**-**	12.3	12.3
Exchange adjustments	**0.2**	(0.6)	-
Closing balance	**(481.1)**	(421.5)	(448.4)
Net book amount			
Closing balance	**257.2**	242.9	259.3

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Cost			
At 1 April	**16,259.4**	15,571.7	15,571.7
Additions	**487.6**	273.9	733.6
Disposals	**(14.0)**	(13.4)	(45.9)
Closing balance	**16,733.0**	15,832.2	16,259.4
Accumulated depreciation			
At 1 April	**(5,553.2)**	(5,265.8)	(5,265.8)
Charge for the period	**(160.4)**	(164.0)	(332.8)
Disposals	**13.7**	13.5	45.4
Closing balance	**(5,699.9)**	(5,416.3)	(5,553.2)
Net book amount			
Closing balance	**11,033.1**	10,415.9	10,706.2

11. Investments in joint ventures

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
At 1 April	**12.2**	12.7	12.6
Loss for the period	**(0.1)**	(0.8)	(0.4)
Closing balance	**12.1**	11.9	12.2

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 £1.1 million (30 September 2022: loss of £0.2 million, 31 March 2023: profit of £2.1 million), an interest expense of £1.0 million (30 September 2022: expense of £1.0 million, 31 March 2023: expense £2.3 million) and a tax charge of £0.2 million (30 September 2022: credit of £nil, 31 March 2023: charge £0.2 million). Other joint ventures are immaterial to the Group.

12. Analysis of net debt

Net debt at 30 September 2023

	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 2023	518.0	316.7	(9,223.8)	(697.7)	**(9,086.8)**
Cash flows:					
Interest paid	(196.8)	-	17.3	14.6	**(164.9)**
Issue costs paid	(11.2)	-	10.8	-	**(0.4)**
Interest on leases	(0.5)	-	-	-	**(0.5)**
Increase in amounts borrowed	1,323.0	-	(1,323.0)	-	**-**
Repayment of amounts borrowed	(731.6)	-	731.6	-	**-**
Repayment of principal on leases	(3.6)	-	3.6	-	**-**
Non-financing cash flows [2]	(347.8)	261.8	-	-	**(86.0)**
	31.5	261.8	(559.7)	14.6	**(251.8)**
Non-cash movements:					
Movement in interest accrual on debt	-	-	(6.3)	-	**(6.3)**
New lease agreements	-	-	(2.8)	-	**(2.8)**
Amortisation of issue costs	-	-	(4.6)	-	**(4.6)**
Amortisation of fair value adjustments	-	-	6.0	-	**6.0**
Indexation of borrowings and RPI swaps	-	-	(161.1)	(89.5)	**(250.6)**
Fair value gains and losses and foreign exchange	-	-	(1.0)	216.3	**215.3**
	-	-	(169.8)	126.8	**(43.0)**
At 30 September 2023	**549.5**	**578.5**	**(9,953.3)**	**(556.3)**	**(9,381.6)**
Net debt at 30 September 2023 comprises:					
Non-current assets	-	-	-	279.8	**279.8**
Current assets	549.5	578.5	-	29.5	**1,157.5**
Current liabilities	-	-	(645.4)	(76.2)	**(721.6)**
Non-current liabilities	-	-	(9,307.9)	(789.4)	**(10,097.3)**
	549.5	**578.5**	**(9,953.3)**	**(556.3)**	**(9,381.6)**

12. Analysis of net debt (continued)

(1) Derivative financial instruments exclude the net liability of £27.9 million (30 September 2022: asset £136.3 million; 31 March 2023: asset of £0.7 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 £376.5 million (30 September 2022: £351.3 million; 31 March 2023: £702.5 million), less net cash used in investing activities of £724.3 million (30 September 2022: £205.0 million; 31 March 2023: £507.4 million).

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Non-current assets	**6.3**	69.2	11.5
Current assets	**3.8**	72.5	18.4
Current liabilities	**(31.1)**	(0.4)	(21.9)
Non-current liabilities	**(6.9)**	(5.0)	(7.3)
	(27.9)	136.3	0.7

12. Analysis of net debt (continued)

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)

Net debt at 31 March 2023

	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	(300.5)	-	27.6	(3.5)	**(276.4)**
Issue costs paid	(2.4)	-	2.7	-	**0.3**
Interest on leases	(0.8)	-	-	-	**(0.8)**
Increase in amounts borrowed	1,117.8	-	(1,117.8)	-	**-**
Repayment of amounts borrowed	(1,005.8)	-	1,005.8	-	**-**
Repayment of principal on derivatives	-	-	-	-	**-**
Repayment of principal on leases	(6.4)	-	6.4	-	**-**
Non-financing cash flows [2]	102.7	(114.0)	-	-	**(11.3)**
	(95.4)	(114.0)	(75.3)	(3.5)	**(288.2)**
Non-cash movements:					
Movement in interest accrual on debt	-	-	2.2	-	**2.2**
New lease agreements	-	-	(5.9)	-	**(5.9)**
Amortisation of issue costs	-	-	(7.6)	-	**(7.6)**
Amortisation of fair value adjustments	-	-	12.9	-	**12.9**
Indexation of borrowings and RPI swaps	-	-	(363.0)	(198.4)	**(561.4)**
Fair value gains and losses and foreign exchange	-	-	16.3	666.2	**682.5**
	518.0	316.7	(9,223.8)	(697.7)	(9,086.8)
At 31 March 2023	**518.0**	**316.7**	**(9,223.8)**	**(697.7)**	**(9,086.8)**
Net debt at 31 March 2023 comprises:					
Non-current assets	-	-	-	182.9	**182.9**
Current assets	518.0	316.7	-	37.4	**872.1**
Current liabilities	-	-	(1,165.0)	(31.5)	**(1,196.5)**
Non-current liabilities	-	-	(8,058.8)	(886.5)	**(8,945.3)**
	518.0	**316.7**	**(9,223.8)**	**(697.7)**	**(9,086.8)**

12. Analysis of net debt (continued)

Current asset investments above comprise £578.5 million (30 September 2022: £357.7 million; 31 March 2023: £316.7 million) of short-term cash deposits with a maturity of more than three months.

At 30 September 2023, £385.4 million (30 September 2022: £234.7 million; 31 March 2023: £335.1 million) of the Group's cash and cash equivalents and £570.0 million (30 September 2022: £339.0 million; 31 March 2023: £298.0 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 2022: £0.2 million; 31 March 2023: £0.2 million) of the Group's cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £1.2 million (30 September 2022: £0.8 million; 31 March 2023: £0.8 million) of the Group's cash and cash equivalents and £3.5 million (30 September 2022: £3.7 million; 31 March 2023: £3.5 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 2023

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

13. Net debt and derivatives (continued)

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 31 March 2023

	Carrying value £m	Fair value £m
Cash and cash equivalents	518.0	518.0
Current asset investments - cash deposits	316.7	316.7
Borrowings		
Current	(1,165.0)	(1,168.0)
Non-current	(8,058.8)	(8,597.5)
Interest and cross currency interest rate swaps - assets		
Current	30.0	30.0
Non-current	53.7	53.7
Interest and cross currency interest rate swaps - liabilities		
Current	(10.7)	(10.7)
Non-current	(179.9)	(179.9)
RPI swaps - assets		
Current	1.9	1.9
Non-current	120.0	120.0
RPI swaps - liabilities		
Current	(20.3)	(20.3)
Non-current	(484.7)	(484.7)
CPI swaps - assets		
Current	5.5	5.5
Non-current	9.2	9.2
CPI swaps - liabilities		
Current	(0.5)	(0.5)
Non-current	(221.9)	(221.9)
Net debt	(9,086.8)	(9,628.5)
Energy derivatives - assets		
Current	18.4	18.4
Non-current	11.5	11.5
Energy derivatives - liabilities		
Current	(21.9)	(21.9)
Non-current	(7.3)	(7.3)
	(9,086.1)	(9,627.8)

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 2023 for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
At the beginning of the period	**(207.7)**	(322.7)	(322.7)
Net gain for the period	**15.5**	148.9	94.4
Settlements	**12.1**	9.7	20.6
At the end of the period	**(180.1)**	(164.1)	(207.7)

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Gain/(loss)			
1% increase in inflation rates	**(125.7)**	(139.2)	(143.6)
1% decrease in inflation rates	**100.4**	119.4	122.1

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

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
At 1 April	**11.4**	9.9	9.9
Additional provisions recognised	**0.1**	0.7	7.1
Unused amounts reversed	**-**	(1.3)	(1.8)
Utilised in the year	**(0.7)**	(1.6)	(3.8)
Closing balance	**10.8**	7.7	11.4

Maturity analysis of total provisions:

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Current	**5.5**	5.0	5.8
Non-current	**5.3**	2.7	5.6
	10.8	7.7	11.4

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 2023 % pa	Half-year ended 30 September 2022 % pa	Year ended 31 March 2023 % pa
Discount rate	**5.5**	5.3	4.7
Inflation rate			
RPI	**3.4**	3.7	3.4
CPI	**2.9/2.7**	3.3/3.1	2.9/2.7

15. Net retirement benefit obligations (continued)

The assets of the pension schemes have been updated to reflect their market value as at 30 September 2023.

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

	Half-year ended 30 September 2023 % pa	Half-year ended 30 September 2022 % pa	Year ended 31 March 2023 % pa
At the beginning of the period	**56.0**	227.3	227.3
Net interest income (see note 6)	**1.3**	3.1	6.3
Employers' contributions	**1.5**	1.5	28.9
Return on plan assets (excluding amounts included in net interest)	**(148.5)**	(600.5)	(630.9)
Experience (losses)/gains on liabilities	**(15.2)**	(53.2)	508.5
Actuarial gains/(losses) arising from changes in assumptions	**128.5**	555.2	(84.1)
Short term cash offset	**-**	(4.2)	-
At the end of the period	**23.6**	129.2	56.0
Period end balance split by scheme:			
AWGPS	**52.5**	164.6	88.0
Unfunded pensions	**(30.3)**	(32.3)	(33.0)
Hartlepool	**1.1**	1.1	0.6
MPLAP	**0.3**	(4.2)	0.4
	23.6	129.2	56.0

15. Net retirement benefit obligation (continued)

The net pension surplus comprises:

	Half-year ended 30 September 2023 % pa	Half-year ended 30 September 2022 % pa	Year ended 31 March 2023 % pa
Pension schemes with a net surplus, included in non-current assets	**54.0**	165.7	89.0
Pension schemes with a net deficit, included in non-current liabilities	**(30.4)**	(36.5)	(33.0)
Net defined benefit pension surplus	**23.6**	129.2	56.0

16. Hedging reserve

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
At the beginning of the period	**17.8**	20.4	20.4
(Losses)/gains on cash flow energy hedges	**(27.8)**	63.0	(32.9)
Amounts transferred to the income statement	**(1.3)**	0.1	(40.0)
Gains on cash flow hedges	**16.3**	102.5	49.7
Amounts transferred to the income statement from discontinuation of cash flow hedges	**2.9**	4.9	8.9
Exchange movement on hedging instruments related to debt in cash flow hedges	**2.0**	(14.5)	11.1
Deferred tax movement on cash flow hedges	**2.0**	(39.0)	0.6
At the end of the period	**11.9**	137.4	17.8

Cost of hedging reserve

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
At the beginning of the period	**1.7**	0.3	0.3
(Losses)/gains on cash flow hedges	**(2.2)**	0.9	1.8
Deferred tax movement on cash flow hedges	**0.5**	(0.2)	(0.4)
At the end of the period	**-**	1.0	1.7

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 2023.

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Property, plant and equipment	**264.4**	136.1	215.8
Intangible assets	**48.4**	30.7	26.3
	312.8	166.8	242.1

18. Contingencies

During the period to 30 September 2023, there has been no change to the Group's position from that disclosed in the 31 March 2023 consolidated financial statements. As stated in there, 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.

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 2023 in transactions with these related parties from that disclosure in the annual report and consolidated financial statements for the year ended 31 March 2023.

During the period ended 30 September 2023, the Group made sales on an arms-length basis of £92.7 million (30 September 2022: £88.0 million; 31 March 2023: £192.0 million) to the Wave joint venture, and recognised interest receivable of £1.1 million (30 September 2022: £0.7 million; 31 March 2023: £1.9 million). At 30 September 2023, the following amounts were due from the Wave joint venture:

- A £10.7 million (30 September 2022: £10.7 million and 31 March 2023: £10.7 million) 5.5 per cent medium-term loan repayable on 31 August 2027, or such other date as mutually agreed between the parties, included within investments in joint ventures;
- A £16.7 million (30 September 2022: £16.7 million and 31 March 2023: £16.7 million) loan at 12-month LIBOR plus 2.75 per cent with no fixed repayment date, included within trade and other receivables;
- A £7.4 million (30 September 2022: £15.0 million and 31 March 2023: £4.6 million) short-term working capital facility at one month LIBOR plus 2.75 per cent, included within trade and other receivables; and
- Accrued income of £9.1 million (30 September 2022: £5.5 million; 31 March 2023: £8.3 million), and interest receivable of £0.6 million (30 September 2022: £0.9 million; 31 March 2023 £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 ("APM"). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each 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 18).

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
EBITDA	**440.1**	415.1	800.0
Net finance income/(costs)	**(157.2)**	287.4	(149.7)
Tax charge	**(27.2)**	(128.2)	(64.5)
Depreciation & amortisation	**(193.4)**	(185.4)	(381.7)
Share of joint ventures' loss after tax	**(0.1)**	(0.8)	(0.4)
Profit/(Loss) for the period	**62.2**	388.1	203.7

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Net finance costs excluding fair value gains/(losses) on derivative financial instruments	**(373.9)**	(376.5)	(795.0)
Fair value gains on derivative financial instruments	**216.7**	663.9	645.3
Finance costs, including fair value (losses)/gains on derivative financial instruments	**(157.2)**	287.4	(149.7)

20. **Alternative performance measures** (continued)

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

Calculated as profit before tax excluding fair value gains/(losses) on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains/(losses) are volatile, non-cash movements that distort the actual underlying economic performance (page 18).

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Adjusted loss before tax/Loss before fair value gains	**(127.2)**	(147.6)	(376.7)
Tax charge	**(27.2)**	(128.2)	(64.5)
Fair value gains on derivative financial instruments	**216.7**	663.9	645.3
Share of joint ventures' loss after tax	**(0.1)**	(0.8)	(0.4)
Profit for the period	**62.2**	387.3	203.7

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Net cash and cash equivalents	**549.5**	402.3	518.0
Current asset investments	**578.5**	357.7	316.7
Borrowings	**(9,953.3)**	(8,831.2)	(9,223.8)
Net debt excluding derivatives	**(8,825.3)**	(8,071.2)	(8,389.1)
Derivatives	**(584.2)**	(379.2)	(697.7)
Less: energy derivatives	**27.9**	(136.3)	(0.7)
	(9,381.6)	(8,586.7)	(9,087.5)

20. Alternative performance measures (continued)

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

e) Capital Investment

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
	449.0	280.7	725.0
PPE additions	**487.5**	273.7	733.4
Intangible additions	**30.9**	38.5	82.3
Capitalised interest	**(35.9)**	(17.1)	(40.8)
Adopted assets	**(20.8)**	(13.1)	(46.0)
Non-appointed business	**(0.2)**	(0.1)	(1.4)
Items shown as stock	**(12.5)**	(1.2)	(2.5)
Capital investment	**449.0**	280.7	725.0

f) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. The table below shows the operating cash value compared to the net interest paid during the year to show the interest cover.

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Operating cash	**389.9**	359.6	710.9
Interest cash	**(105.5)**	(109.2)	(184.6)
Net interest income costs excluded under CTA	**(8.2)**	(3.7)	(0.6)
Interest cover	**3.4**	3.2	3.8

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 29 November 2023. 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 pages 56-57.

Independent review to Anglian Water Group Limited

for the six months ended 30 September 2023

INDEPENDENT REVIEW REPORT TO ANGLIAN WATER GROUP LIMITED

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 2023 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, 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.

As disclosed in note 1, the annual financial statements of the group will be 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".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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. 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.

Conclusion

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 2023 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.

Independent review to Anglian Water Group Limited

for the six months ended 30 September 2023

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. 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

29 November 2023