

Anglian Water Services Financing Plc

Half-yearly report

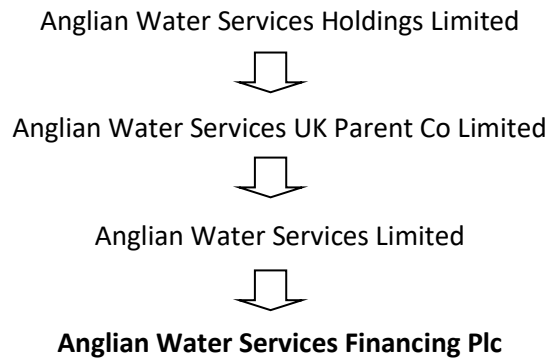
for the six months ended 30 September 2024

Half-yearly results

for the six months ended 30 September 2024

Business review

The principal activity of Anglian Water Services Financing (“AWSF”) is the raising of listed debt, on the UK public bond market, to on-lend to Anglian Water Services Limited (“AWSL”) and it forms part of the group of four companies referred to as the Anglian Water Services Financing Group (“AWSFG”) as shown below.



During the first six months of this financial year the company has performed in-line with expectations, with interest being incurred on its long-term borrowings and earned on the loans to Anglian Water Services Limited.

The loans to Anglian Water Services Limited are on a “back-to-back” arrangement whereby all borrowings are replicated on identical terms.

In respect of financing, during the six month period to September 2024, Anglian Water issued an 20-year £600.0 million 6.25% fixed-rate bond. Repayments of £205.9 million were made in respect of maturing debt, which consisted of the £75.0 million 3.666% index-linked debt (plus final accretion payment) and amortising payments on EIB index-linked debt.

As at September 2024 Anglian Water has access to £1,000.0 million of undrawn facilities (March 2024: £1,025.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £432.5 million of liquidity facilities (March 2024: £425.0 million), consisting of £294.0 million to finance debt service costs and £138.5 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity. See note 1 for further commentary over the liquidity requirements of the group in relation to going concern.

Principal risks and uncertainties

The management of the business and execution of the company’s strategy are subject to a number of risks, the principal risks being management of liquidity, interest rate and foreign currency exposure. These are consistent with those included in the Annual Report and Accounts for the year ended 31 March 2024.

Further detail on these risks and uncertainties is included in the Annual Report and Accounts which can be found on the Anglian Water website at <http://www.anglianwater.co.uk/about-us/annual-reports/>.

Anglian Water services Financing Plc

Half-yearly results

for the six months ended 30 September 2024

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', and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in related party transactions described in the last annual report.

By order of the Board:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Anglian Water Services Financing Plc
Statement of comprehensive income
for the six months ended 30 September 2024

Notes	Half-year ended 30 September 2024 Unaudited £m	Half-year ended 30 September 2023 Unaudited £m	Year ended 31 March 2024 Audited £m
Revenue	-	-	-
Total operating costs	-	-	-
Operating result	-	-	-
2 Finance income	242.3	376.7	617.1
3 Finance costs	(241.4)	(375.9)	(615.3)
Expected credit loss on intercompany loan	(16.6)	5.1	4.7
Net finance (costs)/income	(15.7)	5.9	6.5
(Loss)/Profit before tax from continuing operations	(15.7)	5.9	6.5
4 Tax	-	-	-
(Loss)/Profit for the period and total comprehensive income	(15.7)	5.9	6.5

The results above arise from continuing operations.

Notes 1 to 9 are an integral part of these condensed financial statements.

Balance sheet

as at 30 September 2024

Notes	As at 30 September 2024 Unaudited £m	As at 30 September 2023 Unaudited £m	As at 31 March 2024 Audited £m	
Non-current assets				
5	Investments	7,910.0	7,133.2	7,585.4
6	Derivative financial instruments	899.2	1,069.2	1,017.5
		8,809.2	8,202.4	8,602.9
Current assets				
	Trade and other receivables	10.0	35.6	49.6
5	Investments	534.4	584.4	447.5
	Cash and cash equivalents	42.8	15.3	2.3
6	Derivative financial instruments	8.4	105.9	79.6
		595.6	741.2	579.0
	Total assets	9,404.8	8,943.6	9,181.9
Current liabilities				
	Borrowings	(534.3)	(584.4)	(447.5)
6	Derivative financial instruments	(8.4)	(105.9)	(79.6)
		(542.8)	(690.3)	(527.1)
	Net current assets	52.8	50.9	51.9
Non-current liabilities				
	Borrowings	(7,940.3)	(7,146.4)	(7,599.0)
6	Derivative financial instruments	(899.2)	(1,069.2)	(1,017.5)
		(8,839.5)	(8,215.6)	(8,616.5)
	Total liabilities	(9,382.2)	(8,905.9)	(9,143.6)
	Net assets	22.6	37.7	38.3
Capital and reserves				
	Retained earnings	22.6	37.7	38.3
	Total equity	22.6	37.7	38.3

Notes 1 to 9 are an integral part of these condensed financial statements.

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

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Anglian Water Services Financing Plc
Statement of changes in equity
for the six months ended 30 September 2024

Notes	Stated capital £m	Retained earnings £m	Total equity £m
Six months ended 30 September 2024			
At 1 April 2024	-	38.3	38.3
Loss for the period	-	(15.7)	(15.7)
Total comprehensive income	-	(15.7)	(15.7)
At 30 September 2024	-	22.6	22.6
Six months ended 30 September 2023			
At 1 April 2023	-	31.8	31.8
Profit for the period	-	5.9	5.9
Total comprehensive income	-	5.9	5.9
At 30 September 2023	-	37.7	37.7
Year ended 31 March 2024			
At 1 April 2023	-	31.8	31.8
Profit for the year	-	6.5	6.5
Total comprehensive income	-	6.5	6.5
At 31 March 2024	-	38.3	38.3

Anglian Water Services Financing Plc
Notes to the financial statements
for the six months ended 30 September 2024

1. Basis of preparation and accounting policies

This interim report has been prepared in accordance with Financial Reporting Standard 104, 'Interim Financial Reporting' (FRS 104), and FRS 101, 'Reduced Disclosure Framework' (FRS 101), and in accordance with the Companies Act 2006.

The condensed financial statements for the six months ended 30 September 2024, including comparative information, do not constitute statutory accounts of the company. Statutory accounts for the year ended 31 March 2024 were approved by the Board on 10 June 2024 and the Auditor's report on those accounts was unqualified. The condensed financial statements for the six months ended 30 September 2024 should be read in conjunction with the financial statements for the year ended 31 March 2024 which can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

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

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

a) Going concern

Under the terms of the Company's financing arrangements, its parent, AWSL, guarantees unconditionally and irrevocably all the Company's borrowings and derivatives. As the Company does not operate separately to the AWSFG, the Directors have undertaken a detailed review of the ability of the Group to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements are approved.

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

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

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

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.

Notes to the financial statements (continued)

for the six months ended 30 September 2024

1. Basis of preparation and accounting policies (continued)

a) Going concern (continued)

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

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

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

- Liquidity – AWS holds sufficient liquidity to cover the going concern period even under the most severe downside scenario. There is no requirement for the business to raise further debt in the period and therefore the volatile market conditions have limited impact.
- Debt covenants – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) under its securitised covenants with no plausible scenario identified that would cause an Event of Default.

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

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

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

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

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

Notes to the financial statements (continued)

for the six months ended 30 September 2024

2. Finance Income

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Finance income			
Interest receivable from Anglian Water Services Limited	241.4	375.9	615.3
Management fees treated as interest receivable	-	-	0.4
Other interest income	0.9	0.8	1.4
	242.3	376.7	617.1

3. Finance Costs

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Finance costs			
Interest expense on bank loans and overdrafts	(140.2)	(125.3)	(255.4)
Indexation	(101.2)	(250.6)	(359.9)
	(241.4)	(375.9)	(615.3)
Expected credit loss on intercompany loan	(16.6)	5.1	4.7
	(258.0)	(370.8)	(610.6)

The Company holds Retail Price Index (RPI) and Consumer Price Index (CPI) swaps to enable the Group to hedge against RPI movement in the Regulated Capital Value (RCV) and revenues of Anglian Water Services Limited. These inflation swaps would not qualify for hedge accounting under IFRS 9 and consequently are held at fair value with movements taken to the statement of comprehensive income, however, it is the opinion of the Directors that they remain highly effective economic hedges.

The Company holds interest rate swaps and cross currency swaps to enable the group to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activity in the group.

Within the Company, hedge accounting is not applied and therefore the movements in the fair value of these derivatives are included in the statement of comprehensive income. The Company has a “back-to-back” arrangement with Anglian Water Services Limited whereby all borrowings and derivatives are replicated on identical terms, thus resulting in a net neutral impact on the statement of comprehensive income.

Anglian Water Services Financing Plc
Notes to the financial statements (continued)
for the six months ended 30 September 2024

4. Taxation

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Tax on profit on ordinary activities comprises:			
UK corporation tax - current period	-	-	-
Total tax charge on profit on continuing operations	-	-	-

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

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
(Loss)/profit before tax from continuing operations	(15.7)	5.9	6.5
(Loss)/profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (30 September 2023 and 31 March 2024: 25%)	(3.9)	1.5	1.6
Effects of recurring items:			
Items not deductible for tax purposes			
Expected credit loss on intercompany loan	4.2	(1.3)	(1.2)
	0.3	0.2	0.4
Effects of non-recurring items:			
Group relief not paid for	(0.3)	(0.2)	(0.4)
Tax charge for the period	-	-	-

It has been agreed that companies within the Anglian Water Services Financing Group (AWSFG) will not pay each other for tax losses. The AWSFG consists of Anglian Water Services Limited, Anglian Water Services Financing Plc, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited.

The company does not have any deferred tax balances recognised or otherwise.

Notes to the financial statements (continued)

for the six months ended 30 September 2024

5. Investments

	Half-year ended 30 September 2024 £m	Half-year ended 30 September 2023 £m	Year ended 31 March 2024 £m
Investments - current & non-current			
Loan to parent undertaking	8,474.7	7,730.8	8,046.5
Expected credit loss	(30.3)	(13.2)	(13.6)
Total	8,444.4	7,717.6	8,032.9

The loan to AWSL mirrors the external loan.

£8,444.4 million is made up of current: £534.4 million (30 September 2023: £584.4 million; 31 March 2024: £447.5 million) and non-current: £7,910.0 million (30 September 2023: £7,133.2 million; 31 March 2024: £7,585.4).

In accordance with IFRS 9 5.5 'Recognition of expected credit losses', as at 30 September 2024 the company has recorded an expected credit loss in relation to the intercompany loan between Anglian Water Services Limited (AWSL) and Anglian Water Services Financing Plc of £30.3 million (30 September 2023: £13.1 million; 31 March 2024: £13.6 million).

The expected credit loss is calculated based on a one year credit spread of AWSL of 36 basis points (30 September 2023: 17 basis points; 31 March 2024: 17 basis points), however, as the only business of the entity is to raise funds for AWSL, any losses due to a credit event in AWSL would effectively be incurred by the external debt holders. As such, the expected credit loss provision reflects a mismatch in accounting treatment between assets and liabilities and is not a true economic exposure for the entity.

Anglian Water Services Financing Plc
Notes to the financial statements (continued)
for the six months ended 30 September 2024

6. Fair value of derivatives

At 30 September 2024

	Assets £m	Liabilities £m
Interest rate and cross currency interest rate swaps	233.9	(233.9)
RPI and CPI swaps	673.7	(673.7)
	<u>907.6</u>	<u>(907.6)</u>

Derivative financial instruments can be analysed as follows:

Current	8.4	(8.4)
Non-current	899.2	(899.2)
	<u>907.6</u>	<u>(907.6)</u>

At 30 September 2023

	Assets £m	Liabilities £m
Interest rate and cross currency interest rate swaps	272.8	(272.8)
RPI and CPI swaps	902.3	(902.3)
	<u>1,175.1</u>	<u>(1,175.1)</u>

Derivative financial instruments can be analysed as follows:

Current	105.9	(105.9)
Non-current	1,069.2	(1,069.2)
	<u>1,175.1</u>	<u>(1,175.1)</u>

At 31 March 2024

	Assets £m	Liabilities £m
Interest rate and cross currency interest rate swaps	260.1	(260.1)
RPI and CPI swaps	837.0	(837.0)
	<u>1,097.1</u>	<u>(1,097.1)</u>

Derivative financial instruments can be analysed as follows:

Current	79.6	(79.6)
Non-current	1,017.5	(1,017.5)
	<u>1,097.1</u>	<u>(1,097.1)</u>

Both the carrying values and fair values of derivative financial instruments all net to nil.

Notes to the financial statements (continued)

for the six months ended 30 September 2024

7. Ultimate parent company

The Company's immediate parent undertaking is Anglian Water Services Limited, a company registered in England and Wales.

Anglian Water Group Limited, whose registered address is 44 Esplanade, St. Helier, Jersey, JE4 9WG, is the parent company of the largest group to consolidate the financial statements of the company, copies of which can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

Anglian Water Services Limited is the parent company of the smallest group to consolidate the financial statements of the Company, copies of which can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

The Directors consider Anglian Water Group Limited, a company registered in Jersey but domiciled in the UK, to be the ultimate parent undertaking. Anglian Water Group Limited is owned and ultimately controlled by a consortium of investors consisting of: CPP Investment Board Private Holdings (6) Inc., Global InfraCo (HK) E. Limited, First Sentier Investors (Luxembourg) Infrastructure (B) GP S.a.r.l., Camulodunum Investments Ltd, and, Infinity Investments S.A.

8. 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.

9. Approval of the half-yearly report

The half-yearly report, which is unaudited, was approved by the Board on 4 December 2024.