Anglian Water Services Limited
Half-yearly report

for the six months ended 30 September 2018

Anglian Water Services Limited

Half-yearly management report

for the six months ended 30 September 2018

"These results show another consistent Group performance despite the impact of the exceptionally hot, dry summer during which we consistently met customer demand and avoided interruptions to supply. In September we submitted our new five year Business Plan which proposes a record £6.5 billion investment programme to protect the environment and provide resilience for customers. We were named the number one water company for customer service for the year 2017/18."

Peter Simpson, Chief Executive

Financial highlights

- Revenue (excluding grants and contributions) of £657.2 million, an increase of £22.4 million (3.5 per cent) on 2017 - consistent with the regulatory pricing mechanism, the impact of the hot, dry summer on demand and customer growth
- Operating costs up by £22.2 million, reflecting the impact of the exceptional summer period and inflationary pressure on costs, partially offset by savings from efficiency initiatives
- Cash generated from operations of £360.7 million, up 3.5 per cent on last year
- Gross capital investment in the period of £211.7 million (2017: £203.5 million[1]) – includes £16.9 million (2017: £23.5 million) of reinvestment spend out of the £165 million of reinvestment previously announced over the last two years
- Post period end equity injection in Anglian Water Services ("AWS") of £22.0 million, to be followed by further equity injections up to 2025, to reduce gearing as previously announced
- No interim dividend (2017: £25.0 million) consistent with the board's commitment to reduce gearing

Business performance highlights

Number one in customer service

- Named number one water company for customer service in Ofwat's Service Incentive Mechanism measure for water companies ('SIM') for the year ended 31 March 2018, 15 years of consistent upper-quartile service performance

Leading the way on company transparency

- Cayman Island subsidiary removed from the AWS structure and replaced by a UK registered company (the first water company to do so). The Cayman Island Company had always been UK tax resident, and never benefited from any tax advantage

Planning for the future

- Ambitious Business Plan submitted to Ofwat- supported by more than 80 per cent of customers based on an extensive acceptability and affordability survey and online community research
- Proposals for a £6.5 billion investment plan, a 30 per cent increase on the current asset management five year period
- An investment programme to dramatically reduce leakage from our already industry leading position, protect our region from the risks of drought and flooding, enhance the environment and meet growth through sustainable improvements to our network
- Plan shaped by half a million customer interactions – drawing on 38 channels of communication and contact – ten times more than in AMP6
- Fifth supply chain alliance being set up to deliver a Water Resources Management Plan which totals £630 million, nearly eight times larger than the last period, delivering resilience to drought and flooding

[1] The gross capital investment comparative has been restated to reflect the impact of IFRS 15 and include prior period diversions. This has the effect of increasing gross capital investment by £4.0 million compared with the previous year's published half-yearly report.

Leaders in leakage, but never standing still

- Prioritising the reduction of leakage during a challenging period
- Innovative new technology unveiled as part of ambitious goal to reduce leakage by a further 22 per cent by 2025
- Two awards received at this year's prestigious International Water Association Awards, held in Tokyo, in recognition of our ambitious leakage strategy

Protecting & enhancing our environment

- In 2017 Anglian Water became the first utility company to issue a sterling Green Bond to support its ambitious *Love Every Drop* strategy. In October 2018, Anglian Water issued a second Green Bond as another industry first, further cementing our sustainable approach - at the heart of everything we do
- 'Best Use of Technology for Carbon Reduction' awarded for the Great Dunmow Water Recycling centre project, from New Civil Engineer
- As part of the Business Plan submission for AMP7: £783 million allocated to environmental protection and enhancement through the delivery of our Water Industry National Environment Programme (WINEP), expenditure that is more than double the last period.

Commenting further on the company's half-year performance, Anglian Water's Chief Executive, Peter Simpson, said:

"This summer saw more extreme weather hit the UK with a prolonged heatwave blanketing our region. Despite this long hot and dry spell hitting us- already the driest part of the country- we avoided interruptions to supply and consistently met customer demand during this period.

"This outcome is testament to the hard work and dedication of our operational teams to maintain supplies, as well as the quality of the plans we have in place for managing severe weather events like this heatwave and the 'Beast from the East' earlier in the year.

"We have previously committed to reduce dividends and borrowings through to 2025 in support of our reputation as a sustainable and responsible business. Last year Anglian Water paid an interim dividend in December 2017 of £25.0 million, however, as part of this commitment, no interim dividend is planned for the second half of this year. The reduction in dividends will also help fund the additional £165 million of capital reinvestment announced by the board over the last two years.

"In September we submitted our latest Business Plan to Ofwat. The plan, which was supported by more than 80 per cent of customers, details our ambitious investment proposals from 2020-2025. With £6.5 billion of investment outlined, this is the most ambitious plan we have ever submitted and one of the largest packages of investment our region has ever seen. Our regulator Ofwat will now review the plan and we'll hear their initial assessment at the end of January. In the meantime, we remain focused on delivering the current plans for this AMP, as well as planning ahead to prepare our business for the colder months ahead."

Summary

Results for the six months ended 30 September 2018, which are unaudited and with comparatives restated for the adoption of IFRS 15 'Revenue from Contracts with Customers' are as follows:

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017[1] £m
Revenue	**694.6**	668.3
Operating costs	**(297.2)**	(275.0)
Depreciation and amortisation	**(171.0)**	(157.2)
Operating profit	**226.4**	236.1
Finance income (adjusted)[2]	**0.8**	0.8
Finance costs[3]	**(165.3)**	(173.6)
Underlying profit before tax	**61.9**	63.3

[1] The comparatives have been restated to reflect the impact IFRS 15 'Revenue from Contracts with Customers', which came into effect on 1 April 2018, had on the accounting for grants and contributions. Grants and contributions are now recognised immediately as revenue rather than being deferred and released to 'other operating income' over the expected useful life of the related assets. This has the effect of increasing revenue in the six months to 30 September 2017 by £33.5 million, and reducing other operating income by £7.6 million to £nil, compared with the previous year's published half-yearly report.
[2] The comparative has been adjusted to show finance charges excluding interest receivable on an intragroup loan. This intragroup loan was settled in March 2018 and therefore there are no equivalent charges in the current period.
[3] In order to show pre-tax performance on an underlying basis the fair value gains and losses on financial derivatives have been excluded from the table.

The table below sets out the reconciliation between the statutory income statement and the underlying financial performance as shown above.

Reconciliation to statutory accounts

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m
Underlying profit before tax	**61.9**	63.3
Finance costs - fair value gains on financial derivatives	**56.3**	122.2
Finance income - inter-company interest receivable	**-**	96.4
Profit on disposal of the non-household retail business	**-**	4.6
Profit before tax on a statutory basis	**118.2**	286.5

On 1 April 2018 IFRS 15 'Revenue from Contracts with Customers' came into effect. The principal consequence of this new standard is that grants and contributions income is recognised as revenue immediately, whereas in the past it was spread over the life of the related asset and included in other operating income. Revenue, excluding grants and contributions, for the half year was £657.2 million (2017: £634.8 million), an increase of £22.4 million (3.5 per cent) on the same period last year. This primarily reflects the regulatory pricing mechanism, increases in household consumption due to the hot, dry summer and growth in customer numbers. Grants and contributions have increased by £3.9 million to £37.4 million, which reflects an increased level of adopted sewers and pumping stations in relation to new housing developments, and the diversion of existing infrastructure for the Cambridge to Huntingdon A14 road improvement scheme.

Operating costs increased by £22.2 million (8.1 per cent) on the same period last year to £297.2 million due principally to general inflationary pressure and the severe weather impacts of the 'Beast from the East' freeze followed by the hot, dry summer. The increase is explained in the following table.

Increases/(decreases) in operating costs (before depreciation and amortisation)	**£m**
One-off credits in prior year not repeating	4.5
Dealing with the 'Beast from the East' and the exceptional hot, dry summer – proactive leakage management and avoiding interruptions to customer supply	6.5
General inflationary increases	8.7
Power price increase	5.4
Providing more effective solutions through operational maintenance, rather than capital investment	5.1
Operating costs of newly commissioned plant	2.0
Increase in abstraction licence costs	1.1
Decrease in minor repair activities to maintain water and waste water below ground infrastructure	(3.1)
Reduction in actuarial pension charge	(2.3)
Reduction in business rates	(1.5)
Net efficiency savings achieved	(4.2)
Net increase in operating costs	**22.2**

The bad debt charge for the period was £13.0 million, the same as the prior period, which represents 2.5 per cent of retail revenue, a slight improvement on the 2.6 per cent for the same period last year.

Depreciation is up 8.8 per cent compared with the same period last year, consistent with the impact of newly commissioned assets in the year, and a reduction in the useful life of various operational assets.

Operating profit has decreased by 4.1 per cent to £226.4 million, which is consistent with higher operating costs and increased depreciation, partially offset by the effect of the net revenue increases.

The underlying net finance charge for the period was £164.5 million, a reduction of £8.3 million compared with the same period last year. This is driven by more interest being capitalised as a result of greater capital project activity, a moderate fall in inflation year-on-year, and the benefits of the refinancing activity in the prior year at lower cost.

The fair value gains on financial derivatives of £56.3 million (2017: £122.2 million) is primarily a result of the blended increase in long-term interest rates experienced in the period of 21 basis points (2017: 22 basis points increase), which more than offset a smaller 14 basis points increase in average levels of forward inflation curves (2017: 20 basis points decrease which increased the overall gain in 2017). Increases in underlying inflationary pressures due to uncertainty surrounding the volatile Brexit debate and the continuing high levels of employment in the economy have driven up market expectations of future interest rates. Fair value gains and losses include a charge of £11.7 million relating to the restructuring of derivatives which were cash settled in the period. The balance of the fair value gains and losses are non-cash in nature and have no material effect on the underlying commercial operations of the business.

Compared to the same period in the previous year the total tax charge has reduced by £6.6 million from £34.9 million (restated from £31.3 million as a result of IFRS 15) to £28.3 million. This is primarily due to reductions in the fair value gains on financial derivatives and in the deferred tax charge in respect of prior years and the effect of a minor reduction in the composite rate at which deferred tax is charged from 17.08 per cent to 17.05 per cent. Over the full year total taxes paid or collected other than corporation tax will amount to in excess of £200 million, the most significant payments are in relation to business rates, employment taxes, VAT, environmental taxes and abstraction licences.

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

Dividends paid and available to the ultimate shareholders in the period amounted to £68.0 million (2017: £61.1 million). Last year we paid an interim dividend in December 2017 of £25.0 million, however, no interim dividend is planned for the second half of this year, which is consistent with the board's decision to

reduce dividends in order to lower borrowings and to help fund the additional £165 million of capital reinvestment announced by the board over the last two years.

In October 2018 the Group made an equity injection of £22.0 million into AWS as part of its stated plan to further reduce the level of gearing. Additional equity injections are scheduled through to 2025.

During the period the Group finalised the terms of a 20 year £65 million CPI linked forward starting issuance at a real rate of 0.835 per cent. Funds are due to be received in April 2020 with maturity in April 2040. This was the first CPI linked issuance for the Group. The Group has subsequently accessed capital markets to raise £300 million of additional Green Bonds at an interest rate of 2.75 per cent. This Green Bond issue was, as for the inaugural bond, over-subscribed and builds on the success of the first Green issuance in August 2017. Proceeds of the Green Bond were received on the 26th of October 2018 and will be utilised to fund capital investment in appropriate projects. Additionally the Group has agreed £215 million of Green US private placements in October 2018 for which the proceeds are expected in February and April next year. These issuances leave the Group with significant liquidity to safeguard against any market volatility resulting from the ongoing Brexit negotiations.

Debt repayments in the period amounted to £17.3 million as the Group made amortising debt payments as they fell due.

Gross regulated capital investment in the six months to 30 September 2018 was £211.7 million (2017: £203.5 million[2]). This is in line with management expectations and includes £16.9 million in respect of the additional £165 million capital reinvestment referred to above, bringing the total reinvestment spend in the current AMP to £40.4 million.

The net accounting pension surplus has increased from £9.1 million at 31 March 2018 to £23.6 million at 30 September 2018, mainly reflecting the beneficial impact of corporate bond rates increasing from 2.6 per cent to 2.8 per cent. Asset performance has been below expectations during the period.

Principal risks and uncertainties

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

The risks and uncertainties that the business faces over the remainder of this financial year are listed below, and are consistent with those included in the annual report and consolidated financial statements for the year ended 31 March 2018:

- *Brexit* – the impact of the UK's exit from Europe – managing the risks the business faces given the uncertainty around the structure of the exit deal and following transition period
- *Water sector reform and other legislation* - ensuring compliance with competition law, including the increasing political uncertainty around the water sector
- *Financing our business* – managing the risk around the forthcoming regulatory determination for the next AMP, and the impact this will have on our ability to finance the business in the future
- *Pensions* – managing the risk around the actuarial pension funding obligations in relation to lower investment returns, low discount rates and longevity
- *Regional growth* – managing the impact of increasing growth in our region
- *Long-term supply and demand resilience* – managing the impact of weather changes and potential for drought in our region
- *Pollutions* – managing our activities to minimise the risk and impact of pollutions

[2] The gross capital investment comparative has been restated to reflect the impact of IFRS 15 and include prior period diversions. This has the effect of increasing gross capital investment by £4.0 million compared with the previous year's published half-yearly report.

- *Failure to deliver our plan for the current AMP* – ongoing focus of the business to deliver our AMP6 plan and commitments for our customers
- *Preparing for ODI changes in AMP7* – we have submitted a Business Plan that is strongly supported by our customers, we will continue to prepare to deliver the commitments contained in the plan
- *Health and Safety* – maintaining the welfare of our employees and customers
- *Talent and succession* – maintaining an effective development of skills, talent and succession planning in the business
- *Cyber security* – continuing to manage and mitigate the increasing risk from cyber attacks, data theft and IT system failure
- *Water quality* – continuing to ensure the provision of safe, clean and high quality water to all our customers every day of the year.

Further detail on these risks and uncertainties is included in the Annual Integrated Report for the year ended 31 March 2018, which can be found on the Anglian Water website at http://www.anglianwater.co.uk/about-us/annual-reports/.

Operational performance summary

Further commentary from Peter Simpson on key operational progress

Business Plan submission

"In September we submitted our most ambitious Business Plan yet; it proposes a record £6.5 billion investment programme which is nearly 30 per cent larger than for the last period. Our plan addresses what our customers told us matters to them most, as well as addressing the unique challenges we face as a water company operating in one of the UK's fastest growing and driest regions."

The £6.5 billion programme of investment includes:

- *£240 million to drive down consumption, including a further 22 per cent reduction in leakage;*
- *£630 million to make the region resilient to the risks of drought and flooding, nearly eight times larger than the last period;*
- *£783 million to support the environment, more than double the last period;*
- *£40 million to protect drinking water quality through catchment management; and*
- *£650 million to enable sustainable growth through improvements to the water and water recycling networks, backed up by over £3.7 billion of base operating expenditure and maintenance costs*

"Alongside this we've mapped out our plans to support more than 475,000 customers each year who have affordability and vulnerability issues - a huge jump in support for customers who may encounter affordability issues in AMP7.

"This nearly 30 per cent increase in investment is being delivered by a price increase of less than 1 per cent on the average bill over the five year period, with average bills at the end of the period the same as at the start (£423 per year) in real terms.

"Ofwat are now reviewing our plan; we'll hear initial feedback at the end of January, with final determination being given in December 2019.

"More than half a million customer interactions have shaped the plan – ten times greater than for Anglian Water's last plan in 2014 – with more than 80 per cent supporting it, so we're confident it's the right plan for our customers, and the right plan for the region."

Leakage

"Leakage remains a top priority for our customers, so it's top of our list too. We already lead the industry in leak management, but we're not standing still, in fact, we're re-defining industry standards. Our approach saw us take home a double international award at this year's prestigious International Water Association Awards, held in Tokyo. Our Shop Window Project won gold in the 'Performance Improvement and Operational Solutions' category and our Integrated Leakage and Pressure Management solution took second place in the 'Smart Systems and the Digital Water Economy' field.

"In October we unveiled our latest technological advancement in our war against leakage. Working with a developer we've adapted a form of naval technology to hunt down and fix leaks, faster than ever before. This technology, which works like a hydrophone and listens for changes in sound underwater to detect leaks, will be fitted across the network and will play a crucial role in driving down our already industry leading leakage levels by a further 22 per cent before 2025.

"We were delighted to welcome Secretary of State Michael Gove to East Anglia in September to demonstrate some of the key leakage innovations we're deploying which carve out and reinforce our position as a leader in this field."

Customer Service

"Customers are at the heart of our business, so we are incredibly proud to have been named number one in SIM – Ofwat's Service Incentive Mechanism which measures a number of different aspects of service delivery and allows a comparison to be made between water companies. It's fantastic news and a real testament to the hard work, dedication and effort of everyone who works for our business."

Supply chain alliance partnerships

"In light of the unique challenges we face in this region our Water Resources Management Plan, which looks 25 years ahead into the future, sets out proposals for more than £800 million of investment which we believe is necessary to secure water supplies for generations to come. To deliver this plan we're building on our successful track record of supply chain alliancing partnerships, which began with the formation of the @One in 2004, by setting up a brand new strategic alliance.

"Anglian Water currently has five alliances covering every aspect of its supply chain. As a result of these unique supply chain partnerships with some of the biggest engineering giants in the world, we have seen consistent delivery of customer outcomes, regulatory contracts and returns to shareholders, along with substantial reinvestment opportunities."

The environment and carbon reduction

"We're one of the fastest growing regions in the UK so our plans for enhancing supply and managing demand need to be ambitious, however, this won't come at the expense of the environment. We've set ourselves the challenging goal of being a carbon neutral business by 2050.

"Last year, Anglian Water was the first European utility to issue a Sterling Green Bond, and I'm delighted to say we've recently issued our second Green Bond. We take an 'environment first' approach to everything we do, so all the capital investment we make in our water and water recycling assets meet the qualification tests of the green bond principles.

"We've also launched an ambitious solar power programme which will see us bring the renewable energy to over 40 of our operational sites. In addition, our carbon reduction project at Great Dunmow Water Recycling Centre recently won 'Best Use of Technology for Carbon Reduction' at New Civil Engineer's 'Tech Fest'. This award recognises the reduction of whole life carbon in the design, delivery, operation and maintenance of infrastructure assets."

Media enquiries:
Ciaran Nelson / Holly Goodchild
07802 802 027 / 07866 948 905

Responsibility statement

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7, 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.

By order of the Board:

Peter Simpson
Chief Executive

Scott Longhurst
Managing Director of Finance and Non-Regulated Business

Anglian Water Services Limited

Group condensed income statement

for the six months ended 30 September 2018

Notes		**Half-year ended 30 September 2018 Unaudited £m**	Half-year ended 30 September 2017 Unaudited (Restated) £m	Year ended 31 March 2018 Audited (Restated) £m
4	**Revenue**	**694.6**	668.3	1,312.0
	Operating costs			
	Operating costs before depreciation and amortisation	**(297.2)**	(275.0)	(581.0)
	Depreciation and amortisation	**(171.0)**	(157.2)	(335.6)
	Total operating costs	**(468.2)**	(432.2)	(916.6)
	Operating profit	**226.4**	236.1	395.4
6	Finance income - external	**0.8**	0.8	1.6
6	Finance income - internal	**-**	96.4	191.8
6	Finance costs including fair value gains on derivative financial instruments	**(109.0)**	(51.4)	(226.5)
	Net finance (costs)/income	**(108.2)**	45.8	(33.1)
5	Profit on disposal of business	**-**	4.6	4.6
	Profit before tax from continuing operations			
	Profit before exceptional items and fair value gains	**61.9**	63.3	52.9
	Exceptional items - profit on disposal	**-**	4.6	4.6
	Finance income - internal	**-**	96.4	191.8
6	Fair value gains on derivative financial instruments	**56.3**	122.2	117.6
	Profit before tax from continuing operations	**118.2**	286.5	366.9
7	Tax charge	**(28.3)**	(34.9)	(34.6)
	Profit for the period	**89.9**	251.6	332.3

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

The results, financial position and classification of cash flows, for the half-year ended 30 September 2017 and for the year ended 31 March 2018, have been restated to reflect the adoption of IFRS 15 'Revenue from Contracts with Customers' (see notes 1 and 19).

Anglian Water Services Limited

Group condensed statement of comprehensive income

for the six months ended 30 September 2018

Notes		**Half-year ended 30 September 2018 Unaudited £m**	Half-year ended 30 September 2017 Unaudited (Restated) £m	Year ended 31 March 2018 Audited (Restated) £m
	Profit for the period	**89.9**	251.6	332.3
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
15	Actuarial gains/(losses) on retirement benefit obligations	**13.0**	(9.1)	77.4
7	Income tax (charge)/credit on items that will not be reclassified	**(2.2)**	1.6	(13.3)
		10.8	(7.5)	64.1
	Items that may be reclassified subsequently to profit or loss			
16	Gains on cash flow hedges recognised in equity	**34.1**	22.3	16.4
16	Gains on cash flow hedges transferred to profit or loss	**5.5**	2.3	1.9
16	Losses on cost of hedging transferred to profit or loss	**(0.1)**	-	-
7	Income tax charge on items that may be reclassified	**(6.4)**	(4.2)	(3.1)
		33.1	20.4	15.2
	Other comprehensive income for the period, net of tax	**43.9**	12.9	79.3
	Total comprehensive income for the period	**133.8**	264.5	411.6

Anglian Water Services Limited

Group condensed balance sheet

at 30 September 2018

Notes		**At 30 September 2018 Unaudited £m**	At 30 September 2017 Unaudited (Restated) £m	At 31 March 2018 Audited (Restated) £m	At 31 March 2017 Audited (Restated) £m
	Non-current assets				
9	Intangible assets	**179.6**	143.2	168.3	139.4
10	Property, plant and equipment	**9,717.2**	9,584.4	9,663.7	9,523.1
11	Investments	**-**	1,602.6	-	1,602.6
	Derivative financial instruments	**136.4**	185.1	89.6	256.1
15	Retirement benefit surpluses	**69.0**	3.6	56.3	4.0
		10,102.2	11,518.9	9,977.9	11,525.2
	Current assets				
	Inventories	**10.4**	10.0	10.0	9.3
	Trade and other receivables	**553.7**	609.9	478.9	429.9
	Investments	**40.0**	131.0	40.0	75.0
	Cash and cash equivalents	**139.7**	471.1	247.1	354.8
	Derivative financial instruments	**68.5**	16.9	48.5	12.6
		812.3	1,238.9	824.5	881.6
	Assets classified as held for sale	**-**	-	-	85.6
	Total assets	**10,914.5**	12,757.8	10,802.4	12,492.4
	Current liabilities				
	Trade and other payables	**(528.0)**	(601.9)	(512.2)	(452.4)
	Current tax liabilities	**(279.6)**	(286.3)	(264.3)	(267.6)
	Borrowings	**(318.6)**	(285.4)	(220.0)	(278.4)
	Derivative financial instruments	**(14.3)**	(90.0)	(16.4)	(16.3)
14	Provisions	**(4.6)**	(3.8)	(5.3)	(4.1)
		(1,145.1)	(1,267.4)	(1,018.2)	(1,018.8)
	Net current liabilities	**(332.8)**	(28.5)	(193.7)	(137.2)
	Non-current liabilities				
	Borrowings	**(6,203.6)**	(6,352.8)	(6,231.7)	(6,196.5)
	Derivative financial instruments	**(791.9)**	(842.7)	(862.6)	(1,043.8)
	Deferred tax liabilities	**(979.0)**	(945.4)	(957.4)	(926.6)
15	Retirement benefit obligations	**(45.4)**	(89.7)	(47.2)	(79.6)
14	Provisions	**(9.1)**	(9.3)	(10.7)	(10.2)
		(8,029.0)	(8,239.9)	(8,109.6)	(8,256.7)
	Liabilities directly associated with assets held for sale	-	-	-	(11.2)
	Total liabilities	**(9,174.1)**	(9,507.3)	(9,127.8)	(9,286.7)
	Net assets	**1,740.4**	3,250.5	1,674.6	3,205.7

Continued on the next page.

Group condensed balance sheet (continued)

at 30 September 2018

Notes		**At 30 September 2018 Unaudited £m**	At 30 September 2017 Unaudited (Restated) £m	At 31 March 2018 Audited (Restated) £m	At 31 March 2017 Audited (Restated) £m
	Capital and reserves				
	Share capital	**10.0**	10.0	10.0	10.0
	Retained earnings	**1,804.6**	3,340.6	1,769.9	3,316.2
16	Hedging reserve	**(75.6)**	(100.1)	(105.3)	(120.5)
16	Cost of hedging reserve	**1.4**	-	-	-
	Total equity	**1,740.4**	3,250.5	1,674.6	3,205.7

Notes 1 to 22 are an integral part of these condensed financial statements.
The condensed interim financial statements were approved by the Board of Directors on 3 December 2018 and signed on its behalf by:

Peter Simpson
Chief Executive

Scott Longhurst
Managing Director of Finance and Non-Regulated Business

Anglian Water Services Limited

Group statement of changes in equity

for the six months ended 30 September 2018

	Share capital £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	**Total equity £m**
For the half-year ended 30 September 2018					
At 1 April 2018 (as previously reported)	10.0	1,312.7	(105.3)	-	**1,217.4**
Change in accounting policy					
IFRS 9	-	2.0	(3.8)	1.8	**-**
IFRS 15	-	457.2	-	-	**457.2**
At 1 April 2018 (restated)	10.0	1,771.9	(109.1)	1.8	**1,674.6**
Profit for the period	-	89.9	-	-	**89.9**
Other comprehensive income/(expense) for the period	-	10.8	33.5	(0.4)	**43.9**
Total comprehensive income/(expense)	-	100.7	33.5	(0.4)	**133.8**
Dividends (see note 8)	-	(68.0)	-	-	**(68.0)**
At 30 September 2018	10.0	1,804.6	(75.6)	1.4	**1,740.4**
For the half-year ended 30 September 2017 (restated)					
At 1 April 2017 (as previously reported)	10.0	2,899.0	(120.5)	-	2,788.5
Change in accounting policy - IFRS 15	-	417.2	-	-	417.2
At 1 April 2017 (restated)	10.0	3,316.2	(120.5)	-	3,205.7
Profit for the period	-	251.6	-	-	251.6
Other comprehensive (expense)/income for the period	-	(7.5)	20.4	-	12.9
Total comprehensive income	-	244.1	20.4	-	264.5
Dividends (see note 8)					
Available for distribution to investors in the ultimate parent company	-	(61.1)	-	-	(61.1)
Not available for distribution to investors in the ultimate parent company:					
- Special dividend to fund the transfer of the non-household retail business	-	(62.2)	-	-	(62.2)
- Servicing of inter-company interest	-	(96.4)	-	-	(96.4)
At 30 September 2017	10.0	3,340.6	(100.1)	-	3,250.5
For the year ended 31 March 2018 (restated)					
At 1 April 2017 (as previously reported)	10.0	2,899.0	(120.5)	-	2,788.5
Change in accounting policy - IFRS 15	-	417.2	-	-	417.2
At 1 April 2017 (restated)	10.0	3,316.2	(120.5)	-	3,205.7
Profit for the year	-	332.3	-	-	332.3
Other comprehensive income for the year	-	64.1	15.2	-	79.3
Total comprehensive income	-	396.4	15.2	-	411.6
Dividends (see note 8)					
Available for distribution to investors in the ultimate parent company	-	(86.1)	-	-	(86.1)
Not available for distribution to investors in the ultimate parent company:				-	
- One-off restructuring dividend	-	(1,602.6)	-	-	(1,602.6)
- Special dividend to fund the transfer of the non-household retail business	-	(62.2)	-	-	(62.2)
- Servicing of inter-company interest	-	(191.8)	-	-	(191.8)
At 31 March 2018	10.0	1,769.9	(105.3)	-	1,674.6

Dividends described as not available for distribution to investors in the ultimate parent company primarily refer to dividends used to enable a group restructuring to simplify and enhance the transparency of the corporate structure, or inter-company interest thereon (see note 8).

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. (see note 16).

Anglian Water Services Limited

Group condensed cash flow statement

for the six months ended 30 September 2018

Notes		**Half-year ended 30 September 2018 Unaudited £m**	Half-year ended 30 September 2017 Unaudited (Restated) £m	Year ended 31 March 2018 Audited (Restated) £m
	Operating activities			
	Operating profit	**226.4**	236.1	395.4
	Adjustments for:			
	Depreciation and amortisation	**171.0**	157.2	335.6
	Assets adopted for nil consideration	**(12.6)**	(12.0)	(20.9)
	Profit on disposal of property, plant and equipment	**(0.4)**	(4.1)	(4.1)
	Difference between pension charge and cash contributions	**(1.4)**	0.4	(9.2)
	Net movement in provisions	**(1.7)**	(0.6)	2.2
	Working capital movements:			
	Increase in inventories	**(0.4)**	(0.7)	(0.7)
	Increase in trade and other receivables	**(73.7)**	(130.2)	(49.3)
	Increase in trade and other payables	**53.5**	102.4	41.8
	Cash generated from operations	**360.7**	348.5	690.8
	Income taxes paid	**-**	-	(23.5)
	Net cash flows from operating activities	**360.7**	348.5	667.3
	Investing activities			
	Repayment of loans by intermediate parent company	**-**	-	1,602.6
	Purchase of property, plant and equipment	**(220.2)**	(183.1)	(385.3)
	Purchase of intangible assets	**(29.3)**	(21.5)	(64.3)
5	Disposal of business, net of cash disposed	**-**	79.0	79.0
	Proceeds from disposal of property, plant and equipment	**0.6**	3.6	4.5
	Interest received on deposits	**0.8**	0.8	1.5
	Interest received on inter-company loan	**-**	47.9	192.3
	Net cash (used in)/from investing activities	**(248.1)**	(73.3)	1,430.3
	Financing activities			
	Interest paid	**(122.6)**	(115.1)	(215.9)
	Issue costs paid	**(0.4)**	(1.7)	(1.7)
	Interest element of finance lease rental payments	**-**	-	(0.8)
	Increase in amounts borrowed	**-**	248.6	248.6
	Repayment of amounts borrowed	**(17.3)**	(63.5)	(247.7)
	Repayment of principal on derivatives	**(11.7)**	-	-
	Repayment of accumulated interest on derivatives	**-**	-	(73.9)
	Capital element of finance lease rental payments	**-**	-	(5.7)
	(Increase)/decrease in short-term bank deposits	**-**	(56.0)	35.0
8	Dividends paid			
	Available for distribution to investors in the ultimate parent company	**(68.0)**	(61.1)	(86.1)
	Not available for distribution to investors in the ultimate parent company:[1]			
	- One-off restructuring dividend	**-**	-	(1,602.6)
	- Special dividend to fund the transfer of the non-household retail business	**-**	(62.2)	(62.2)
	- Servicing of inter-company interest	**-**	(47.9)	(192.3)
	Net cash used in financing activities	**(220.0)**	(158.9)	(2,205.3)
	Net (decrease)/increase in cash and cash equivalents	**(107.4)**	116.3	(107.7)
	Cash and cash equivalents at the beginning of the period	**247.1**	354.8	354.8
12	**Cash and cash equivalents at the end of the period**	**139.7**	471.1	247.1

[1] Dividends described as not available for distribution to investors in the ultimate parent company refer to dividends used to enable a group restructuring to simplify and enhance the transparency of the corporate structure, or inter-company interest thereon (see note 8).

1. Basis of preparation and accounting policies

The condensed financial statements for the six months ended 30 September 2018, which are unaudited, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed financial statements for the six months ended 30 September 2018, including comparative information, do not constitute statutory accounts of the Group. Statutory accounts for the year ended 31 March 2018 were approved by the board on 5 June 2018 and the auditor's report on those accounts was unqualified. The condensed financial statements for the six months ended 30 September 2018 should be read in conjunction with the annual report and financial statements for the year ended 31 March 2018 which have been delivered to the Registrar of Companies and can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

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, and have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The accounting policies adopted in these condensed financial statements are consistent with those applied and set out in the annual report and financial statements for the year ended 31 March 2018 except for the estimation of income tax for interim reporting, and the adoption of new accounting standards, as set out below.

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 2019.

(a) New standards adopted in the period

The Group has adopted the following new accounting standards that became applicable for the current reporting period:

- IFRS 9 'Financial Instruments', and
- IFRS 15 'Revenue from Contracts with Customers'.

The relevant new accounting policies are set out below, with the financial impact of adopting these new accounting standards set out in note 19.

Revenue recognition

Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Principal source of income

The Group's principal source of income is from customers in respect of the provision of water and water recycling services within Anglian Water, the Group's regulated water and sewerage company, at a price determined annually by its regulatory tariffs.

The majority of Anglian Water's household customers have meters, but there are a significant number who are not metered. This is relevant to how the Company recognises the income over the year, since the unmeasured customers are billed at a flat rate based on the rateable value of the property which reflects their right to an ongoing supply of water, while measured customers are billed in line with their usage, which tends to be seasonal.

Under IFRS 15, the performance obligation for measured customers has been assessed as the provision of water and sewerage services, and the performance obligation is met as water is supplied to the property. Accordingly, for the variable element, revenue is recognised as water is supplied, based on volumes supplied at the relevant reporting date.

1. Basis of preparation and accounting policies (continued)
Revenue recognition (continued)

Related non-volumetric, or standing charges reflect our obligation to stand-ready to deliver water as is the case with unmeasured supply (see below), and is accounted for accordingly.

In respect of unmeasured customers, the performance obligation has been assessed as standing ready to provide water and sewerage services when required by our customers, and accordingly revenue is recognised under IFRS 15 as the stand-ready obligation is fulfilled over time. Accordingly, revenue from unmeasured customers is recognised on a time basis under IFRS 15.

Non-household revenue is charged and recognised on the basis of volumes supplied, based on data submitted by the market operator.

Grants and contributions
A secondary source of income for Anglian Water is from grants and contributions in respect of new connections for water and/or sewerage services. The significant components of grants and contributions, and their treatment, are as follows:

i *New connection charges*
The Group considers that the developer requesting the connection is the customer, and that the Group's performance obligation is satisfied by making the connection. On this basis it is appropriate to recognise the income as the connection is completed.

ii *Self-lay, requisitions and adoption fees*
The Group has reached the same conclusion as (i) above for new connection charges.

iii *Fair value of assets adopted for £nil consideration*
These are principally sewers and pumping stations that a developer has constructed and then contributed to the Group, on a £nil consideration basis, in exchange for being relieved of any future liability. As the Group does not have any performance obligation to the developer post adoption, the Group has concluded that immediate recognition based on the fair value of the asset adopted is appropriate.

iv *Infrastructure charges*
Infrastructure charges are a developer's contribution to fund network reinforcement by the Group. While these charges are a contribution to reinforcement of the network, they have to be paid by the developer as a condition of obtaining connection to the network and, as such, the Group has concluded that the developer is the customer, and that the Group's performance obligation is satisfied by making the connection. As such, the income is recognised as the connection is made.

v *Diversions*
Diversions arise where a highways agency, or other authority, reimburses the Group for the majority of the costs incurred in diverting assets that represent an obstruction to the construction or upgrade of roads and railway lines. Under IFRS 15, the Group has concluded that the contributions should be recognised immediately as revenue since there is no performance obligation to the agency/authority beyond completing the diversion.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment. Impairment losses are provided for using an expected credit loss model, with the expected impairment being recognised as an expense in operating costs.

The bad debt provision is calculated by applying expected recovery rates, based on actual historical cash collection performance, to the aged debt profile with future macro economic metrics taken into consideration.

1. Basis of preparation and accounting policies (continued)

Derivative financial instruments

Derivative instruments are used for hedging purposes in line with the Group's risk management policy and no speculative trading in financial instruments is undertaken.

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either a fair value or cash flow hedge in accordance with IFRS 9 'Financial Instruments'. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with how the hedge aligns with the Groups risk management strategy. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

In some hedge relationships the Group excludes, from the designation, the currency basis spread of cross currency hedging instruments. In this case the fair value change of the currency basis element of the cross currency interest rate swap is deferred in other comprehensive income, over the term of the hedge and is reclassified from equity to profit or loss on a straight-line basis over the term of the hedging relationship. The treatment for the currency basis element is optional and the option is applied on a hedge by hedge basis.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

i *Fair value hedge*
Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement within 'fair value gains/(losses) on derivative financial instruments', together with changes in the fair value of the hedged asset or liability attributable to the hedged risk.

If a fair value hedge is discontinued, the hedged item is not adjusted for any subsequent movements in the hedged risk. The amount that the hedged item was adjusted by will be amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

ii *Cash flow hedge*
The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value gains/(losses) on derivative financial instruments'.

1. Basis of preparation and accounting policies (continued)

Derivative financial instruments (continued)

ii *Cash flow hedge (continued)*
Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, in the periods when interest income or expense is recognised, or when the forecast sale that is hedged takes place).

When a cash flow hedge is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

iii *Derivatives that do not qualify for hedge accounting*
Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting. Such derivatives are classified at fair value through profit or loss, and changes in fair value are recognised immediately in the income statement.

b) New standards, amendments and interpretations not yet adopted

At the date of preparation of these condensed financial statements, the following new standard was in issue but not yet effective and, once adopted, is expected to have a material impact on the Group's consolidated financial statements:

IFRS 16 'Leases'

IFRS 16 will replace the current guidance in IAS 17 and IFRIC 4. IFRS 16 requires lessees to recognise on the balance sheet a lease liability, reflecting future lease payments, and a 'right-of-use asset' for the majority of leases, thereby removing the distinction currently made between finance and operating leases under IAS 17. The standard will be effective for the Group's financial statements for the year ending 31 March 2020, and the Group currently has no plans to early adopt this standard.

At 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases were £31.8 million in respect of properties, mainly office buildings, and £1.7 million in respect of plant and equipment, primarily vehicles.

On adoption of IFRS 16 the Group expects to bring substantially all leases currently treated as operating leases on to the balance sheet and is continuing to assess the financial impact of this change and since the year end progress has been made on introducing a system for recoding lease contracts.

1. Basis of preparation and accounting policies (continued)

IFRS 16 'Leases' (continued)

On the balance sheet, property, plant and equipment will be increased by the value of the right-of-use asset, with an increase in borrowings reflecting the future lease payments. In the income statement the Group will record an interest expense on the lease liability and depreciation on the right-of-use asset. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the income statement in the initial years of the lease, and decreasing expenses during the latter part of the lease term. IFRS 16 will also impact the cash flow statement because operating lease payments, previously included within cash generated from operations, will be included within financing activities, split between interest paid and the capital element of lease rental payments.

IFRS 16 allows lessees to apply the standard either retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', or using a modified retrospective approach where the cumulative effect of adoption is recognised at the date of initial application. The Group is expecting to use the modified retrospective approach, and will consider the practical expedients available.

2. Key assumptions and significant judgments

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 2018, except for the following additional areas where additional significant judgements have been applied as a result of the adoption of IFRS 15.

Recognition of grants and contributions
Under IFRS 15 revenue is recognised when the performance obligations in a contract are met. For grants and contributions in respect of new housing developments the Company's obligation to the developer is met when properties are connected to the network, and therefore this is considered the relevant trigger for income recognition. We believe the ongoing obligation to maintain the connection to the property is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer.

This is a significant change from our revenue recognition approach prior to the introduction of IFRS 15, when we considered connection and the ongoing supply of water and/or waste water services to be a combined obligation which existed over the life of the property, and hence the income was recognised over the estimated life of the assets enabling the provision of the ongoing service. In our view combining the obligations to two different customers, the developer and the property owner, is not consistent with the requirements of IFRS 15.

A similar revenue recognition approach is taken with diversions. The obligation here is that we divert the sewer or water main at the request of the relevant authority or agency, and our obligation is fully met once the diversion is completed, and therefore the contribution is fully recognised as revenue at that point in time.

De-recognition of revenue
Under the recognition rules of IFRS 15, income should only be recognised if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We have considered recent data that supports our conclusion that de-recognition of income is not appropriate on the grounds of past payment record and current credit worthiness. Our view is that for all occupied properties it is more probable than not that we will collect the income, and therefore it is appropriate to continue to recognise the income. The exception to this is where properties are unoccupied and in these cases income is not recognised.

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.

4. Revenue

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 (Restated) £m	Year ended 31 March 2018 (Restated) £m
Water and sewerage services:			
Household - measured	**387.2**	364.4	726.8
Household - unmeasured	**123.8**	129.3	248.7
Non-household - measured	**126.7**	123.8	241.0
Grants and contributions	**37.4**	33.5	63.1
Other	**19.5**	17.3	32.4
	694.6	668.3	1,312.0

5. Profit on disposal of business

On 1 April 2017 Anglian Water Services Limited completed the sale of the billing and customer service activities of its non-household water and water recycling retail business to Anglian Water Business (National) Limited, which at the time was a fellow subsidiary of the Group's ultimate parent undertaking.

The sale was completed for proceeds of £79.0 million, resulting in a profit on sale of £4.6 million which was recognised in the 2017/18 financial statements.

6. Net finance (costs)/income

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
Finance income			
Interest income on short-term bank deposits	**0.8**	0.8	1.6
Interest receivable on inter-company loan	**-**	96.4	191.8
	0.8	97.2	193.4
Finance costs, excluding fair value gains on derivative financial instruments			
Interest expense on other loans including financing expenses	**(109.7)**	(109.3)	(218.9)
Indexation	**(65.2)**	(67.1)	(136.5)
Amortisation of issue costs	**(1.8)**	(1.7)	(3.5)
Interest expense on finance leases	**0.2**	(0.9)	0.4
Unwinding of discount on provisions (see note 14)	**(0.1)**	(0.2)	(0.3)
Defined benefit pension scheme interest income/(expense) (see note 15)	**0.1**	(1.0)	(1.8)
Total finance costs	**(176.5)**	(180.2)	(360.6)
Less: amounts capitalised on qualifying assets	**11.2**	6.6	16.5
	(165.3)	(173.6)	(344.1)
Fair value gains on derivative financial instruments			
Fair value gains on energy hedges	**0.1**	2.4	7.3
Hedge ineffectiveness on cash flow hedges	**2.7**	(1.2)	(1.2)
Hedge ineffectiveness on fair value hedges	**-**	0.5	(0.8)
Amortisation of adjustment to debt in fair value hedge	**(1.9)**	0.1	1.7
Settlement of principal on derivatives	**(11.7)**	-	-
Derivative financial instruments not designated as hedges	**76.9**	121.8	114.3
Transfer from hedging reserve arising from discontinuation of cash flow hedges	**(9.8)**	(1.4)	(3.7)
	56.3	122.2	117.6
Finance costs, including fair value gains on derivative financial instruments	**(109.0)**	(51.4)	(226.5)
Net finance (costs)/income	**(108.2)**	45.8	(33.1)

7. Taxation

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 (Restated) £m	Year ended 31 March 2018 (Restated) £m
Current tax:			
In respect of the current period	**52.3**	28.7	44.8
Adjustments in respect of prior periods	**-**	-	(0.8)
Total current tax charge	**52.3**	28.7	44.0
Deferred tax:			
Origination and reversal of temporary differences	**(24.6)**	2.1	(10.7)
Adjustments in respect of prior periods	**1.8**	4.1	1.8
Reduction in deferred tax rate	**(1.2)**	-	(0.5)
Total deferred tax (credit)/charge	**(24.0)**	6.2	(9.4)
Total tax charge on profit on continuing operations	**28.3**	34.9	34.6

7. Taxation (continued)

The tax charge for the six months ended 30 September 2018 is based on the estimated effective tax rate before exceptional items, fair value gains/losses and adjustments in respect of prior periods, for the full year to 31 March 2019, of 29.4 per cent.

The corporation tax rate will reduce from 19 per cent to 17 per cent with effect from 1 April 2020. To reflect reversals during the period to 31 March 2020 the Group has used a composite rate of 17.05 per cent (30 September 2017: 17.08 per cent; 31 March 2018: 17.07 per cent) to re-measure all relevant deferred tax balances.

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 19 per cent (30 September 2017 and 31 March 2018: 19 per cent) to the profit before tax from continuing operations as follows:

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 (Restated) £m	Year ended 31 March 2018 (Restated) £m
Profit before tax from continuing operations	**118.2**	286.5	366.9
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 19 per cent (30 September 2017 and 31 March 2018: 19 per cent)	**22.5**	54.4	69.7
Effects of recurring items:			
Items not deductible for tax purposes			
Depreciation and losses on assets not eligible for tax relief	**1.6**	1.0	0.7
Disallowable expenditure	**0.8**	0.1	0.7
Items not taxable	**-**	(1.2)	(1.9)
	24.9	54.3	69.2
Effects of non recurring items:			
Profit on sale of business subject to statutory exemption	**-**	(0.9)	(0.9)
Group relief utilised	**-**	(22.7)	(36.4)
Reduction in consolidated deferred tax rate	**(1.2)**	-	(0.5)
Effects of differences between rates of current and deferred tax	**2.8**	0.1	2.2
Adjustments in respect of prior periods	**1.8**	4.1	1.0
Tax charge for the period	**28.3**	34.9	34.6

In the comparatives for the half year to 30 September 2017 and the year ended 31 March 2018 the Group relief utilised related to losses arising in another company within the AWS Financing group and which were surrendered to AWS for no payment. The losses arose on loan interest in respect of an inter-company loan that was repaid on 28 March 2018.

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 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
Deferred tax:			
Defined benefit pension schemes	**2.2**	(1.6)	13.3
Cash flow hedges	**6.4**	4.2	3.1
Total deferred tax charge	**8.6**	2.6	16.4

8. Dividends

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
Dividends available for distribution to investors in the ultimate parent company			
Paid by the Group:			
Previous year final dividend	**68.0**	61.1	61.1
Current year interim dividend	**-**	-	25.0
	68.0	61.1	86.1
Dividends not available for distribution to investors in the ultimate parent company			
Dividend paid by the Company in order to service internal interest	**-**	47.4	191.8
Dividend committed to be paid by the Company in order to service internal interest	**-**	49.0	-
One-off dividend paid by the Company in order to settle an inter-company loan	**-**	-	1,602.6
Special dividend to fund the transfer of the non-household retail business	**-**	62.2	62.2

Dividends described as not available for distribution to investors in the ultimate parent company refer to dividends used to enable a group restructuring to simplify and enhance the transparency of the corporate structure, or inter-company interest thereon.

On 29 March 2018, following our commitment to simplify our corporate structure, a restructuring dividend of £1,602.6 million was paid by Anglian Water Services Limited which flowed up to Anglian Water Services Holdings Limited (AWSH), in order for AWSH to repay an inter-company loan. The funds flowed back to Anglian Water Services Limited on the same day AWSH settled the loan.

From 1 April 2018, following the settlement of the £1,602.6 million inter-company loan, the inter-company interest and dividend payments were no longer necessary.

On 3 April 2017, the Company paid a special dividend of £62.2 million to help fund the statutory transfer of the non-household retail business from Anglian Water Services Limited to Anglian Water Business (National) Limited. These funds were not available for distribution to investors in the ultimate parent company.

9. Intangible assets

	£m
Cost	
At 1 April 2018	**434.0**
Additions	**30.9**
At 30 September 2018	**464.9**
Accumulated amortisation	
At 1 April 2018	**(265.7)**
Charge for the period	**(19.6)**
At 30 September 2018	**(285.3)**
Net book amount	
At 30 September 2018	**179.6**

10. Property, plant and equipment

	£m
Cost	
At 1 April 2018 (as previously reported)	**13,783.3**
Change in accounting policy - IFRS 15	**11.9**
At 1 April 2018 (restated)	**13,795.2**
Additions	**205.2**
Disposals	**(6.7)**
At 30 September 2018	**13,993.7**
Accumulated depreciation	
At 1 April 2018 (as previously reported)	**(4,131.3)**
Change in accounting policy - IFRS 15	**(0.2)**
At 1 April 2018 (restated)	**(4,131.5)**
Charge for the year	**(151.4)**
Disposals	**6.4**
At 30 September 2018	**(4,276.5)**
Net book amount	
At 30 September 2018	**9,717.2**

11. Investments

On 29 March 2018 the loan of £1,602.6 million made by the Company to Anglian Water Services Holdings Limited was settled in full. The loan was settled earlier than the due date in order to simplify the group structure and to remove the associated round-trip interest charge and dividend payments in future years. Interest on the loan was charged up to the settlement date at the rate of 12 per cent per annum.

The sole subsidiary undertaking is Anglian Water Services Financing Plc, whose principal activity is that of a financing company. It is 100 per cent owned, all in ordinary shares, and is registered, incorporated and operating in the UK at 30 September 2018. The address of its registered office is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

12. Cash and cash flow

Analysis of net debt

	Cash and cash equivalents £m	Financial investments £m	Liabilities from financing activities: Borrowings £m	Liabilities from financing activities: Derivative financial instruments[1] £m	**Net debt £m**
At 1 April 2018	247.1	40.0	(6,451.7)	(731.8)	**(6,896.4)**
Cash flows					
Interest paid	(122.6)	-	20.1	6.0	**(96.5)**
Issue costs paid	(0.4)	-	0.4	-	**-**
Repayment of amounts borrowed	(17.3)	-	17.3	-	**-**
Repayment of principal on derivatives	(11.7)	-	-	11.7	**-**
Non-financing cash flows[2]	44.6	-	-	-	**44.6**
	(107.4)	**-**	**37.8**	**17.7**	**(51.9)**
Movement in interest accrued on debt	-	-	7.7	-	**7.7**
Amortisation of issue costs	-	-	(1.8)	-	**(1.8)**
Indexation of borrowings and RPI swaps	-	-	(50.2)	(15.0)	**(65.2)**
Fair value gains and losses and foreign exchange	-	-	(64.0)	111.5	**47.5**
At 30 September 2018	**139.7**	**40.0**	**(6,522.2)**	**(617.6)**	**(6,960.1)**
Net debt at 30 September 2018 comprises:					
Non-current assets	-	-	-	127.5	**127.5**
Current assets	139.7	40.0	-	61.1	**240.8**
Current liabilities	-	-	(318.6)	(14.3)	**(332.9)**
Non-current liabilities	-	-	(6,203.6)	(791.9)	**(6,995.5)**
Net debt	**139.7**	**40.0**	**(6,522.2)**	**(617.6)**	**(6,960.1)**

(1) Derivative financial instruments exclude the fair value of energy derivatives, as these are not classified as part of net debt.

The fair value of energy derivatives, excluded from net debt, are included within derivative financial instruments as follows:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Non-current assets	**8.9**	0.6	0.8
Current assets	**7.4**	0.3	0.7
Current liabilities	**-**	(5.4)	(3.9)
Non-current liabilities	**-**	(11.7)	(6.7)
	16.3	(16.2)	(9.1)

(2) Non-financing cash flows comprise net cash flows from operating activities of £360.7 million, less net cash used in investing activities of £248.1 million and less dividends paid of £68.0 million.

12. Cash and cash flow (continued)

Analysis of net debt

	Cash and cash equivalents £m	Financial investments £m	Liabilities from financing activities: Borrowings £m	Liabilities from financing activities: Derivative financial instruments[1] £m	**Net debt £m**
At 1 April 2017	354.8	75.0	(6,474.9)	(766.8)	**(6,811.9)**
Cash flows					
Interest paid	(115.1)	-	13.8	6.7	**(94.6)**
Issue costs paid	(1.7)	-	-	-	**(1.7)**
Increase in amounts borrowed	248.6	-	(248.6)	-	**-**
Repayment of amounts borrowed	(63.5)	-	63.5	-	**-**
Increase in short-term bank deposits	(56.0)	56.0	-	-	**-**
Non-financing cash flows[2]	104.0	-	-	-	**104.0**
	116.3	**56.0**	**(171.3)**	**6.7**	**7.7**
Movement in interest accrued on debt	-	-	0.3	4.5	**4.8**
Issue costs relating to new borrowings	-	-	1.7	-	**1.7**
Amortisation of issue costs	-	-	(1.7)	-	**(1.7)**
Indexation of borrowings and RPI swaps	-	-	(56.0)	(11.1)	**(67.1)**
Fair value gains and losses and foreign exchange	-	-	63.7	52.2	**115.9**
At 30 September 2017	**471.1**	**131.0**	**(6,638.2)**	**(714.5)**	**(6,750.6)**
Net debt at 30 September 2017 comprises:					
Non-current assets	-	-	-	184.5	**184.5**
Current assets	471.1	131.0	-	16.6	**618.7**
Current liabilities	-	-	(285.4)	(84.6)	**(370.0)**
Non-current liabilities	-	-	(6,352.8)	(831.0)	**(7,183.8)**
Net debt	**471.1**	**131.0**	**(6,638.2)**	**(714.5)**	**(6,750.6)**

(1) Derivative financial instruments exclude the fair value of energy derivatives, as these are not classified as part of net debt.

(2) Non-financing cash flows comprise net cash flows from operating activities of £348.5 million, less net cash used in investing activities of £73.3 million and less dividends paid of £171.2 million.

12. Cash and cash flow (continued)

Analysis of net debt

	Cash and cash equivalents £m	Financial investments £m	Liabilities from financing activities: Borrowings £m	Liabilities from financing activities: Derivative financial instruments[1] £m	**Net debt £m**
At 1 April 2017	354.8	75.0	(6,474.9)	(766.8)	**(6,811.9)**
Cash flows					
Interest paid	(215.9)	-	25.6	1.8	**(188.5)**
Issue costs paid	(1.7)	-	1.7	-	**-**
Interest element of finance lease rental payments	(0.8)	-	-	-	**(0.8)**
Increase in amounts borrowed	248.6	-	(248.6)	-	**-**
Repayment of amounts borrowed	(247.7)	-	247.7	-	**-**
Repayment of accreted interest on derivatives	(73.9)	-	-	73.9	**-**
Capital element of finance lease rental payments	(5.7)	-	5.7	-	**-**
Decrease in short-term bank deposits	35.0	(35.0)	-	-	**-**
Non-financing cash flows[2]	154.4	-	-	-	**154.4**
	(107.7)	**(35.0)**	**32.1**	**75.7**	**(34.9)**
Movement in interest accrued on debt	-	-	1.6	(2.3)	**(0.7)**
Amortisation of issue costs	-	-	(3.4)	-	**(3.4)**
Indexation of borrowings and RPI swaps	-	-	(110.3)	(26.2)	**(136.5)**
Fair value gains and losses and foreign exchange	-	-	103.2	(12.2)	**91.0**
At 31 March 2018	**247.1**	**40.0**	**(6,451.7)**	**(731.8)**	**(6,896.4)**
Net debt at 31 March 2018 comprises:					
Non-current assets	-	-	-	88.7	**88.7**
Current assets	247.1	40.0	-	47.9	**335.0**
Current liabilities	-	-	(220.0)	(12.5)	**(232.5)**
Non-current liabilities	-	-	(6,231.7)	(855.9)	**(7,087.6)**
Net debt	**247.1**	**40.0**	**(6,451.7)**	**(731.8)**	**(6,896.4)**

(1) Derivative financial instruments exclude the fair value of energy derivatives, as these are not classified as part of net debt.

(2) Non-financing cash flows comprise net cash flows from operating activities of £667.3 million, plus net cash flows from investing activities of £1,430.3 million and less dividends paid of £1,943.2 million.

13. Fair value of financial assets and liabilities

	Book value £m	Fair value £m
At 30 September 2018		
Cash and cash equivalents	**139.7**	**139.7**
Cash deposits	**40.0**	**40.0**
Borrowings		
Current	**(318.6)**	**(319.9)**
Non-current	**(6,203.6)**	**(7,503.2)**
Derivative financial instruments		
Current	**46.8**	**46.8**
Non-current	**(158.6)**	**(158.6)**
RPI swaps		
Current	**-**	**-**
Non-current	**(505.8)**	**(505.8)**
Net debt	**(6,960.1)**	**(8,261.0)**
Energy derivatives	**16.3**	**16.3**
	(6,943.8)	**(8,244.7)**
At 30 September 2017		
Cash and cash equivalents	471.1	471.1
Cash deposits	131.0	131.0
Borrowings		
Current	(285.4)	(286.7)
Non-current	(6,352.8)	(7,982.7)
Derivative financial instruments		
Current	9.9	9.9
Non-current	(133.2)	(133.2)
RPI swaps		
Current	(77.9)	(77.9)
Non-current	(513.3)	(513.3)
Net debt	(6,750.6)	(8,381.8)
Non-current asset investments	1,602.6	2,885.9
Energy derivatives	(16.2)	(16.2)
	(5,164.2)	(5,512.1)
At 31 March 2018		
Cash and cash equivalents	247.1	247.1
Cash deposits	40.0	40.0
Borrowings		
Current	(220.0)	(222.6)
Non-current	(6,231.7)	(7,687.6)
Derivative financial instruments		
Current	43.7	43.7
Non-current	(236.9)	(236.9)
RPI swaps		
Current	(8.4)	(8.4)
Non-current	(530.2)	(530.2)
Net debt	(6,896.4)	(8,354.9)
Energy derivatives	(9.1)	(9.1)
	(6,905.5)	(8,364.0)

13. Fair value of financial assets and liabilities (continued)

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publically 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 30 September with reference to estimated future cash flows and observable yield curves. 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 30 September. The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market prices at 30 September.

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 book value.

Derivative transactions expose the Group to credit risk against the counterparties concerned. Anglian Water 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. Level 2 instruments are valued using inputs that are observable for the asset or liability either directly or indirectly. The Level 3 instrument valuation relate to CPI linked swaps where inputs are obtained from a liquid market. In both cases the estimated future cash flows have been discounted at a rate that reflects credit risk.

Level 3 derivative financial instruments

Level 3 derivative financial instruments comprise 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 at level 3 instruments.

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

	Six months ended 30 September 2018 £m
At the beginning of the period	**-**
Net loss for the period	**(5.8)**
At the end of the period	**(5.8)**

13. Fair value of financial assets and liabilities (continued)

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:

	Six months ended 30 September 2018 £m
Gain/(loss)	
1% increase in interest rates	**4.8**
1% decrease in interest rates	**(5.5)**
1% increase in inflation rates	**(29.6)**
1% decrease in inflation rates	**26.8**

14. Provisions

Provisions primarily comprise an onerous lease provision, expected to be utilised over the next four years, in respect of property leases where the unavoidable obligations under the contracts exceed the expected economic benefits to be received from them, and provisions for legal claims and potential pollution fines which are expected to crystallise over a period of approximately two years.

	£m
At 1 April 2018	**16.0**
Charge for the period	**0.3**
Unwinding of discount (see note 6)	**0.1**
Utilised in the period	**(2.7)**
At 30 September 2018	**13.7**

Maturity analysis of total provisions

	£m
Current	**4.6**
Non-current	**9.1**
	13.7

15. Net retirement benefit surplus

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 pension schemes have been valued using the projected unit method and using the following main assumptions:

	Half-year ended 30 September 2018 % pa	Half-year ended 30 September 2017 % pa	Year ended 31 March 2018 % pa
Discount rate	**2.8**	2.7	2.6
Inflation rate			
RPI	**3.3**	3.4	3.3
CPI	**2.3**	2.4	2.3

The assets of the pension schemes have been updated to reflect their market value as at 30 September 2018.

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

	£m
At 1 April 2018	**9.1**
Net interest income (see note 6)	**0.1**
Employers' contributions	**1.4**
Return on plan assets (excluding amounts included in net interest)	**(45.0)**
Actuarial gains arising from changes in financial assumptions	**62.9**
Actuarial losses arising from experience adjustments	**(4.9)**
At 30 September 2018	**23.6**

The net pension surplus comprises:

	£m
Pension schemes with a net surplus, included in non-current assets	**69.0**
Pension schemes with a net obligation, included in non-current liabilities	**(45.4)**
Net defined benefit pension surplus	**23.6**

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

The pension surplus at 30 September 2018 does not reflect any accounting consequences that may be required as a result of guaranteed minimum pension equalisation. The Company will be considering the consequences of the recent Lloyds Banking Group judgement issued by the High Court in the coming months.

16. Hedging reserve

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
At the beginning of the period (as previously reported)	**(105.3)**	(120.5)	(120.5)
Change in accounting policy - IFRS 9	**(3.8)**	-	-
Revised opening position	**(109.1)**	(120.5)	(120.5)
Gains on cash flow energy hedges	**25.3**	6.0	8.3
Amounts transferred to the income statement	**3.1**	0.9	(1.8)
Losses on cash flow hedges	**(26.8)**	(16.7)	(46.3)
Transfer to income statement arising from discontinuation of cash flow hedges	**2.4**	1.4	3.7
Exchange movement on debt in cash flow hedges	**35.6**	33.0	54.4
Deferred tax movement on cash flow hedges	**(6.1)**	(4.2)	(3.1)
At the end of the period	**(75.6)**	(100.1)	(105.3)

Cost of hedging reserve

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
At the beginning of the period (as previously reported)	**-**	-	-
Change in accounting policy - IFRS 9	**1.8**	-	-
Revised opening position	**1.8**	-	-
Amounts transferred to the income statement	**(0.1)**	-	-
Deferred tax movement	**(0.3)**	-	-
At the end of the period	**1.4**	-	-

17. Capital commitments

The Group has a substantial long-term investment programme in 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 value outstanding of orders placed at 30 September 2018.

	Half-year ended 30 September 2018 £m	Half-year ended 30 September 2017 £m	Year ended 31 March 2018 £m
Property, plant and equipment	**72.8**	99.1	76.1
Intangible assets	**32.7**	23.5	32.7
	105.5	122.6	108.8

18. Contingencies

During the period to 30 September 2018, there has been no change to the Group's position from that disclosed in the 31 March 2018 consolidated financial statements. As noted 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. This is an industry wide issue and at this stage the Directors consider the claim to be uncertain, but not to be material to the financial standing of the company.

The Company will be considering the consequences of the recent Lloyds Banking Group judgement issued by the High Court on the Group's defined benefit pension schemes in the coming months (see note 15).

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 an appropriate position has been taken in reflecting such items in these interim financial statements.

19. Impact of changes to accounting policies

As set out in note 1, the group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 April 2018. The impact of adopting these standards on the group's financial statements is set out below.

IFRS 9 'Financial Instruments'

Within the statement of changes in equity a distinction has been made, on adoption of IFRS 9, between the change in value of fair value hedging instruments and the fair value movements identified as costs of hedging, the latter being presented in the Cost of Hedging Reserve. The adjustment recorded relates to the treatment of currency basis as a cost of hedging in relation to the cross currency interest rate swaps transacted in order to swap foreign currency debt issuances into Sterling.

In accordance with IFRS 9, paragraphs 7.2.1 and 7.2.15, the Company has applied this standard retrospectively but has elected not to restate prior periods.

IFRS 15 'Revenue from Contracts with Customers'

We have elected to restate prior year periods to reflect the impact of IFRS 15.

Within the income statement, revenue of £33.5 million for the six months ended 30 September 2017 and £63.1 million for the year ended 31 March 2018 has been recognised, being the value of grants and contributions received. Other income, reflecting amortisation of previously deferred grants and contributions, has been reversed resulting in a net increase in operating profit of £25.9 million for the six months ended 30 September 2017 and £46.9 million for the year ended 31 March 2018.

On adoption of IFRS 15, previously deferred grants and contributions of £498.9 million have been recognised in equity as at 1 April 2017. After reflecting the above adjustments to operating profit, deferred grants and contributions of £520.8 million at 30 September 2017 and £539.5 million at 31 March 2018 have been derecognised.

Deferred tax of £87.1 million at 1 April 2017, and £94.0 million at 31 March 2018, has been recognised on the above restatements in accordance with IAS 12 'Income Taxes'.

The cash flow statements for the six months ended 30 September 2017, and for the year ended 31 March 2018, have been restated to reflect the cash flow impact of grants and contributions received as cash generated from operations, rather than being included in investing activities.

19. Impact of changes to accounting policies (continued)

Restatement of the income statement for the six months ended 30 September 2017

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Revenue	634.8	33.5	**668.3**
Other operating income	7.6	(7.6)	**-**
Operating costs			
Operating costs before depreciation and amortisation	(275.0)	-	**(275.0)**
Depreciation and amortisation	(157.2)	-	**(157.2)**
Total operating costs	(432.2)	-	**(432.2)**
Operating profit	210.2	25.9	**236.1**
Finance income - external	0.8	-	**0.8**
Finance income - internal	96.4	-	**96.4**
Finance costs including fair value gains on derivative financial instruments	(51.4)	-	**(51.4)**
Net finance costs	45.8	-	**45.8**
Profit on disposal of business	4.6	-	**4.6**
Profit before tax from continuing operations			
Profit before exceptional items and fair value gains	37.4	25.9	**63.3**
Exceptional items - profit on disposal	4.6	-	**4.6**
Finance income - internal	96.4	-	**96.4**
Fair value gains on derivative financial instruments	122.2	-	**122.2**
Profit before tax from continuing operations	260.6	25.9	**286.5**
Tax	(31.3)	(3.6)	**(34.9)**
Profit for the period	229.3	22.3	**251.6**

Restatement of comprehensive income for the six months ended 30 September 2017

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Profit for the period	229.3	22.3	**251.6**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial losses on retirement benefit obligations	(9.1)	-	**(9.1)**
Income tax on items that will not be reclassified	1.6	-	**1.6**
	(7.5)	-	**(7.5)**
Items that may be reclassified subsequently to profit or loss			
Gains on cash flow hedges recognised in equity	22.3	-	**22.3**
Gains/(losses) on cash flow hedges transferred to profit or loss	2.3	-	**2.3**
Income tax on items that may be reclassified	(4.2)	-	**(4.2)**
	20.4	-	**20.4**
Other comprehensive income for the period, net of tax	12.9	-	**12.9**
Total comprehensive income for the period	242.2	22.3	**264.5**

19. Impact of changes to accounting policies (continued)

Restatement of the income statement for the year ended 31 March 2018

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Revenue	1,248.9	63.1	**1,312.0**
Other operating income	16.1	(16.1)	**-**
Operating costs			
Operating costs before depreciation and amortisation	(581.0)	-	**(581.0)**
Depreciation and amortisation	(335.5)	(0.1)	**(335.6)**
Total operating costs	(916.5)	(0.1)	**(916.6)**
Operating profit	348.5	46.9	**395.4**
Finance income - external	1.6	-	**1.6**
Finance income - internal	191.8	-	**191.8**
Finance costs including fair value gains on derivative financial instruments	(226.5)	-	**(226.5)**
Net finance costs	(33.1)	-	**(33.1)**
Profit on disposal of business	4.6	-	**4.6**
Profit before tax from continuing operations			
Profit before exceptional items and fair value gains	6.0	46.9	**52.9**
Exceptional items - profit on disposal	4.6	-	**4.6**
Finance income - internal	191.8	-	**191.8**
Fair value gains on derivative financial instruments	117.6	-	**117.6**
Profit before tax from continuing operations	320.0	46.9	**366.9**
Tax	(27.7)	(6.9)	**(34.6)**
Profit for the year	292.3	40.0	**332.3**

Restatement of comprehensive income for the year ended 31 March 2018

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Profit for the year	292.3	40.0	**332.3**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains on retirement benefit obligations	77.4	-	**77.4**
Income tax on items that will not be reclassified	(13.3)	-	**(13.3)**
	64.1	-	**64.1**
Items that may be reclassified subsequently to profit or loss			
Gains on cash flow hedges recognised in equity	16.4	-	**16.4**
Gains on cash flow hedges transferred to profit or loss	1.9	-	**1.9**
Income tax on items that may be reclassified	(3.1)	-	**(3.1)**
	15.2	-	**15.2**
Other comprehensive income for the year, net of tax	79.3	-	**79.3**
Total comprehensive income for the year	371.6	40.0	**411.6**

19. Impact of changes to accounting policies (continued)

Restatement of the balance sheet at 1 April 2017

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Non-current assets			
Intangible assets	139.4	-	**139.4**
Property, plant and equipment	9,517.7	5.4	**9,523.1**
Investment in joint ventures	1,602.6	-	**1,602.6**
Derivative financial instruments	256.1	-	**256.1**
Retirement benefit surpluses	4.0	-	**4.0**
	11,519.8	5.4	**11,525.2**
Current assets			
Inventories	9.3	-	**9.3**
Trade and other receivables	429.9	-	**429.9**
Investments - cash deposits	75.0	-	**75.0**
Cash and cash equivalents	354.8	-	**354.8**
Derivative financial instruments	12.6	-	**12.6**
	881.6	-	**881.6**
Assets classified as held for sale	85.6	-	**85.6**
Total assets	12,487.0	5.4	**12,492.4**
Current liabilities			
Trade and other payables	(467.3)	14.9	**(452.4)**
Current tax liabilities	(267.6)	-	**(267.6)**
Borrowings	(278.4)	-	**(278.4)**
Derivative financial instruments	(16.3)	-	**(16.3)**
Provisions	(4.1)	-	**(4.1)**
	(1,033.7)	14.9	**(1,018.8)**
Net current liabilities	(152.1)	14.9	**(137.2)**
Non-current liabilities			
Borrowings	(6,196.5)	-	**(6,196.5)**
Derivative financial instruments	(1,043.8)	-	**(1,043.8)**
Deferred tax liabilities	(839.5)	(87.1)	**(926.6)**
Retirement benefit obligations	(79.6)	-	**(79.6)**
Provisions	(10.2)	-	**(10.2)**
Other non-current liabilities	(484.0)	484.0	**-**
	(8,653.6)	396.9	**(8,256.7)**
Liabilities directly associated with assets held for sale	(11.2)	-	(11.2)
Total liabilities	(9,698.5)	411.8	**(9,286.7)**
Net assets	2,788.5	417.2	**3,205.7**
Capital and reserves			
Share capital	10.0	-	**10.0**
Retained earnings	2,899.0	417.2	**3,316.2**
Hedging reserve	(120.5)	-	**(120.5)**
Total equity	2,788.5	417.2	**3,205.7**

19. Impact of changes to accounting policies (continued)

Restatement of the balance sheet at 30 September 2017

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Non-current assets			
Intangible assets	143.2	-	**143.2**
Property, plant and equipment	9,575.0	9.4	**9,584.4**
Investment in joint ventures	1,602.6	-	**1,602.6**
Derivative financial instruments	185.1	-	**185.1**
Retirement benefit surpluses	3.6	-	**3.6**
	11,509.5	9.4	**11,518.9**
Current assets			
Inventories	10.0	-	**10.0**
Trade and other receivables	609.9	-	**609.9**
Investments - cash deposits	131.0	-	**131.0**
Cash and cash equivalents	471.1	-	**471.1**
Derivative financial instruments	16.9	-	**16.9**
	1,238.9	-	**1,238.9**
Total assets	12,748.4	9.4	**12,757.8**
Current liabilities			
Trade and other payables	(617.0)	15.1	**(601.9)**
Current tax liabilities	(286.3)	-	**(286.3)**
Borrowings	(285.4)	-	**(285.4)**
Derivative financial instruments	(90.0)	-	**(90.0)**
Provisions	(3.8)	-	**(3.8)**
	(1,282.5)	15.1	**(1,267.4)**
Net current liabilities	(43.6)	15.1	**(28.5)**
Non-current liabilities			
Borrowings	(6,352.8)	-	**(6,352.8)**
Derivative financial instruments	(842.7)	-	**(842.7)**
Deferred tax liabilities	(854.7)	(90.7)	**(945.4)**
Retirement benefit obligations	(89.7)	-	**(89.7)**
Provisions	(9.3)	-	**(9.3)**
Other non-current liabilities	(505.7)	505.7	**-**
	(8,654.9)	415.0	**(8,239.9)**
Total liabilities	(9,937.4)	430.1	**(9,507.3)**
Net assets	2,811.0	439.5	**3,250.5**
Capital and reserves			
Share capital	10.0	-	**10.0**
Retained earnings	2,901.1	439.5	**3,340.6**
Hedging reserve	(100.1)	-	**(100.1)**
Total equity	2,811.0	439.5	**3,250.5**

19. Impact of changes to accounting policies (continued)

Restatement of the balance sheet at 31 March 2018

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Non-current assets			
Intangible assets	168.3	-	**168.3**
Property, plant and equipment	9,652.0	11.7	**9,663.7**
Derivative financial instruments	89.6	-	**89.6**
Retirement benefit surpluses	56.3	-	**56.3**
	9,966.2	11.7	**9,977.9**
Current assets			
Inventories	10.0	-	**10.0**
Trade and other receivables	478.9	-	**478.9**
Investments - cash deposits	40.0	-	**40.0**
Cash and cash equivalents	247.1	-	**247.1**
Derivative financial instruments	48.5	-	**48.5**
	824.5	-	**824.5**
Total assets	10,790.7	11.7	**10,802.4**
Current liabilities			
Trade and other payables	(528.2)	16.0	**(512.2)**
Current tax liabilities	(264.3)	-	**(264.3)**
Borrowings	(220.0)	-	**(220.0)**
Derivative financial instruments	(16.4)	-	**(16.4)**
Provisions	(5.3)	-	**(5.3)**
	(1,034.2)	16.0	**(1,018.2)**
Net current liabilities	(209.7)	16.0	**(193.7)**
Non-current liabilities			
Borrowings	(6,231.7)	-	**(6,231.7)**
Derivative financial instruments	(862.6)	-	**(862.6)**
Deferred tax liabilities	(863.4)	(94.0)	**(957.4)**
Retirement benefit obligations	(47.2)	-	**(47.2)**
Provisions	(10.7)	-	**(10.7)**
Other non-current liabilities	(523.5)	523.5	**-**
	(8,539.1)	429.5	**(8,109.6)**
Total liabilities	(9,573.3)	445.5	**(9,127.8)**
Net assets	1,217.4	457.2	**1,674.6**
Capital and reserves			
Share capital	10.0	-	**10.0**
Retained earnings	1,312.7	457.2	**1,769.9**
Hedging reserve	(105.3)	-	**(105.3)**
Total equity	1,217.4	457.2	**1,674.6**

19. Impact of changes to accounting policies (continued)

Restatement of the cash flow statement for the six months ended 30 September 2017

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Operating activities			
Operating profit	210.2	25.9	**236.1**
Adjustments for:			
Amortisation of deferred grants and contributions	(7.6)	7.6	**-**
Depreciation and amortisation	157.2	-	**157.2**
Assets adopted for nil consideration	-	(12.0)	**(12.0)**
Profit on disposal of property, plant and equipment	(4.1)	-	**(4.1)**
Difference between pension charge and cash contributions	0.4	-	**0.4**
Net movement in provisions	(0.6)	-	**(0.6)**
Working capital movements:			
Increase in inventories	(0.7)	-	**(0.7)**
Increase in trade and other receivables	(130.2)	-	**(130.2)**
Increase in trade and other payables	98.7	3.7	**102.4**
Cash generated from operations	323.3	25.2	**348.5**
Net cash flows from operating activities	323.3	25.2	**348.5**
Investing activities			
Purchase of property, plant and equipment	(179.1)	(4.0)	**(183.1)**
Purchase of intangible assets	(21.5)	-	**(21.5)**
Disposal of business, net of cash disposed	79.0	-	**79.0**
Grants and contributions received	21.2	(21.2)	**-**
Proceeds from disposal of property, plant and equipment	3.6	-	**3.6**
Interest received on deposits	0.8	-	**0.8**
Interest received on inter-company loan	47.9	-	**47.9**
Net cash used in investing activities	(48.1)	(25.2)	**(73.3)**
Financing activities			
Interest paid	(115.1)	-	**(115.1)**
Issue costs paid	(1.7)	-	**(1.7)**
Increase in amounts borrowed	248.6	-	**248.6**
Repayment of amounts borrowed	(63.5)	-	**(63.5)**
Increase in short-term bank deposits	(56.0)	-	**(56.0)**
Dividends paid to owners of the parent	(61.1)	-	**(61.1)**
Dividends paid not available for distribution to investors in the ultimate parent company	(110.1)	-	**(110.1)**
Net cash used in financing activities	(158.9)	-	**(158.9)**
Net increase in cash and cash equivalents	116.3	-	**116.3**
Cash and cash equivalents at the beginning of the period	354.8	-	**354.8**
Cash and cash equivalents at the end of the period	471.1	-	**471.1**

19. Impact of changes to accounting policies (continued)

Restatement of the cash flow statement for the year ended 31 March 2018

	As published £m	Impact of IFRS 15 £m	**Restated £m**
Operating activities			
Operating profit	348.5	46.9	**395.4**
Adjustments for:			
Amortisation of deferred grants and contributions	(16.1)	16.1	**-**
Depreciation and amortisation	335.5	0.1	**335.6**
Assets adopted for nil consideration	-	(20.9)	**(20.9)**
Profit on disposal of property, plant and equipment	(4.1)	-	**(4.1)**
Difference between pension charge and cash contributions	(9.2)	-	**(9.2)**
Net movement in provisions	2.2	-	**2.2**
Working capital movements:			
Increase in inventories	(0.7)	-	**(0.7)**
Increase in trade and other receivables	(49.3)	-	**(49.3)**
Increase in trade and other payables	37.2	4.6	**41.8**
Cash generated from operations	644.0	46.8	**690.8**
Income taxes paid	(23.5)	-	**(23.5)**
Net cash flows from operating activities	620.5	46.8	**667.3**
Investing activities			
Repayment of loans by intermediate parent company	1,602.6	-	**1,602.6**
Purchase of property, plant and equipment	(378.9)	(6.4)	**(385.3)**
Purchase of intangible assets	(64.3)	-	**(64.3)**
Disposal of business, net of cash disposed	79.0	-	**79.0**
Grants and contributions received	40.4	(40.4)	**-**
Proceeds from disposal of property, plant and equipment	4.5	-	**4.5**
Interest received on deposits	1.5	-	**1.5**
Interest received on inter-company loan	192.3	-	**192.3**
Net cash from/(used in) investing activities	1,477.1	(46.8)	**1,430.3**
Financing activities			
Interest paid	(215.9)	-	**(215.9)**
Issue costs paid	(1.7)	-	**(1.7)**
Interest element of finance lease rental payments	(0.8)	-	**(0.8)**
Increase in amounts borrowed	248.6	-	**248.6**
Repayment of amounts borrowed	(247.7)	-	**(247.7)**
Repayment of accumulated interest on derivatives	(73.9)	-	**(73.9)**
Capital element of finance lease rental payments	(5.7)	-	**(5.7)**
Decrease in short-term bank deposits	35.0	-	**35.0**
Dividends paid to owners of the parent	(86.1)	-	**(86.1)**
Dividends paid not available for distribution to investors in the ultimate parent company	(1,857.1)	-	**(1,857.1)**
Net cash used in financing activities	(2,205.3)	-	**(2,205.3)**
Net decrease in cash and cash equivalents	(107.7)	-	**(107.7)**
Cash and cash equivalents at the beginning of the year	354.8	-	**354.8**
Cash and cash equivalents at the end of the year	247.1	-	**247.1**

20. Related party transactions

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the Company 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.

There has been no material change during the six months ended 30 September 2018 in transactions with these related parties from that disclosed in the Company's annual report and consolidated financial statements for the year ended 31 March 2018.

21. Events after the balance sheet date

Following formal approval from our lenders, on 4 October, our group made an equity injection into Anglian Water Services Limited of £22.0 million. This is the first of several equity injections over the coming years as part of our commitment to reduce gearing to around 75 per cent by 2025.

Other than the above, there have been no events between the balance sheet date and the date on which the financial statements were approved by the Board, which would require adjustment to the financial statements or any additional disclosures.

22. Approval of the half-yearly report

The half-yearly report, which is unaudited, was approved by the Board on 3 December 2018.