Anglian Water Services Limited

Half-yearly report

for the six months ended 30 September 2020

Anglian Water Services Limited

Half-yearly management report

for the six months ended 30 September 2020

Stepping up to safeguard customers, communities and the environment

- Beginning of AMP7 sees Anglian Water embark on its biggest ever infrastructure investment programme
- Company sets out green recovery plan to accelerate investment in race to net zero, nature recovery and resilience to climate change
- CMA provisional findings address key issues in relation to long-term investment and move to a position closer to what the company's customers told it they wanted
- Uninterrupted service delivered for customers throughout Covid-19 pandemic and operations maintained in difficult operating environment
- Ongoing support for customers and communities includes launch of £1m Positive Difference Fund

Commenting on Anglian Water's results for the half year to 30 September 2020, Chief Executive Peter Simpson said:

"The first half of the year has been marked by notable challenge, primarily due to the ongoing impacts of coronavirus in our communities. I am immensely proud of the way the business and our people have responded to the crisis, with solid preparations, careful risk management and rapid adaptation to changing circumstances ensuring that we have continued to deliver our critical service to our region throughout. This has included responding to record demand for water from household customers, due to the combination of the enforced shift to working from home, together with a long, dry summer.

"We recognise that the winter ahead will not be an easy one as we navigate a second peak of the virus combined with routine winter illnesses, increasingly extreme weather conditions and a potential no-deal Brexit. We have well-honed resilience plans in place to ensure we can meet whatever further challenges arise in the coming months, and a highly engaged workforce.

"Throughout the Covid crisis we have extended additional support to customers who have been impacted by it, facilitating payment holidays and forgiveness agreements for those who need them, as well as actively extending the reach of our priority services register for vulnerable customers, which has grown by 35 per cent since the start of lockdown to reach more than 127,000 customers. We also reached out to support communities through the launch of our £1 million Positive Difference Fund in April, funded by our investors.

"And whatever is happening in the world around us, our priority is always to focus on delivering our core services. Notable successes this year include our best-ever results on both drinking water quality and leakage; however, we acknowledge that our performance on pollution has not met the high standards we seek to uphold. We are taking active steps to address this through a comprehensive nine-step Pollution Incident Reduction Plan which has already delivered a marked reduction in pollution incidents on our network this year. Our ultimate goal is to reach zero pollutions.

"Notwithstanding the pandemic, since April we have embarked on our largest ever programme of capital investment in our region to support long-term resilience and secure future water supplies – both priorities which were identified by customers during the PR19 process. At its heart is the creation of a strategic network of up to 500km in large diameter pipelines to move water from the north of our region where it is more abundant, down to areas of scarcity in the south and east. We've also begun a major metering programme which will see us install hundreds of thousands of upgraded meters by 2025 to support us, and our customers, in managing demand for water.

"We are making rapid progress on our renewable energy programme, a key contributor to our goal of reaching net zero carbon by 2030, and in September switched on our 42,000-panel solar array at Grafham Water – one of the largest in the water industry.

"We are committed to playing our part in environmental and economic recovery post-Covid. In September we published a five-point plan for a green recovery, which sets out the commitments we are making on becoming a net zero carbon business by 2030, accelerating sustainable housing and infrastructure growth, creating green jobs and skills, delivering climate change adaptation and resilience and driving nature recovery.

"The commitments set out will not simply support economic recovery and sustainable jobs; they also look ahead to the long-term needs of our region, as we have sought to do through the statutory process we have undertaken this year with the Competition and Markets Authority (CMA) in seeking a redetermination of our Business Plan for 2020-2025.

"The CMA's provisional findings in September respond positively to several of the key issues we raised in our submissions: adjusting the cost of the capital which funds our investment programme, partially recognising the additional costs involved in accommodating rapid population growth in our region and highlighting the need to review the assessment of future capital maintenance requirements – all while delivering a reduction in customer bills versus AMP6. We were pleased to see, too, recognition of the importance of transitioning at pace to net zero, adapting to climate change and ensuring resilient water supplies, as well as the costs associated with delivery of these.

"As we set out in our statement of case, all these points are central to securing the long-term environmental and social prosperity of our region, as our purpose requires of us. However, it is important to note the provisional nature of the findings – and that even if the final outcome closely mirrors them, the years ahead will not be easy. All indications suggest that if this became the CMA's final view, this would remain a very challenging determination.

"Whatever the outcome of the process, we are grateful to have had the opportunity to set out our case to the CMA. This is important not just for the long-term benefit of our own region, but in order to foster the water industry's continued ability to secure investment and deliver in the public interest in the future.

"Over the next six months, no matter what the outcome of the CMA process, we will maintain our focus on delivering our programme in line with our purpose."

Financial, social and environmental highlights

Financial: investing for our region's future

- **Group revenue of £680.1 million, a decrease of £36.9 million (5.1 per cent) on September 2019** as a result of the following:
    - The price reduction for customers following the Final Determination, £36.4 million decrease.
    - The impact of Covid-19, net £8.7 million decrease. Household consumption up £32.0 million and non-household consumption down £29.4 million. Additionally, grants and contributions down £11.3 million as a result of the adverse impact lockdown has had on the housing market.
    - Other offsetting increases in revenue of £8.2 million such as growth in new customers.
- **Operating costs including the charge for bad and doubtful debts down by £17.2 million (5.4 per cent)** This decrease reflects significant management action in the period while we await the outcome of the CMA redetermination process. In particular, this has involved undertaking additional capital solutions while we are currently unable to optimise Totex whole life cost solutions in our current investment decisions.
- **Adjusted profit before tax for the period of £85.2 million, up £30.5 million,** excludes fair value losses on derivatives of £100.6 million (September 2019: £171.3 million). These are volatile non-cash movements which distort actual economic performance and therefore should be excluded when assessing underlying profit. Including these fair value movements, **loss before tax for the period is £15.4 million, an improvement of £101.2 million from a loss of £116.6 million.** The £30.5 million increase reflects the reduction in interest, primarily due to lower inflation as well as the impacts of revenue and operating costs mentioned.
- **No dividends were paid to the immediate parent company in the period** (September 2019: £67.8 million). **No dividends were paid to the ultimate shareholders in the period (September 2019: £nil).**
- **The business generated cash from operations of £345.4 million, a decrease of £20.8 million on September 2019** This principally reflects the reduction seen in revenue, partly offset by the reduction in operating costs, with net working capital broadly consistent.
- **Positive start to the first year of AMP7 investment programme** with gross capital expenditure for the period of £180.6 million (£86.6 million on capital maintenance, £94.0 million on capital enhancement). Despite the significant impact that Covid-19 had on our ability to commence work during the period, this represents a strong start to delivery of the year one programme from the Final Determination, with management confident of delivering the full year position.
- **Sustainability Financing Framework launched** to facilitate the financing of our Asset Management Plan for 2020-2025.

Social: supporting our colleagues and supply chain, our customers and our communities

Colleagues and supply chain

- **Ongoing commitment to recruitment through Covid-19**; honouring all job offers and recruiting 50 apprentices
- **Launched Employee Assistance Fund**, funded by employee donations, to support colleagues whose households face financial difficulty
- **Workforce remains highly engaged** thanks to support for wellbeing and effective communications through Covid, with engagement score at 74 per cent (a 2 per cent increase on 2019 and five points ahead of the UK average)
- **Reduced time taken to pay suppliers; support and advice given to SMEs** with access to advanced procurement opportunities
- **Key worker permits issued** to partner and supply chain workforce

Customers and communities

- **300 per cent increase in sign-ups to our Priority Service Register**, reaching more than 127,000 vulnerable customers
- **Support offered to more than 220,000 customers through ExtraCare programme in 2020**, including payment holidays, forgiveness schemes and household finance assessments through ExtraCare income maximisation tools. Since April, these assessments have signposted customers to a potential £3 million in unclaimed benefits
- **Supporting communities from the outset of lockdown as a founder member of Business in the Community's National Business Response Network**, connecting businesses with organisations in need
- **£1 million Positive Difference Fund, funded by Anglian Water's shareholders, launched in April**; £500,000 awarded to date in grants of up to £5,000 each, benefiting 88,000 people through 120 community groups
- **First stage consultation completed and site selection process underway for potential relocation of Anglian Water's Cambridge Waste Water Treatment Plant** to facilitate South Cambridgeshire District Council and Cambridge City Council's vision for sustainable growth through the creation of a new low-carbon district in North-East Cambridge
- **Ongoing support for regeneration in Lowestoft** through active participation in Town Board

Environmental: working towards a sustainable future

- **Strategic Pipeline Alliance formed with Costain, Farrans, Jacobs and Mott MacDonald Bentley and delivery underway**; up to 500km of large diameter pipelines and associated infrastructure will be created by 2025 to secure future water supplies and enable sustainability reductions
- **Smart meter installation programme underway** to help customers reduce water usage; 750,000 upgraded meters to be delivered by 2025

- **Comprehensive Pollution Incident Reduction Plan published** and work underway to regain 3* EPA rating; with a marked reduction in pollution incidents to the end of September 2020; we are also increasing monitoring of storm overflows to assess how best to target investment to benefit the environment, and engaging with the Government's Storm Overflows Taskforce to accelerate progress, share best practice and technology and develop long-term solutions
- **Five-point plan for a green recovery published September 2020**; setting out commitments on net zero, sustainable housing and infrastructure growth, green jobs and skills development, climate change adaptation and resilience and nature recovery
- **Pioneering track record on carbon reduction leads to Anglian Water playing leading role in developing Water UK routemap to net zero by 2030**, published in November 2020, with CEO Peter Simpson as co-sponsor; next steps will see Anglian Water create its own detailed plan
- **Installation of on-site renewable energy sources continues at pace**; Grafham Water solar installation energised in September and expected to power entire site at peak performance levels
- **Utilities Alliance created with Thames Water, Cadent, Western Power Distribution, UK PN and Openreach** to support joined-up planning for sustainable growth in the Oxford-Cambridge Arc, and welcomed by the Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP
- **World-first circular economy project in partnership with Oasthouse Ventures nearing completion** in Suffolk and Norfolk, with two of the UK's largest greenhouses to be heated using warm water generated as a natural by-product of the water recycling process
- **Anglian Water awarded the Queen's Award for Enterprise: Sustainable Development 2020-2025**; having previously held the award from 2015-2020.

Principal risks and uncertainties

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

The risks and uncertainties that the businesses face over the remainder of this financial year are listed below and are consistent with those included in the annual report and consolidated financial statements for the year ended 31 March 2020.

Currently both the Price Review 2019 (PR19) process (which has been referred to the CMA and subject to redetermination which is expected in February 2021) and the Covid-19 pandemic are significant risks to the business and likely to impact its longer term strategy, as set out below.

PR19 – CMA redetermination

We are facing a significant financial challenge, as a result of the Final Determination awarded by our regulator Ofwat in December 2019 for the period 2020-2025 and ongoing uncertainty in relation to the outcome of the CMA redetermination.

The Business Plan we submitted for PR19 is our most ambitious yet. Guided by the views of 500,000 of our customers, we proposed to invest £6.5 billion to safeguard the long-term resilience of water supplies across our region in the face of climate change and rapid population growth. The Final Determination awarded in December 2019 leaves us almost £750 million short of the funding required to deliver those plans, meaning that we cannot deliver the outcomes in a way that our customers agreed that we should.

The CMA released its Provisional Findings in September. A number of parties have submitted views on these to the CMA which are being considered now. While we recognise the Provisional Findings as a significant milestone, we will continue to work with the relevant parties until the process is concluded and a Final Redetermination is released.

Covid-19

The risk of a flu pandemic has been on our corporate risk register for many years, and we have robust plans in place to deal with a range of threats. We were able to instigate our emergency response arrangements and introduce new ways of working to preserving critical services for customers while protecting the health and wellbeing of our staff. We know that the effects of Covid-19 will be felt for months and potentially many years after the spread of the virus has been brought under control.

While the full impact of the social distancing measures and associated economic impact has yet to be understood, the full impact on risk to the business, our customers and the environment is continually being reviewed during this crisis.

In the first six months of the year we have seen significant changes in consumption patterns, with reductions in non-household demand offset by an increase in household consumption, as people work from home and remain within our region. The overall impact of this has, however, not been material to our revenue recognised. Our costs have remained broadly neutral, with increased spend on personal protective equipment being offset by reduced travel expenses.

As we look to the second half of the year, we are mindful that the current cash collection rates, which have been performing well, could deteriorate with the ending of Government support schemes, with major schemes now due to end on 31 March 2021.

As with the annual report, we have split our key risks to identify those which management have assessed to be most impacted by Covid-19.

Key Covid-19 impacted principal risks:

- Political, regulatory and legislative changes – ensuring we anticipate and plan for these changes
- Financing our business – managing the risks around funding a large capital investment programme, and preparing for the political and regulatory challenges that we face
- Pensions – managing the risk around the actuarial pension funding obligations in relation to lower investment returns, low discount rates and longevity
- Regional growth – managing the impact of increasing growth rates in our region
- AMP7 – we submitted a Business Plan that is strongly supported by our customers. We continue to prepare to deliver the commitments contained in the plan and await the CMA's Final Redetermination later in the year
- Health and safety – maintaining the welfare of our employees and customers is paramount

Other principal risks include:

- Long-term supply and climate change – we operate in the driest region of the UK, and therefore managing the impact of weather changes and the potential for drought is a high priority
- Pollution – managing our activities to minimise the risk and impact of pollution
- Brexit – the impact of a No Deal exit by the UK from Europe – working with the wider water industry to manage the risks to the industry, especially the supply chain, in the event of a No Deal exit on 31 December 2020
- Customer satisfaction – ensuring we give our customers the best service we can, as measured by the new measure of customer experience (C-MeX)
- 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 2020, which can be found on the Anglian Water website at https://www.anglianwater.co.uk/about-us/annual-reports, as well as in the summary of key judgements and estimates which can be found in note 2.

Financial summary

The consolidated financial results for the six months ended 30 September 2020, which are unaudited, are presented as follows:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m
Revenue	**680.1**	717.0
Other operating income	**6.0**	7.5
Operating costs	**(288.5)**	(308.4)
Charge for bad and doubtful debts	**(15.0)**	(12.3)
EBITDA	**382.6**	403.8
Depreciation and amortisation	**(173.3)**	(180.8)
Operating profit	**209.3**	223.0
Finance income	**1.8**	2.6
Finance costs [(1)]	**(125.9)**	(170.9)
Adjusted profit before tax	**85.2**	54.7
Fair value losses on derivative financial instruments	**(100.6)**	(171.3)
Loss before tax	**(15.4)**	(116.6)

(1) In order to show performance based on management's view of the business, the fair value losses on derivative financial instruments have been excluded from the adjusted profit, because these are volatile non-cash movements which distort the actual underlying economic performance.

Revenue

Group revenue for the period, including developer contributions of £31.2 million (2019: £42.5 million), was £680.1 million, a decrease of £36.9 million over the same period in the previous year as a result of the following:

- The price reduction for customers following the Final Determination, £36.4 million decrease.
- The impact of Covid-19, net £8.7 million decrease. Household consumption up £32.0 million and non-household consumption down £29.4 million. Additionally, grants and contributions down £11.3 million as a result of the adverse impact lockdown has had on the housing market.
- Other offsetting increases in revenue of £8.2 million such as growth in new customers.

Other operating income

Other operating income, which decreased by £1.5 million on the prior year period, comprises external income from power generation, biosolid revenue, rents received and various other non-core activities.

Operating costs including the charge for bad and doubtful debts

Operating costs, including the charge for bad and doubtful debts, are down by £17.2 million (5.4 per cent). This decrease reflects significant management action in the period while we await the outcome of the CMA redetermination process. In particular, this has involved undertaking additional capital solutions while we are currently unable to optimise Totex whole life cost solutions in our current investment decisions. The impact of Covid-19 on operating costs has been neutral, with the increases seen in certain areas offset by savings in others. The movement in operating costs is explained in the following table:

Increases/(decreases) in operating costs	**£m**
General inflationary increases	4.0
Increase in costs as a result of the Covid-19 impact on the business [(1)]	2.0
Reduced spend as a result of the Covid-19 impact on the business [(2)]	(2.0)
Increase in energy prices and costs	0.5
Increase in bad debt provision	2.7
Underground network expenditure	(3.0)
Reduction in materials, travel and fuel	(3.0)
Reduction in insurance costs	(2.0)
Introduction of Ofwat innovation fund	2.2
Cost programme	(18.6)
Net decrease in operating costs	(17.2)

(1) Increases as a result of Covid-19 include additional power costs of £1.5 million, as a result of higher consumption, and additional costs in relation to personal protection equipment of £0.5 million.

(2) Reduced spend as a result of Covid-19 mostly relates to the reduction in travel and fuel costs of £2.0 million.

EBITDA

The £36.9 million decrease in revenue and £1.5 million decrease in other operating income, partially offset by the £17.2 million decrease in operating costs, results in a £21.2 million decrease in EBITDA.

Depreciation and amortisation

Depreciation and amortisation decreased by 4.1 per cent compared with the same period last year, consistent with the impact of newly commissioned assets in the period.

Operating profit

Operating profit has decreased by 6.1 per cent to £209.3 million, which is consistent with lower revenues, partially offset by lower operating costs and depreciation.

Finance costs

The underlying net finance charge for the period was £124.1 million, a decrease of £44.2 million compared with the same period last year. This is driven through lower interest costs arising on inflation-linked debt due to lower inflation year on year.

Finance income has decreased from £2.6 million to £1.8 million, principally due to lower rates year on year on cash deposits held in the period.

The fair value losses on financial derivatives of £100.6 million (2019: £171.3 million) are primarily a result of the average fall in interest of 25 basis points (2019: 41 basis points decrease) and a 30 basis points increase in average levels of forward inflation curves (2019: 10 basis points decrease). The fair value losses in the current and prior periods are non-cash in nature and have no material effect on the underlying commercial operations of the business.

Taxation

Compared to the same period in the previous year, the total tax credit has decreased by £16.2 million from £18.3 million to £2.1 million.

The current tax credit has decreased by £5.9 million from a charge of £2.6 million to a credit of £3.3 million. This is because the prior period included a capital allowance disclaimer which increased the current tax charge, which offsets the tax effect on the increased adjusted profits this period.

The deferred tax charge has increased from a credit of £20.9 million to a charge of £1.2 million. This consists of a higher underlying charge because all capital allowances have been claimed in this period, as well as a lower deferred tax credit due to the reduction in fair value losses on derivative financial instruments.

In addition to the £2.1 million tax credit on the income statement, there is a credit of £29.2 million (2019: charge of £2.0 million) in the statement of other comprehensive income in relation to deferred tax on actuarial losses on pension schemes and fair value gains on cash flow hedges.

Anglian Water is one of the largest private investors in infrastructure in the region, investing more than £2 billion over five years. The Government actively encourages infrastructure investment and grants capital allowances, which defer some corporation tax liabilities until a later period. Anglian Water customers directly benefit from the deferral as it helps to keep their bills lower.

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.

Dividends

No dividends were paid to the immediate parent company in the period (2019: £67.8 million).

Net debt and cash flow

In respect of financing, the group continues to develop its funding profile to provide an economic hedge against the regulatory transition from RPI to CPIH linked revenues, and to align financing with the group’s focus on sustainability. In April, the group received £65 million in relation to the CPI-linked forward starting bond traded in August 2018.

Debt repayments in the period amounted to £746.2 million as a result of settling the 4.125 per cent index-linked bond (£263.8 million) and repayment of £450 million on the group’s syndicated and bilateral bank facilities, which saw £600 million drawn in March 2020, to provide a short-term liquidity buffer in light of the Covid-19 uncertainty. Other debt repayments in the period were various other smaller scheduled amortising debt payments as they fell due.

Anglian Water has access to £450.0 million of undrawn facilities (March 2020: £50.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £400.0 million of liquidity facilities (March 2020: £400.0 million), consisting of £279.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity. See note 1 for further commentary over the liquidity requirements of the group in relation to going concern.

Pension

At 30 September 2020, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £20.3 million, compared to a surplus of £171.6 million at 31 March 2020. This decrease in surplus reflects a decrease in the corporate bond rate used to discount the scheme's liabilities and an increase in inflation assumptions. These have both more than offset any impact on asset performance due to current market conditions. In addition, the company has an unfunded pension liability of £46.4 million (March 2020: £41.6 million).

Responsibility statement

The directors are responsible for preparing the interim financial statements in accordance with applicable law, regulations and accounting standards, and ensuring that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the group for that period.

The directors confirm that the condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and 4.2.8, namely:

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

By order of the Board:

Peter Simpson	**Steven Buck**
Chief Executive	Chief Financial Officer

Anglian Water Services Limited

Group condensed income statement

for the six months ended 30 September 2020

Notes		**Half-year ended 30 September 2020 Unaudited £m**	Half-year ended 30 September 2019 Unaudited £m	Year ended 31 March 2020 Audited £m
4	**Revenue**	**680.1**	717.0	1,419.9
	Other operating income	**6.0**	7.5	13.0
	Operating costs			
	Operating costs before depreciation, amortisation and charge for bad and doubtful debts	**(288.5)**	(308.4)	(624.6)
	Depreciation and amortisation	**(173.3)**	(180.8)	(368.5)
	Charge for bad and doubtful debts	**(15.0)**	(12.3)	(40.7)
	Total operating costs	**(476.8)**	(501.5)	(1,033.8)
	Operating profit	**209.3**	223.0	399.1
5	Finance income	**1.8**	2.6	4.8
5	Finance costs, including fair value losses on derivative financial instruments	**(226.5)**	(342.2)	(360.3)
	Net finance costs	**(224.7)**	(339.6)	(355.5)
	(Loss)/profit before tax from continuing operations			
	Profit before fair value losses on derivative financial instruments	**85.2**	54.7	74.0
5	Fair value losses on derivative financial instruments	**(100.6)**	(171.3)	(30.4)
	(Loss)/profit before tax from continuing operations	**(15.4)**	(116.6)	43.6
6	Tax (charge)/credit	**2.1**	18.3	(120.4)
	Loss for the period	**(13.3)**	(98.3)	(76.8)

Notes 1 to 20 are an integral part of these condensed financial statements.

Anglian Water Services Limited

Group condensed statement of comprehensive income

for the six months ended 30 September 2020

Notes		**Half-year ended 30 September 2020 Unaudited £m**	Half-year ended 30 September 2019 Unaudited £m	Year ended 31 March 2020 Audited £m
	Loss for the period	**(13.3)**	(98.3)	(76.8)
	Other comprehensive (expense)/income			
	Items that will not be reclassified to profit or loss			
14	Actuarial (losses)/gains on retirement benefit deficit	**(159.0)**	(0.7)	108.4
6	Income tax on items that will not be reclassified	**30.2**	0.1	(18.8)
		(128.8)	(0.6)	89.6
	Items that may be reclassified subsequently to profit or loss			
15	Gains on cash flow hedges	**1.0**	8.1	22.3
15	Gains on cash flow hedges transferred to profit or loss	**4.5**	4.7	3.9
15	Losses on cost of hedging transferred to profit or loss	**(0.4)**	(0.2)	(0.4)
6	Income tax on items that may be reclassified	**(1.0)**	(2.1)	(3.1)
		4.1	10.5	22.7
	Other comprehensive (expense)/income for the period, net of tax	**(124.7)**	9.9	112.3
	Total comprehensive (expense)/income for the period	**(138.0)**	(88.4)	35.5

Anglian Water Services Limited

Group condensed balance sheet

for the six months ended 30 September 2020

Notes		At 30 September 2020 Unaudited £m	At 30 September 2019 Unaudited £m	At 31 March 2020 Audited £m
	Non-current assets			
8	Other intangible assets	**231.8**	196.3	217.3
9	Property, plant and equipment	**9,953.6**	9,854.3	9,940.3
11	Derivative financial instruments	**290.7**	329.8	317.8
14	Retirement benefit surplus	**20.3**	51.5	171.6
		10,496.4	10,431.9	10,647.0
	Current assets			
	Inventories	**13.2**	11.8	12.4
	Trade and other receivables	**598.2**	580.9	530.6
11	Investments – cash deposits	**-**	293.5	319.0
11	Cash and cash equivalents	**315.7**	161.8	729.1
11	Derivative financial instruments	**52.2**	15.1	16.8
		979.3	1,063.1	1,607.9
	Total assets	**11,475.7**	11,495.0	12,254.9
	Current liabilities			
	Trade and other payables	**(542.0)**	(539.9)	(520.9)
	Current tax liabilities	**(194.9)**	(215.3)	(198.2)
11	Borrowings	**(450.7)**	(472.1)	(1,023.0)
11	Derivative financial instruments	**(18.8)**	(66.4)	(81.4)
13	Provisions	**(4.4)**	(4.1)	(6.2)
		(1,210.8)	(1,297.8)	(1,829.7)
	Net current liabilities	**(231.5)**	(234.7)	(221.8)
	Non-current liabilities			
11	Borrowings	**(6,562.4)**	(6,613.6)	(6,702.3)
11	Derivative financial instruments	**(1,138.0)**	(1,152.9)	(996.0)
	Deferred tax liabilities	**(1,065.6)**	(917.9)	(1,093.6)
14	Retirement benefit deficit	**(46.4)**	(47.3)	(41.6)
13	Provisions	**(9.3)**	(8.2)	(10.5)
		(8,821.7)	(8,739.9)	(8,844.0)
	Total liabilities	**(10,032.5)**	(10,037.7)	(10,673.7)
	Net assets	**1,443.2**	1,457.3	1,581.2

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Group condensed balance sheet (continued)

for the six months ended 30 September 2020

Notes		**At 30 September 2020 Unaudited £m**	At 30 September 2019 Unaudited £m	At 31 March 2020 Audited £m
	Capital and reserves			
	Share capital	**32.0**	32.0	32.0
	Retained earnings	**1,458.3**	1,488.7	1,600.4
15	Hedging reserve	**(46.7)**	(64.5)	(52.3)
15	Cost of hedging reserve	**(0.4)**	1.1	1.1
	Total equity	**1,443.2**	1,457.3	1,581.2

Notes 1 to 20 are an integral part of these condensed financial statements.

The condensed financial statements were approved by the Board of Directors on 2 December 2020 and signed on its behalf by:

Peter Simpson
Chief Executive

Steven Buck
Chief Financial Officer

Anglian Water Services Limited

Group condensed statement of changes in equity

for the six months ended 30 September 2020

	Share capital £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	**Total equity £m**
Six months ended 30 September 2020					
At 1 April 2020	32.0	1,600.4	(52.3)	1.1	1,581.2
Loss for the period	-	(13.3)	-	-	**(13.3)**
Other comprehensive (expense)/income for the period	-	(128.8)	5.6	(1.5)	**(124.7)**
Total comprehensive (expense)/income	-	(142.1)	5.6	(1.5)	**(138.0)**
Issue of shares	-	-	-	-	-
Dividends	-	-	-	-	**-**
At 30 September 2020	**32.0**	**1,458.3**	**(46.7)**	**(0.4)**	**1,443.2**
Six months ended 30 September 2019					
At 1 April 2019	32.0	1,655.4	(75.9)	2.0	1,613.5
Loss for the period	-	(98.3)	-	-	(98.3)
Other comprehensive (expense)/income for the period	-	(0.6)	11.4	(0.9)	9.9
Total comprehensive (expense)/income	-	(98.9)	11.4	(0.9)	(88.4)
Dividends	-	(67.8)	-	-	(67.8)
At 30 September 2019	32.0	1,488.7	(64.5)	1.1	1,457.3
Year ended 31 March 2020					
At 1 April 2019	32.0	1,655.4	(75.9)	2.0	1,613.5
Loss for the year	-	(76.8)	-	-	(76.8)
Other comprehensive income/(expense) for the year	-	89.6	23.6	(0.9)	112.3
Total comprehensive income/(expense)	-	12.8	23.6	(0.9)	35.5
Dividends	-	(67.8)	-	-	(67.8)
At 31 March 2020	32.0	1,600.4	(52.3)	1.1	1,581.2

Anglian Water Services Limited

Group condensed cash flow statement

for the six months ended 30 September 2020

Notes		**Half-year ended 30 September 2020 Unaudited £m**	Half-year ended 30 September 2019 Unaudited £m	Year ended 31 March 2020 Audited £m
	Operating activities			
	Operating profit	**209.3**	223.0	399.1
	Adjustments for:			
	Depreciation and amortisation	**173.3**	180.8	368.5
	Assets adopted for £nil consideration	**(11.1)**	(16.1)	(37.1)
	Profit on disposal of property, plant and equipment	**(0.4)**	(0.3)	(2.3)
	Difference between pension charge and cash contributions	**(1.4)**	(1.4)	(18.5)
	Net movement in provisions	**(3.1)**	0.3	5.2
	Working capital:			
	Increase in inventories	**(0.8)**	(0.2)	(0.8)
	Increase in trade and other receivables	**(66.5)**	(94.1)	(45.5)
	Increase in trade and other payables	**46.1**	74.2	17.4
	Cash generated from operations	**345.4**	366.2	686.0
	Income taxes paid	**-**	(40.3)	(40.3)
	Net cash flows from operating activities	**345.4**	325.9	645.7
	Investing activities			
	Purchase of property, plant and equipment	**(170.4)**	(210.0)	(391.3)
	Purchase of intangible assets	**(35.8)**	(18.7)	(61.2)
	Proceeds from disposal of property, plant and equipment	**0.6**	0.5	2.3
	Interest received	**1.8**	2.6	4.8
	Net cash used in investing activities	**(203.8)**	(225.6)	(445.4)
	Financing activities			
	Interest paid	**(126.3)**	(127.8)	(229.3)
	Debt issue costs paid	**(0.8)**	(2.5)	(2.6)
	Interest paid on leases	**(0.3)**	(0.4)	(0.7)
	Increase in amounts borrowed	**65.0**	115.9	815.9
	Repayment of amounts borrowed	**(746.2)**	(124.3)	(220.3)
	Repayment of principal on derivatives	**(63.5)**	(25.1)	(25.1)
	Receipt of principal on derivatives	**-**	34.7	34.7
	Repayment of principal on leases	**(1.9)**	(2.0)	(11.3)
	Decrease/(increase) in short-term bank deposits	**319.0**	3.5	(22.0)
7	Dividends paid	**-**	(67.8)	(67.8)
	Net cash (used in)/from financing activities	**(555.0)**	(195.8)	271.5
	Net (decrease)/increase in cash and cash equivalents	**(413.4)**	(95.5)	471.8
	Cash and cash equivalents at the beginning of the period	**729.1**	257.3	257.3
11	**Cash and cash equivalents at the end of the period**	**315.7**	161.8	729.1

Notes to the group condensed financial statements

for the six months ended 30 September 2020

1. Basis of preparation and accounting policies

The condensed financial statements for the six months ended 30 September 2020, which are unaudited, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Anglian Water Services group financial statements comprise a consolidation of the financial statements of Anglian Water Services Limited and its subsidiary Anglian Water Services Financing Plc at 30 September 2020. Intercompany sales and profit are eliminated fully on consolidation.

The condensed financial statements for the six months ended 30 September 2020, including comparative information, do not constitute statutory accounts of the group. Statutory accounts for the year ended 31 March 2020, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were approved by the Board on 15 June 2020 and the Auditor's report on those accounts was unqualified. The condensed financial statements for the six months ended 30 September 2020 should be read in conjunction with the annual report and consolidated financial statements for the year ended 31 March 2020 which can be obtained from the Company Secretary, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

The accounting policies adopted in these condensed financial statements are consistent with those applied and set out in the annual report and consolidated financial statements for the year ended 31 March 2020, except for the estimation of income tax for interim reporting.

The tax charge is based on the estimated effective tax rate before exceptional items, fair value adjustments and adjustments in respect of prior periods, for the full year to 31 March 2021.

There are no new standards, interpretations and amendments, issued by the IASB or by the IFRS Interpretations Committee (IFRIC), that are applicable for the period commencing on 1 April 2020 that have had a material impact on the group's results.

a) Going concern

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

The review included a range of downside outcomes as a result of Covid-19 against the Final Determination received from Ofwat that has subsequently been referred to the CMA. While we note that the Provisional Findings from the CMA are positive, we have not assumed any additional revenues from this in our going concern assessment.

The downside outcomes were assessed for liquidity and impacts on debt covenants that form a fundamental part of the single debt platform. This has been structured so as to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and Anglian Water's Licence (an "Aligned Debt Programme"). Aligned Debt Programmes operate on a single covenant package and shared security and intercreditor arrangement that binds all debt providers.

1. Basis of preparation and accounting policies (continued)

a) Going concern (continued)

To provide contingency in respect of a worsening of the impact of Covid-19 on the business, during the period we have negotiated amendments to our financing arrangements with our Finance Creditors to mitigate the Interest Cover Trigger Event implications. The changes allow Anglian Water Services to raise additional indebtedness for working capital, capital maintenance expenditure and refinancing of maturing debt should a Trigger Event occur at any point, and to deliver a Covid-19 Certificate which would remedy a Trigger Event for the March 2021 covenant test specifically, if as a consequence of revenue shortfalls or regulatory changes as a result of Covid-19 a Trigger Event would have occurred. These amendments provide additional comfort when considering the going concern status of the group.

In considering going concern, the Directors have therefore considered:

- The liquidity of the group – the group has significant cash balances and deposits, totalling £315.7 million, reduced from March 2020 as a result of repaying £450.0 million of the drawdown of £600.0 million of liquidity facilities. If no new debt can be raised, for example if the financial markets were closed, the business would still have sufficient liquidity to manage its operations as expected in our financial forecasts (which includes our assumed Covid-19 outcomes) through the going concern period of 12 months, and indeed up to at least May 2022.
- The challenges presented by the PR19 Final Determination (FD) and the ability of the business to mitigate this risk through a cost reduction programme – at the end of AMP6 the business conducted an organisational review to support the investment delivery, resulting in a cost reduction programme. The cost of delivering this programme and confidence of delivery was assessed as part of the going concern review.
- Profitability – this is an efficient group with a history of outperformance. The revenues of the business are underpinned by the regulatory model and the business has a stretching five-year plan to deliver in line with the FD.
- Interest and dividend cover ratios – the business has significant headroom against Default Events under its securitised covenants with no plausible scenario identified that would cause a Default Event. While undesirable, a Trigger Event, if it happened, would not impact on the going concern assumption for the reasons noted below.
- Covid-19 – as well as incorporating the impacts of Covid-19 into our base forecasts, we also conducted modelling of worst-case scenarios, including the likely recessionary impact on the wider economy. These demonstrate that we do not hit Default levels on our covenants with sufficient liquidity to support the business if we enter a Trigger Event. The downside outcomes included assumptions in relation to:
    - the length of the lockdown period
    - reduction in non-household revenue
    - reduction in household cash collection
    - increase in bad debt provision.

1. Basis of preparation and accounting policies (continued)

a) Going concern (continued)

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

While certain worst-case scenarios indicate the potential for a Trigger Event for Anglian Water Services Limited, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. The intention of a Trigger Event is an early warning event designed to reinforce creditworthiness and to protect the group and its finance creditors from an Event of Default occurring. It does not enable creditors to destabilise the group through enforcing their security. In addition, as set out above, we have agreed with our Lenders that we are now permitted to raise additional indebtedness through a Trigger Event, should one occur.

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

2. Key assumptions and significant judgements

In preparing these condensed financial statements, the 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 2020. However, the particular areas of increased estimation uncertainty as a result of Covid-19 relate to the calculation of the bad debt provision and the estimation of the measured income accrual, as detailed below.

a) Bad debts

IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The group starts by evaluating the estimated recoverability of trade receivables and records a provision for doubtful receivables based on experience, primarily cash collection history, and then adjusts, as necessary, for forward-looking factors such as a change in economic conditions.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

At 30 September 2020, the provision for doubtful receivables, including the £12 million uplift for Covid-19, was £226.0 million, which includes the bad and doubtful debt provision for retained non-household customer balances. This is supported by 10 years of cash collection history, adjusted for other factors. If we based the provision on a shorter collection history of two years, the provision would have been £5.8 million higher. However, the Directors believe that using a longer history of debt recoverability removes the potential volatility of changing rates on a more frequent basis, and hence provides a more consistent basis for accounting.

We provided for an additional bad debt charge in March 2020 relating to balances that were outstanding at that date, amounting to £12 million. This was based on a number of factors including non-direct debit cash collection rates, which were 15 per cent behind budget in the subsequent months. We did not, and still do not, believe the full impact of Covid-19 has been felt by the business, primarily due to Government support easing the burden on household finances. We therefore continue to use forecasts to estimate the impact on the collection of balances.

We have again reviewed market data and considered a range of potential economic scenarios, including the impact continued Government support has had for our customers. At 31 March 2020 it was management's best estimate that this indicated a potential range of increase in the bad debt charge of between 0.6 per cent and 1.2 per cent of revenue. Based on annual household billing of c.£1 billion, this gave a potential charge between £6 million and £12 million. Management still believe this range to be appropriate at 30 September 2020.

In addition, we have continued to review post year-end cash collection rates compared to budget, which indicates a potential shortfall in cash collection of 10.7 per cent, an improvement on the 15 per cent shortfall we identified when we estimated the £12 million provision for March 2020. Applying this 10.7 per cent under-recovery over a shorter or longer period would result in an 'overlay' bad debt provision of between £5 million and £9 million.

2. Key assumptions and significant judgements (continued)

a) Bad debts (continued)

Based on the improved cash collection and the assessment of the current market conditions, it is management's best estimate that the additional cumulative provision of £12 million in relation to Covid-19 remains appropriate and supported by both the after date cash collection rates and the independent estimates management used in its assessment.

This adjustment is sensitive to the assumptions noted above, which indicate a range between £5 million and £18 million, with the £18 million representing 1.2 per cent of billing for the 18 months to September 2020.

It will remain very difficult to accurately assess the credit losses which will be incurred through the Covid-19 pandemic and therefore a significant element of judgement is still required.

The bad debt provision is based on debt recorded at the balance sheet date. Invoices raised in the subsequent months will also be impacted as the economic issues continue.

b) Measured income accrual

For Anglian Water the measured income accrual is an estimation of the amount of main water and wastewater charges unbilled at the year end. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon historical billing information. The calculation is sensitive to estimated consumption for both measured domestic customers and non-household customers, and is of particular importance as at 30 September 2020, as consumption patterns for both household and non-household customers have been significantly affected by Covid-19.

Measured household revenue

Given the meter reading and billing frequency of the customer base, with 62 per cent annually billed, there is in normal circumstances a time lag in reflecting current year usage in the consumption calculation, and so evidencing changes in demand in the year on year billing variances.

Due to the first period of lockdown we did not read meters from mid-March until mid-May. Since mid-May we have only read meters that can be accessed externally. The availability of actual consumption data is therefore lower than in previous years, and given the usual time lag between meter reading and billing, we have had to apply more judgement in estimating our household revenue this period.

Billing data suggested a 7.5 per cent (£20.3 million) increase in household consumption at September 2020, and with additional data available to the end of October, the increase in consumption estimated in the first half of the year has increased to 9.5 per cent (£25.7 million), but this is still lower than evidence from the increased Distribution Input (water into supply). As more data becomes available we would expect estimated revenue to continue to increase.

2. Key assumptions and significant judgements (continued)

b) Measured income accrual (continued)

In order to ensure our consumption estimates are as accurate as possible, in addition to our usual processes, we have utilised smart metering data. The trial areas in Norwich and Newmarket provided an extensive data set for these two regions on which to base household usage. This comprehensive data has been used to estimate household consumption across our entire region to be 12 per cent (£32.4 million) higher in the current period compared with the equivalent period last year. We believe these two towns to be a representative example of our region as a whole and therefore provide a more accurate data set on which to base the half-year estimate, but as we obtain meter readings in future periods, the estimates set out above will be amended by more accurate data.

Non-household revenue
In normal circumstances, we calculate non-household revenue by inputting the latest market data into our revenue models, including connection, vacancy and usage data (meter readings).

The calculation of non-household revenue therefore has been complicated in the current period by:

- The suspension of meter reading in the first three months of the period,
- The delay in actual meter reads being uploaded to the market systems, and
- The use of the temporary vacancy flags in respect of premises which have reduced consumption.

However, a large number of our customers have data loggers fitted to measure their peak daily demand and also to identify unexpected changes in usage, and we used this information to form an assessment of usage throughout the period. Applying this data, we estimate that there has been a decrease of 23 per cent in non-household consumption (£29.4 million), compared to the equivalent period in the prior year.

As we move into the second half of the year, we plan to revert to using meter reading data in the market, and as we obtain meter readings in future periods, the estimates set out above will be amended by more accurate data.

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 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Water and water recycling services:			
Anglian Water			
Household - measured	**418.4**	399.6	791.0
Household - unmeasured	**111.0**	119.7	235.7
Non-household - measured	**99.3**	135.6	265.2
Grants and contributions	**31.2**	42.5	89.3
Other	**20.2**	19.6	38.7
	680.1	717.0	1,419.9

5. Net finance costs

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Finance income			
Interest income on short-term bank deposits	**1.8**	2.6	4.8
	1.8	2.6	4.8
Finance costs			
Interest expense on bank loans and overdrafts	**(2.8)**	-	(0.1)
Interest expense on other loans including financing expenses	**(108.7)**	(115.6)	(226.7)
Indexation of loan stock	**(23.5)**	(62.7)	(114.5)
Amortisation of debt issue costs	**(1.0)**	(2.0)	(3.9)
Interest on leases	**(0.3)**	(0.3)	(0.7)
Unwinding of discount on onerous lease obligation provision	**(0.1)**	-	(2.1)
Defined benefit pension scheme interest	**1.5**	-	0.3
Total finance costs	**(134.9)**	(180.6)	(347.7)
Less: amounts capitalised on qualifying assets	**9.0**	9.7	17.8
	(125.9)	(170.9)	(329.9)
Fair value losses on derivative financial instruments			
Fair value gains/(losses) on energy hedges	**2.5**	(0.5)	(1.8)
Hedge ineffectiveness on cash flow hedges	**0.8**	(1.6)	0.5
Hedge ineffectiveness on fair value hedges	**1.1**	(0.9)	(2.0)
Amortisation of adjustment to debt in fair value hedge	**(0.1)**	(0.2)	(0.3)
Derivative financial instruments not designated as hedges	**(98.8)**	(165.3)	(18.8)
Recycling of de-designated cash flow hedge relationship	**(6.1)**	(2.8)	(8.0)
	(100.6)	(171.3)	(30.4)
Finance costs, including fair value losses on derivative financial instruments	**(226.5)**	(342.2)	(360.3)
Net finance costs	**(224.7)**	(339.6)	(355.5)

6. Taxation

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Current tax:			
In respect of the current period	**(3.3)**	2.6	(11.4)
Adjustments in respect of prior periods	**-**	-	(3.1)
Total current tax (credit)/charge	**(3.3)**	2.6	(14.5)
Deferred tax:			
Origination and reversal of temporary differences	**1.4**	(20.9)	21.1
Adjustments in respect of previous periods	**(0.2)**	-	-
Reversal of decrease in corporation tax rate	**-**	-	113.8
Total deferred tax charge/(credit)	**1.2**	(20.9)	134.9
Total tax (credit)/charge on (loss)/profit on continuing operations	**(2.1)**	(18.3)	120.4

The tax credit for the six months ended 30 September 2020 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 2021 of 20.3 per cent.

The corporation tax rate was expected to reduce from 19 per cent to 17 per cent with effect from 1 April 2020. In 2019, deferred tax balances were measured using a rate of 17 per cent. This reduction in corporation tax rate was reversed for the year ended 31 March 2020 and so those deferred tax balances have been re-measured using the rate of 19 per cent.

6. **Taxation** (continued)

The tax charge/(credit) on the group's profit/(loss) before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 19 per cent (30 September 2019 and 31 March 2020: 19 per cent) to the profit/(loss) before tax from continuing operations as follows:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
(Loss)/profit before tax from continuing operations	**(15.4)**	(116.6)	43.6
(Loss)/profit before tax from continuing operations at the standard rate of corporation tax in the UK of 19% (30 September 2019: 19%; 31 March 2020: 19%)	**(2.9)**	(22.2)	8.3
Effects of recurring items:			
Items not deductible for tax purposes			
Depreciation and losses on assets not eligible for tax relief	**0.6**	1.1	0.8
Disallowable expenditure	**0.4**	0.4	0.6
	(1.9)	(20.7)	9.7
Effects of non-recurring items:			
Reversal of decrease in corporation tax rate	**-**	-	113.8
Effects of differences between rates of current and deferred tax	**-**	2.4	-
Adjustments in respect of prior periods	**(0.2)**	-	(3.1)
Tax (credit)/charge for the period	**(2.1)**	(18.3)	120.4

In addition to the tax charged/(credited) to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Deferred tax:			
Defined benefit pension schemes	**(30.2)**	(0.1)	20.6
Cash flow hedges	**1.0**	2.1	4.9
Reversal of decrease in corporation tax rate - pension	**-**	-	(1.8)
Reversal of decrease in corporation tax rate - hedges	**-**	-	(1.8)
Total deferred tax (credit)/charge	**(29.2)**	2.0	21.9
Total tax (credit)/charge recognised in other comprehensive	**(29.2)**	2.0	21.9

7. Dividends

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Paid by the group:			
Previous year final dividend	**-**	**67.8**	**67.8**
	-	**67.8**	**67.8**

No dividends have been paid out of the Anglian Water Services Financing Group for the six months ended 30 September 2020 (year ended 31 March 2020: £67.8 million, £2.12 per share in issue when the dividend was paid).

8. Intangible assets

Intangible assets comprise computer software and internally generated intangible assets which mainly comprise capitalised development expenditure.

	£m
Cost	
At 1 April 2020	**564.1**
Additions	**37.7**
Disposals	**-**
At 30 September 2020	**601.8**
Accumulated amortisation	
At 1 April 2020	**(346.8)**
Charge for the period	**(23.2)**
Disposals	**-**
At 30 September 2020	**(370.0)**
Net book amount	
At 30 September 2020	**231.8**

9. Property, plant and equipment

Property, plant and equipment comprises land and buildings, infrastructure assets, operational assets, vehicles, plant and equipment, and assets under construction.

	£m
Cost	
At 1 April 2020	**14,645.6**
Additions	**163.6**
Disposals	**(7.9)**
At 30 September 2020	**14,801.3**
Accumulated depreciation	
At 1 April 2020	**(4,705.3)**
Charge for the period	**(150.1)**
Disposals	**7.7**
At 30 September 2020	**(4,847.7)**
Net book amount	
At 30 September 2020	**9,953.6**

10. Investments

The sole subsidiary undertaking is Anglian Water Services Financing Plc, whose principal activity is that of a financing company. The value of the investment is £12,502. It is 100 per cent owned, all in ordinary shares, and is registered, incorporated and operating in the UK at 30 September 2020. The address of its registered office is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

11. Analysis of net debt

Net debt at 30 September 2020

	Net cash and cash equivalents	Current asset investments - cash deposits	Liabilities from financing activities: Borrowings	Liabilities from financing activities: Derivative financial instruments [1]	
	£m	£m	£m	£m	**£m**
At 1 April 2020	729.1	319.0	(7,725.3)	(738.2)	**(7,415.4)**
Cash flows					
Interest paid	(126.3)	-	19.5	(0.3)	**(107.1)**
Issue costs paid	(0.8)	-	1.4	-	**0.6**
Interest on leases	(0.3)	-	-	-	**(0.3)**
Increase in amounts borrowed	65.0	-	(65.0)	-	**-**
Repayment of amounts borrowed	(746.2)	-	746.2	-	**-**
Repayment of principal on derivatives	(63.5)	-	-	63.5	**-**
Repayment of principal on leases	(1.9)	-	1.9	-	**-**
Decrease in short-term bank deposits	319.0	(319.0)	-	-	**-**
Non-financing cash flows [2]	141.6	-	-	-	**141.6**
	(413.4)	(319.0)	704.0	63.2	**34.8**
Movement in interest accrual on debt	-	-	12.6	-	**12.6**
New lease agreements	-	-	(1.1)	-	**(1.1)**
Amortisation of issue costs	-	-	(1.0)	-	**(1.0)**
Indexation of borrowings and RPI swaps	-	-	(14.5)	(9.0)	**(23.5)**
Fair value gains and losses and foreign exchange	-	-	12.2	(134.5)	**(122.3)**
At 30 September 2020	**315.7**	**-**	**(7,013.1)**	**(818.5)**	**(7,515.9)**
Net debt at 30 September 2020					
Non-current assets	-	-	-	287.8	**287.8**
Current assets	315.7	-	-	50.5	**366.2**
Current liabilities	-	-	(450.7)	(18.8)	**(469.5)**
Non-current liabilities	-	-	(6,562.4)	(1,138.0)	**(7,700.4)**
	315.7	**-**	**(7,013.1)**	**(818.5)**	**(7,515.9)**

[1] Derivative financial instruments exclude the asset of £4.6 million (30 September 2019: £6.2 million; 31 March 2020: liability of £4.6 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

[2] Non-financing cash flows comprise: net cash flows from operating activities of £345.4 million (30 September 2019: £325.9 million; 31 March 2020: £645.7 million), less net cash used in investing activities of £203.8 million (30 September 2019: £225.6 million; 31 March 2020: £444.8 million) and less dividends paid of £nil million (20 September 2019: £67.8 million; 31 March 2020: £67.8 million).

11. Analysis of net debt (continued)

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

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Non-current assets	**2.9**	6.7	0.5
Current assets	**1.7**	1.9	-
Current liabilities	**-**	(2.4)	(3.0)
Non-current liabilities	**-**	-	(2.1)
	4.6	6.2	(4.6)

11. Analysis of net debt (continued)

Net debt at 30 September 2019

	Net cash and cash equivalents £m	Current asset investments - cash deposits £m	Liabilities from financing activities: Borrowings £m	Liabilities from financing activities: Derivative financial instruments £m	£m
At 1 April 2019	257.3	297.0	(6,934.6)	(779.5)	**(7,159.8)**
Change in accounting policy - IFRS 16	-	-	(33.4)	-	**(33.4)**
At 1 April 2019 (under IFRS 16)	257.3	297.0	(6,968.0)	(779.5)	**(7,193.2)**
Cash flows					
Interest paid	(127.8)	-	19.8	(4.0)	**(112.0)**
Issue costs paid	(2.5)	-	2.5	-	**-**
Interest on leases	(0.4)	-	-	-	**(0.4)**
Increase in amounts borrowed	115.9	-	(115.9)	-	**-**
Repayment of amounts borrowed	(124.3)		124.3	-	**-**
Repayment of principal on derivatives	(25.1)	-	-	25.1	**-**
Receipt of principal on derivatives	34.7	-	-	(34.7)	**-**
Repayment of principal on leases	(2.0)	-	2.0	-	**-**
Decrease in short-term bank deposits	3.5	(3.5)	-	-	**-**
Non-financing cash flows	32.5	-	-	-	**32.5**
	(95.5)	(3.5)	32.7	(13.6)	**(79.9)**
Movement in interest accrual on debt	-	-	7.9	-	**7.9**
New lease agreements	-	-	(3.4)	-	**(3.4)**
Amortisation of issue costs	-	-	(2.0)	-	**(2.0)**
Indexation of borrowings and RPI swaps	-	-	(46.7)	(16.0)	**(62.7)**
Fair value gains and losses and foreign exchange	-	-	(106.2)	(71.5)	**(177.7)**
At 30 September 2019	**161.8**	**293.5**	**(7,085.7)**	**(880.6)**	**(7,511.0)**
Net debt at 30 September 2019 comprises:					
Non-current assets	-	-	-	323.1	**323.1**
Current assets	161.8	293.5	-	13.2	**468.5**
Current liabilities	-	-	(472.1)	(64.0)	**(536.1)**
Non-current liabilities	-	-	(6,613.6)	(1,152.9)	**(7,766.5)**
	161.8	**293.5**	**(7,085.7)**	**(880.6)**	**(7,511.0)**

11. Analysis of net debt (continued)

Net debt at 31 March 2020

	Net cash and cash equivalents	Current asset investments - cash deposits	Liabilities from financing activities: Borrowings	Liabilities from financing activities: Derivative financial instruments	
	£m	£m	£m	£m	**£m**
At 1 April 2019	257.3	297.0	(6,934.6)	(779.5)	**(7,159.8)**
Change in accounting policy - IFRS 16	-	-	(33.4)	-	**(33.4)**
At 1 April 2019 (under IFRS 16)	257.3	297.0	(6,968.0)	(779.5)	**(7,193.2)**
Cash flows					
Interest paid	(229.3)	-	31.9	2.1	**(195.3)**
Issue costs paid	(2.6)	-	2.6	-	**-**
Interest on leases	(0.7)	-	-	-	**(0.7)**
Increase in amounts borrowed	815.9	-	(815.9)	-	**-**
Repayment of amounts borrowed	(220.3)	-	220.3	-	**-**
Repayment of principal on derivatives	(25.1)	-	-	25.1	**-**
Receipt of principal on derivatives	34.7	-	-	(34.7)	**-**
Repayment of principal on leases	(11.3)	-	11.3	-	**-**
Increase in short-term bank deposits	(22.0)	22.0	-	-	**-**
Non-financing cash flows	132.5	-	-	-	**132.5**
	471.8	22.0	(549.8)	(7.5)	**(63.5)**
Movement in interest accrual on debt	-	-	(2.1)	-	**(2.1)**
New lease agreements	-	-	(7.8)	-	**(7.8)**
Termination of leases	-	-	1.8	-	**1.8**
Amortisation of issue costs	-	-	(3.9)	-	**(3.9)**
Indexation of borrowings and RPI swaps	-	-	(77.8)	(36.7)	**(114.5)**
Fair value gains and losses and foreign exchange	-	-	(117.7)	85.5	**(32.2)**
At 31 March 2020	**729.1**	**319.0**	**(7,725.3)**	**(738.2)**	**(7,415.4)**
Net debt at 31 March 2020 comprises:					
Non-current assets	-	-	-	317.3	**317.3**
Current assets	729.1	319.0	-	16.8	**1,064.9**
Current liabilities	-	-	(1,023.0)	(78.4)	**(1,101.4)**
Non-current liabilities	-	-	(6,702.3)	(993.9)	**(7,696.2)**
	729.1	**319.0**	**(7,725.3)**	**(738.2)**	**(7,415.4)**

11. **Analysis of net debt** (continued)

Leases recognised as debt under IFRS 16 can be analysed as follows:

As at 30 September 2020	Interest £m	IFRS debt £m	Permitted Indebtedness £m
Vehicle operating leases	**-**	**3.4**	**-**
Property operating leases	**0.4**	**30.3**	**30.3**
Existing finance leases	**-**	**14.6**	**-**

As at 30 September 2019	Interest £m	IFRS debt £m	Permitted Indebtedness £m
Vehicle operating leases	-	3.1	-
Property operating leases	0.4	31.7	31.7
Existing finance leases	-	21.2	-

As at 31 March 2020	Interest £m	IFRS debt £m	Permitted Indebtedness £m
Vehicle operating leases	-	3.8	-
Property operating leases	0.8	30.8	30.8
Existing finance leases	(0.1)	14.7	-

Permitted indebtedness is a category of debt within the group which captures leases previously considered as operating leases which do not qualify as secured creditors. All interest has been paid/(received) in the year.

12. Fair value of financial assets and liabilities

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the tables.

At 30 September 2020

	Carrying value £m	Fair value £m
Cash and cash equivalents	**315.7**	**315.7**
Borrowings		
Current	**(450.7)**	**(423.1)**
Non-current	**(6,562.4)**	**(8,526.8)**
Derivative financial instruments - assets		
Current	**46.1**	**46.1**
Non-current	**231.4**	**231.4**
Derivative financial instruments - liabilities		
Current	**(14.2)**	**(14.2)**
Non-current	**(296.6)**	**(296.6)**
RPI swaps - liabilities		
Current	**(4.6)**	**(4.6)**
Non-current	**(616.5)**	**(616.5)**
CPI swaps - assets		
Current	**4.4**	**4.4**
Non-current	**56.4**	**56.4**
CPI swaps - liabilities		
Non-current	**(224.9)**	**(224.9)**
Net debt	**(7,515.9)**	**(9,452.7)**
Energy derivatives - assets		
Current	**1.7**	**1.7**
Non-current	**2.9**	**2.9**
	(7,511.3)	**(9,448.1)**

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

At 30 September 2019

	Carrying value £m	Fair value £m
Cash and cash equivalents	161.8	161.8
Current asset investments - cash deposits	293.5	293.5
Borrowings		
Current	(472.1)	(486.3)
Non-current	(6,613.6)	(8,729.4)
Derivative financial instruments - assets		
Current	12.4	12.4
Non-current	258.9	258.9
Derivative financial instruments - liabilities		
Current	(6.4)	(6.4)
Non-current	(276.8)	(276.8)
RPI swaps - liabilities		
Current	(57.6)	(57.6)
Non-current	(654.8)	(654.8)
CPI swaps - assets		
Current	0.8	0.8
Non-current	64.2	64.2
CPI swaps - liabilities		
Non-current	(221.3)	(221.3)
Net debt	(7,511.0)	(9,641.0)
Energy derivatives - assets		
Current	1.9	1.9
Non-current	6.7	6.7
Energy derivatives - liabilities		
Current	(2.4)	(2.4)
	(7,504.8)	(9,634.8)

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

At 31 March 2020

	Carrying value £m	Fair value £m
Cash and cash equivalents	729.1	729.1
Current asset investments - cash deposits	319.0	319.0
Borrowings		
Current	(1,023.0)	(1,023.6)
Non-current	(6,702.3)	(8,477.6)
Derivative financial instruments - assets		
Current	12.1	12.1
Non-current	270.7	270.7
Derivative financial instruments - liabilities		
Current	(6.3)	(6.3)
Non-current	(272.5)	(272.5)
RPI swaps - liabilities		
Current	(72.1)	(72.1)
Non-current	(559.0)	(559.0)
CPI swaps - assets		
Current	4.7	4.7
Non-current	46.6	46.6
CPI swaps - liabilities		
Non-current	(162.4)	(162.4)
Net debt	(7,415.4)	(9,191.3)
Energy derivatives - assets		
Non-current	0.5	0.5
Energy derivatives - liabilities		
Current	(3.0)	(3.0)
Non-current	(2.1)	(2.1)
	(7,420.0)	(9,195.9)

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the group would incur if it elected to repay these borrowings before their maturity dates, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined by calculating the net realisable value that would have arisen if these contracts terminated at the reporting date with reference to estimated future cash flows and observable yield curves.

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

The fair value of cross-currency interest rate derivatives is determined using discounted cash flow analysis, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the observable foreign exchange rate as at the reporting date.

The fair value of the group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market prices at the reporting date.

Fair values of other non-current investments, non-current trade and other receivables, provisions and non-current trade and other payables have been estimated as not materially different from carrying value.

Derivative transactions expose the group to credit risk against the counterparties concerned. The group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. Level 2 instruments are valued using inputs that are observable for the asset or liability either directly or indirectly. The level 3 instrument valuation relates to CPI-linked transactions where inputs are obtained from a less liquid market. In both cases, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the period. The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

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 as level 3 instruments.

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

Movements in the six months to 30 September 2020 for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
At the beginning of the period	**(110.9)**	(110.3)	(110.3)
Net loss for the period	**(58.0)**	(45.9)	(0.6)
Settlements	**4.8**	-	-
At the end of the period	**(164.1)**	(156.2)	(110.9)

Gains and losses in the period are recognised in fair value losses on derivatives within the income statement.

The impact on a post-tax basis of reasonably possible changes in the significant assumptions used in valuing liabilities classified as level 3 within the fair value hierarchy are as follows:

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Gain/(loss)			
1% increase in interest rates	**69.3**	56.0	72.9
1% decrease in interest rates	**(87.9)**	(70.8)	(86.6)
1% increase in inflation rates	**(188.2)**	(176.9)	(182.0)
1% decrease in inflation rates	**155.5**	143.7	152.8

One per cent has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

13. Provisions

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

	£m
At 1 April 2020	**16.7**
Additional provisions recognised	**2.5**
Unused amounts reversed	**(0.4)**
Unwinding of discount	**0.1**
Utilised in the period	**(5.2)**
At 30 September 2020	**13.7**

Maturity analysis of total provisions:

	£m
Current	**4.4**
Non-current	**9.3**
	13.7

14. Net retirement benefit deficit

On 31 March 2018, the defined benefit sections of the Anglian Water Group Pension Scheme were closed for future accruals. All employees now have the option to participate in the group's defined contribution scheme.

The liabilities of the group's defined benefit pension schemes have been valued using the projected unit method and using the following main assumptions:

	Half-year ended 30 September 2020 % pa	Half-year ended 30 September 2019 % pa	Year ended 31 March 2020 % pa
Discount rate	**1.6**	1.9	2.4
Inflation rate			
RPI	**3.0**	3.2	2.7
CPI	**2.2**	2.2	1.9

The assets of the pension schemes have been updated to reflect their market value as at 30 September 2020.

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

	£m
At 1 April 2020	**130.0**
Net interest income (see note 5)	**1.5**
Employers' contributions	**1.4**
Return on plan assets (excluding amounts included in net interest)	**126.6**
Actuarial losses arising from changes in assumptions	**(285.6)**
At 30 September 2020	**(26.1)**

The net pension deficit comprises:

	£m
Pension schemes with a net surplus, included in non-current assets	**20.3**
Pension schemes with a net deficit, included in non-current liabilities	**(46.4)**
Net defined benefit pension deficit	**(26.1)**

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

The pension deficit at 30 September 2020 does not reflect any accounting consequences that may be required as a result of guaranteed minimum pension equalisation of past transfer values. The group will be considering the consequences on the recent Lloyds Banking Group judgement, issued by the High Court on 20 November 2020, over the coming months, but does not expect the impact to be material.

15. Hedging reserve

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
At the beginning of the period	**(52.3)**	(75.9)	(75.9)
Gains/(losses) on cash flow energy hedges	**6.6**	7.7	(1.7)
Amounts transferred to the income statement	**(1.7)**	1.9	(4.1)
(Losses)/gains on cash flow hedges	**(27.5)**	(34.4)	53.8
Amounts transferred to the income statement from discontinuation of cash flow hedges	**6.2**	2.8	8.0
Exchange movement on hedging instruments related to debt in cash flow hedges	**23.4**	35.7	(29.2)
Deferred tax movement on cash flow hedges	**(1.4)**	(2.3)	(3.2)
At the end of the period	**(46.7)**	(64.5)	(52.3)

Cost of hedging reserve

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
At the beginning of the period	**1.1**	2.0	2.0
Amounts transferred to the income statement	**(0.4)**	(0.2)	(0.4)
Losses on cash flow hedges	**(1.5)**	(0.9)	(0.6)
Deferred tax movement on cash flow hedges	**0.4**	0.2	0.1
At the end of the period	**(0.4)**	1.1	1.1

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.

16. Capital commitments

The group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the outstanding value of orders placed at 30 September 2020.

	Half-year ended 30 September 2020 £m	Half-year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Property, plant and equipment	**57.0**	71.2	48.5
Intangible assets	**37.2**	25.0	22.5
	94.2	96.2	71.0

17. Contingencies

During the period to 30 September 2020, there has been no change to the group's position from that disclosed in the 31 March 2020 consolidated financial statements. As stated there, the group has received indications of claims from four groups of property search companies who, pursuant to the Environmental Information Regulations, assert that certain information that Anglian Water Services Limited provided to them should have been provided free of charge. In April 2020, circa 100 property search companies (an amalgamation of two of the four groups) served proceedings on all of the Water and Sewerage Undertakers in England and Wales, including Anglian Water Services Limited. Anglian Water Services, in common with its co-defendants, has filed a robust defence and the company has been advised that the claimants face a number of significant hurdles in order to establish liability on the part of Anglian Water (and other defendants). Given the uncertainties noted, we are not able to reliably estimate any potential liability, however the Directors consider that it would not be material to the financial standing of the company.

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

18. Related party transactions

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the group as they each have the ability to influence the financial and operating policies of both the company and the group. Other related parties comprise key management personnel.

There has been no material change during the six months ended 30 September 2020 in transactions with these related parties from that disclosure in the annual report and consolidated financial statements for the year ended 31 March 2020.

No dividends were paid in the six months ended 30 September 2020 as set out in note 7.

19. Events after the balance sheet date

There have been no events between the balance sheet date, and the date on which the half-yearly report was approved by the Board, which would require adjustment to the condensed financial statements or any additional disclosures.

20. Approval of the half-yearly report

The half-yearly report was approved by the Board on 2 December 2020. The financial information set out in the half-yearly report is unaudited but has been reviewed by the Auditor. The Auditor's report to the Directors is set out on page 46.

Independent review report to Anglian Water Services Limited

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises the group condensed income statement, the group condensed statement of other comprehensive income, the group condensed balance sheet, the group condensed statement of changes in equity, the group condensed cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Independent review report to Anglian Water Services Limited (continued)

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
2 December 2020