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Group income statement for the year ended 31 March 2025

Consolidated financial statements for the year ended 31 March 2025

Notes		Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
4	**Revenue**	1,749.3	1,626.6
	Other operating income	16.8	15.8
5	Operating costs		
5	Operating costs before depreciation, amortisation and loss allowance for expected credit losses	(809.8)	(784.2)
	Depreciation and amortisation	(423.5)	(388.6)
	Loss allowance for expected credit losses	(36.3)	(38.7)
	Total operating costs	(1,269.6)	(1,211.5)
	Operating profit	496.5	430.9
	Finance costs	(418.6)	(547.5)
	Finance income, including fair value gains on derivative financial instruments	111.1	249.8
6	Net finance costs	(307.5)	(297.7)
	Profit before tax from continuing operations		
	Gains/(losses) before fair value gains on derivative financial instruments[1]	126.1	(71.7)
	Fair value gain on derivative financial instruments	62.9	204.9
	Profit before tax from continuing operations	189.0	133.2
7	Tax charge	(52.6)	(31.2)
	Profit for the year from continuing operations	136.4	102.0

[1] As defined in note 27.

Notes 1 to 28 are an integral part of these financial statements.

Group statement of comprehensive income for the year ended 31 March 2025

Notes		Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
	Profit for the year	136.4	102.0
	Other comprehensive expense		
	Items that will not be reclassified to income statement		
19	Actuarial gains/(losses) on retirement benefit	29.1	(25.8)
7	Income tax on items that will not be reclassified	(7.3)	6.5
		21.8	(19.3)
	Items that may be reclassified subsequently to income statement		
21	Gains/(losses) on cash flow hedges recognised in equity	23.3	(36.5)
21	Losses on cost of hedging recognised in equity	(3.9)	(2.7)
21	Gains on cash flow hedges transferred to income statement	18.2	32.3
7	Income tax on items that may be reclassified	(9.4)	1.9
		28.2	(5.0)
	Other comprehensive income/(expense) for the year, net of tax	50.0	(24.3)
	Total comprehensive income for the year	186.4	77.7

Group balance sheet as at 31 March 2025

Company number: 02366656

Notes		At 31 March 2025 £m	At 31 March 2024 £m
	Non-current assets		
10	Intangible assets	317.3	256.6
11	Property, plant and equipment	12,114.2	11,414.7
17	Derivative financial instruments	168.3	233.1
19	Retirement benefit surplus	115.9	61.5
		12,715.7	11,965.9
	Current assets		
	Inventories	20.9	17.9
13	Trade and other receivables	658.2	621.4
14	Investments – cash deposits	430.0	530.0
14	Cash and cash equivalents	589.0	474.4
17	Derivative financial instruments	0.9	0.9
		1,699.0	1,644.6
	Total assets	14,414.7	13,610.5
	Current liabilities		
15	Trade and other payables	(701.4)	(717.2)
	Current tax liabilities	(54.0)	(76.2)
16	Borrowings	(704.5)	(453.8)
17	Derivative financial instruments	(8.3)	(92.8)
	Provisions	(4.4)	(4.4)
		(1,472.6)	(1,344.4)
	Net current assets	226.4	300.2

Notes		At 31 March 2025 £m	At 31 March 2024 £m
	Non-current liabilities		
16	Borrowings	(8,035.6)	(7,527.5)
17	Derivative financial instruments	(781.6)	(796.5)
18	Deferred tax liabilities	(1,693.3)	(1,601.8)
19	Retirement benefit deficit	(26.6)	(30.8)
	Provisions	(3.2)	(5.5)
		(10,540.3)	(9,962.1)
	Total liabilities	(12,017.3)	(11,306.5)
	Net assets	2,401.8	2,304.0
	Capital and reserves		
20	Share capital	32.0	32.0
	Share premium	1,165.0	1,165.0
	Retained earnings	1,162.1	1,092.5
21	Hedging reserve	46.0	14.9
21	Cost of hedging reserve	(3.3)	(0.4)
	Total equity	2,401.8	2,304.0

Notes 1 to 28 are an integral part of these financial statements. The financial statements were approved by the Board of Directors on 12 June 2025 and signed on its behalf by:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Company balance sheet as at 31 March 2025

Company number: 02366656

Notes		At 31 March 2025 £m	At 31 March 2024 £m
	Non-current assets		
10	Intangible assets	317.3	256.6
11	Property, plant and equipment	12,114.2	11,414.7
17	Derivative financial instruments	168.3	233.1
19	Retirement benefit surplus	115.9	61.5
		12,715.7	11,965.9
	Current assets		
	Inventories	20.9	17.9
13	Trade and other receivables	658.2	621.4
14	Investments – cash deposits	430.0	530.0
14	Cash and cash equivalents	550.7	472.1
17	Derivative financial instruments	0.9	0.9
		1,660.7	1,642.3
	Total assets	14,376.4	13,608.2
	Current liabilities		
15	Trade and other payables	(717.0)	(766.8)
	Current tax liabilities	(54.0)	(76.2)
16	Borrowings	(704.5)	(453.8)
17	Derivative financial instruments	(8.3)	(92.8)
	Provisions	(4.4)	(4.4)
		(1,488.2)	(1,394.0)
	Net current assets	172.5	248.3

Notes		At 31 March 2025 £m	At 31 March 2024 £m
	Non-current liabilities		
16	Borrowings	(8,035.6)	(7,527.5)
17	Derivative financial instruments	(781.6)	(796.5)
18	Deferred tax liabilities	(1,693.3)	(1,601.8)
19	Retirement benefit deficit	(26.6)	(30.8)
	Provisions	(3.2)	(5.5)
		(10,540.3)	(9,962.1)
	Total liabilities	(12,032.9)	(11,356.1)
	Net assets	2,347.9	2,252.1
	Capital and reserves		
20	Share capital	32.0	32.0
	Share premium	1,165.0	1,165.0
	Retained earnings	1,108.2	1,040.6
21	Hedging reserve	46.0	14.9
21	Cost of hedging reserve	(3.3)	(0.4)
	Total equity	2,347.9	2,252.1

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The Company's profit for the year, was £134.4 million (2024: profit of £100.2 million).

Notes 1 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 June 2025 and signed on its behalf by:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Group statement of changes in equity for the year ended 31 March 2025

Notes		Stated Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
	At 1 April 2023	32.0	1,165.0	1,089.7	17.8	1.7	2,306.2
	Profit for the year	-	-	102.0	-	-	102.0
	Other comprehensive income/(expense)						
19	Actuarial losses on retirement benefit obligations	-	-	(25.8)	-	-	(25.8)
7	Income tax charge on items that will not be reclassified	-	-	6.5	-	-	6.5
21	Losses on cash flow hedges	-	-	-	(36.5)	-	(36.5)
21	Losses on cost of hedging relationships	-	-	-	-	(2.7)	(2.7)
21	Amounts on cash flow hedges transferred to income statement	-	-	-	32.3	-	32.3
7	Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	1.9
		-	-	(19.3)	(2.9)	(2.1)	(24.3)
	Total comprehensive income/(expense)	-	-	82.7	(2.9)	(2.1)	77.7
	Dividends	-	-	(79.9)	-	-	(79.9)
	At 31 March 2024	32.0	1,165.0	1,092.5	14.9	(0.4)	2,304.0
	Profit for the year	-	-	136.4	-	-	136.4
	Other comprehensive income/(expense)						
19	Actuarial losses on retirement benefit obligations	-	-	29.1	-	-	29.1
7	Income tax charge on items that will not be reclassified	-	-	(7.3)	-	-	(7.3)
21	Losses on cash flow hedges	-	-	-	23.3	-	23.3
21	Losses on cost of hedging relationships	-	-	-	-	(3.9)	(3.9)
21	Amounts on cash flow hedges transferred to income statement	-	-	-	18.2	-	18.2
7	Deferred tax movement on hedging reserves	-	-	-	(10.4)	1.0	(9.4)
		-	-	21.8	31.1	(2.9)	50.0
	Total comprehensive income/(expense)	-	-	158.2	31.1	(2.9)	186.4
	Dividends	-	-	(88.6)	-	-	(88.6)
	At 31 March 2025	32.0	1,165.0	1,162.1	46.0	(3.3)	2,401.8

Company statement of changes in equity for the year ended 31 March 2025

Notes		Share Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
	At 1 April 2023	32.0	1,165.0	1,039.6	17.8	1.7	2,256.1
	Profit for the year	-	-	100.2	-	-	100.2
	Other comprehensive income/(expense)						
19	Actuarial losses on retirement benefit obligations	-	-	(25.8)	-	-	(25.8)
7	Income tax charge on items that will not be reclassified	-	-	6.5	-	-	6.5
21	Losses on cash flow hedges	-	-	-	(36.5)	-	(36.5)
21	Losses on cost of hedging relationships	-	-	-	-	(2.7)	(2.7)
21	Amounts on cash flow hedges transferred to income statement	-	-	-	32.3	-	32.3
7	Deferred tax movement on hedging reserves	-	-	-	1.3	0.6	1.9
		-	-	(19.3)	(2.9)	(2.1)	(24.3)
	Total comprehensive income/(expense)	-	-	80.9	(2.9)	(2.1)	75.9
	Dividends	-	-	(79.9)	-	-	(79.9)
	At 31 March 2024	32.0	1,165.0	1,040.6	14.9	(0.4)	2,252.1

Notes		Share Capital £m	Share Premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	Total equity £m
	Profit for the year	-	-	134.4	-	-	134.4
	Other comprehensive income/(expense)						
19	Actuarial gains on retirement benefit obligations	-	-	29.1	-	-	29.1
7	Income tax charge on items that will not be reclassified	-	-	(7.3)	-	-	(7.3)
21	Losses on cash flow hedges	-	-	-	23.3	-	23.3
21	Losses on cost of hedging relationships	-	-	-	-	(3.9)	(3.9)
21	Amounts on cash flow hedges transferred to income statement	-	-	-	18.2	-	18.2
7	Deferred tax movement on hedging reserves	-	-	-	(10.4)	1.0	(9.4)
		-	-	21.8	31.1	(2.9)	50.0
	Total comprehensive income/(expense)	-	-	156.2	31.1	(2.9)	184.4
	Dividends	-	-	(88.6)	-	-	(88.6)
	At 31 March 2025	32.0	1,165.0	1,108.2	46.0	(3.3)	2,347.9

Cash flow statement for the year ended 31 March 2025

	Notes	Group Year ended 31 March 2025 £m	Group Year ended 31 March 2024 £m	Company Year ended 31 March 2025 £m	Company Year ended 31 March 2024 £m
Operating activities					
Operating profit		496.5	430.9	496.5	430.9
Adjustments for:					
Depreciation and amortisation		423.5	388.6	423.5	388.6
Assets adopted for £nil consideration		(34.0)	(48.2)	(34.0)	(48.2)
Profit on disposal of property, plant and equipment		-	(1.5)	-	(1.5)
Difference between pension charge and cash contributions		(27.3)	(3.2)	(27.3)	(3.2)
Net movement in provisions		(2.4)	(1.6)	(2.4)	(1.6)
Working capital:					
Decrease/(increase) in inventories		(3.0)	2.7	(3.0)	2.7
Increase in trade and other receivables		(39.6)	(62.8)	(35.2)	(62.8)
Increase/(decrease) in trade and other payables[1]		(2.4)	62.2	(40.8)	68.4
Net cash flows from operating activities		811.3	767.1	777.3	773.3
Investing activities					
Purchase of property, plant and equipment		(960.1)	(942.9)	(960.1)	(942.9)
Purchase of intangible assets		(109.6)	(51.4)	(109.6)	(51.4)
Proceeds from disposal of property, plant and equipment		1.5	2.0	1.5	2.0
Interest received		46.1	42.5	44.1	40.7
(Increase)/decrease in investments – cash deposits		100.0	(232.0)	100.0	(232.0)
Net cash used in investing activities		(922.1)	(1,181.8)	(924.1)	(1,183.6)
Financing activities					
Interest paid		(235.8)	(224.3)	(235.8)	(224.3)
Debt issue costs paid		(25.6)	(15.2)	(25.6)	(15.2)
Interest paid on leases		(1.0)	(1.1)	(1.0)	(1.1)
Proceeds from amounts borrowed		950.0	1,379.5	950.0	1,379.5
Repayment of amounts borrowed		(349.3)	(487.1)	(349.3)	(487.1)
Repayment of principal on derivatives		(85.0)	(11.5)	(85.0)	(11.5)
Receipt of principal on derivatives		67.1	-	67.1	-
Repayment of principal on leases		(6.4)	(6.4)	(6.4)	(6.4)
Dividends paid		(88.6)	(79.9)	(88.6)	(79.9)
Net cash from financing activities		225.4	554.0	225.4	554.0
Net increase in cash and cash equivalents		114.6	139.3	78.6	143.7
Cash and cash equivalents at 1 April		474.4	335.1	472.1	328.4
Cash and cash equivalents at 31 March		589.0	474.4	550.7	472.1

[1] Excluding movement in capital creditors which is presented in investing activities.

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all of the years presented and are applicable to both Group and Company.

a) Basis of accounting

The Group and Company financial statements have been prepared (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Adjusted profit before tax excludes the fair value gains and losses arising on derivative financial instruments and energy derivatives that the Group holds as economic hedges. These introduce volatility into the accounts due to the present value of future cash flows, which management believes is not representative of the underlying operational performance of the business. Alternative performance measures are defined in note 27.

b) Basis of preparation

The Anglian Water Services Group (the "Group") financial statements comprise a consolidation of the financial statements of Anglian Water Services Limited (the "Company") and its subsidiary, Anglian Water Services Financing Plc, at 31 March. Inter-company sales and profit are eliminated fully on consolidation.

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 Directors have considered the potential impacts of the current market volatility and uncertainties within the sector in relation to the PR24 referral to the Competition and Markets Authority (CMA), and ongoing regulatory investigations.

The base forecast, which has been updated for the latest internal and external information and is aligned to the Final Determination from Ofwat has been subjected to a range of severe but plausible downside scenarios as noted below.

As set out in the Financing Structure section, the business generates operating cash flows to finance the day-to-day operations of the Group. In order to fund the capital programme the business requires external investment in the form of both debt and equity and both a depreciation charge and fair return on investment are included in the allowed revenues that the Company charges to customers.

In February the business requested that Ofwat refer its PR24 Final Determination to the CMA on the basis that the Company does not believe the Final Determination strikes an appropriate balance of risk and return for the notional company capable of attracting the level of investment needed to deliver the growth set out in the plan. Given Ofwat's statutory duty to ensure that an efficient notional company is financeable we believe that the CMA will ensure that the redetermination is set such that investors will continue to invest in the sector. As Anglian maintains an efficient structure which benefits from our Whole Business Securitisation, our actual gearing structure and covenants see more headroom than for the notional structure.

Management note that the outcome of the CMA appeal will fall substantially outside of the going concern assessment period.

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

- Liquidity – AWS holds sufficient liquidity to cover the going concern period even under the most severe downside scenario.
- Debt covenants – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) under its securitised covenants with no plausible scenario identified that would cause an Event of Default.

Assessment period

Management have considered the appropriate assessment period taking into account all available information. Whilst there is an ongoing requirement to raise debt over the longer term to fund our growing investment programme, this is part of our business model and management are confident in our ability to raise debt given our proven track record and strong credit ratings. Therefore, management do not believe there to be a need to extend the period any further than 12 months.

Liquidity

Included within the £1,382.5 million of facilities at 31 March 2025 are facilities totalling £375.0 million due for renewal in March 2026 and £575.0 million due for renewal in June 2026 which is within the 12-month period assessed for going concern purposes. On 11 June 2025 the Group received formal commitment from lenders for a new three-year facility totalling £900 million. The Group has sufficient liquidity within the assessment period.

1. Accounting policies continued

b) Basis of preparation continued

Going concern continued

Debt covenants

Anglian Water Services Limited has a single debt platform (sometimes known as a "common terms" or "CTA" debt platform) that has been structured so as to align with, and enhance, the regulatory protections contained in the Water Industry Act 1991 and Anglian Water's Licence (an "Aligned Debt Programme"). Aligned Debt Programmes operate on a single covenant package and shared security and intercreditor arrangement that binds all debt providers.

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

Sensitivity

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of lower inflation and higher interest rates due to market uncertainty particularly within the sector, as well as specific risks to the business, such as cyber-attacks , the planned migration to our new ERP system, uncertainty associated with our price determination for AMP8 and increased costs/ reduced revenue due to adverse weather events.

Given our ability to access capital markets, management do not believe the downside testing, whilst causing additional cash outflows, would have significant liquidity impacts. If Debt markets were to be closed for a time the business would utilise facilities which are currently in place.

While medium and worst-case scenarios indicate the potential for a Trigger Event in relation to interest cover ratio covenants, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments as a trigger event does not prohibit the renewal of bank facilities that expire in the going concern period.

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

Standards, amendments and interpretations effective or adopted

The following standards and amendments have been effective during the reporting period and did not have any significant impact in the Group's consolidated financial statements:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements;
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current;
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants;
- Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.

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

The following new standards and amendments have not been adopted in the Group's consolidated financial statements as they are not yet effective. These will be adopted at the beginning of the period they become mandatory:

- IFRS 18: Presentation and Disclosures in Financial statements (effective from 1 January 2027);
- IFRS 19: Subsidiaries without Public Accountability: Disclosures (effective from 1 January 2027);
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2026);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Venture (effective date has been removed temporarily by the IASB); and
- Annual Improvements to IFRS Accounting Standards (Volume 11) (effective 1 January 2026).

The Directors do not expect the adoption of the new standards and amendments to the existing standards listed above will have a material impact on the consolidation financial statements of the Group in future periods, except if indicated below.

- IFRS 18: Presentation and Disclosures in Financial statements (effective for annual periods beginning on or after 1 January 2027 with earlier application permitted);

IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Furthermore, the IASB has made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings Per Share.

1. Accounting policies continued

b) Basis of preparation continued

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements;
- improve aggregation and disaggregation. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Directors anticipate that the application of the new standard may have an impact on the Group's consolidated financial statements in future periods.

c) Foreign currencies

The Group's consolidated financial statements are presented in British pound sterling, which is also the parent company's functional currency individual transactions denominated in foreign currencies are translated into local currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the period and monetary assets and liabilities are dealt with in the income statement except for transactions where hedge accounting has been applied in accordance with IFRS 9 'Financial instruments'.

d) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

e) 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 Group 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.

e) Revenue recognition continued

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.

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 an overtime 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.

Secondary source of income

A secondary source of income for Anglian Water is from grants and contributions in respect of new connections for water and/or sewerage services. Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question. Please see note 2 for further details.

The significant components of grants and contributions, and their treatment, are as follows:

i New connection charges

The Group considers the performance obligation to be satisfied on making the connection. Income for new connection charges is therefore recognised as the connection is completed;

ii Self-lay, requisitions and adoption fees

Revenue recognition is consistent with new connection charges (see (i) above);

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. Income is recognised on adoption based on the fair value of the asset adopted;

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's performance obligation is satisfied by making the connection. As such, the income is recognised as the connection is made;

1. Accounting policies continued

e) Revenue recognition continued

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. There is no performance obligation to the agency/authority beyond completing the diversion, therefore income is recognised immediately on completion.

Non-appointed activities

The Group also provides additional services which are not categorised as a regulatory appointed activity. These relate to non-water / wastewater services and for use of land for water supply beyond duties imposed by regulation. Activities largely relate to the provision of property searches, referrals for connecting customers to insurance providers, processing of septic tank waste from households not connected to main sewers and from the use of our reservoirs for recreational activity. Revenue is recognised in line with the delivery of each performance obligation which is at a point in time as there is no ongoing obligation past the transaction date.

Other sources of revenue

i Other operating income

The principal sources of other operating income are from the generation of power, the sale of biosolids to farms, rents received and other minor income associated with operating activities.

f) Research and development

Research expenditure is charged to profit and loss in the period in which it is incurred. Expenditure relating to development projects is capitalised as equipment or intangible assets and is written off over the expected useful life of the asset.

g) Exceptional items

Exceptional items are one-off items that individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or nature to enable a reader of the financial statements to understand the results for a particular period.

h) Operating profit

Operating profit is stated after charging operational expenses but before finance income and finance costs.

i) Taxation

Current income tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates enacted or substantially enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

j) Dividends

Dividends are recognised as a liability in the period in which they are approved or committed. A corresponding amount is recognised directly in equity.

k) Intangible assets

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

Other intangible assets are shown at cost less subsequent amortisation and any impairment. Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives, which are primarily three to 10 years.

Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

1. Accounting policies continued

l) Property, plant and equipment

Property, plant and equipment comprises:

- Land and buildings – comprising land and non-operational buildings;
- Infrastructure assets – comprising a network of systems consisting of mains and sewers, impounding and pumped raw water storage reservoirs, sludge pipelines and sea outfall;
- Operational assets – comprising structures at sites used for water and wastewater treatment, pumping or storage, where not classed as infrastructure, along with associated fixed plant;
- Vehicles, mobile plant and equipment;
- Assets under construction.

All property, plant and equipment is shown at cost less subsequent depreciation and any impairment. Cost includes expenditure directly attributable to the acquisition or construction of the items.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement as incurred.

Freehold land is not depreciated, nor are assets in the course of construction until commissioned. Depreciation of other assets is calculated at rates expected to write off the cost less the estimated residual value of the relevant assets on a straight-line basis over their estimated useful lives, which are primarily as follows:

Non-operational buildings	15–80 years
Infrastructure assets – water	50–120 years
Infrastructure assets – water recycling	50–160 years
Operational assets	30–80 years
Fixed plant, including meters	12–40 years
Vehicles, mobile plant and equipment	3–10 years

Items of property, plant and equipment that have no further operational use are treated as having been decommissioned and are written off immediately to profit or loss. In addition, property, plant and equipment is assessed for impairment, in accordance with IAS 36 'Impairment of Assets', if events or changes in circumstances indicate that the carrying value may not be recoverable.

m) Leased assets

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases for individual assets with a value of less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the probability in exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

n) Investments – cash deposits

After initial recognition at fair value, financial investments are held at amortised cost. This is based on the business' practice of acquiring financial assets to collect their contractual cash flows and the simple nature of the investments made, which consist solely of principle payments and interest on the principle outstanding.

1. Accounting policies continued

o) Inventories

Raw materials are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

p) Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified as at fair value through profit and loss; fair value through other comprehensive income or amortised cost depending on the Group's intention in regard to the collection of contractual cash flows (or sale) and whether the financial assets cash flows relate solely to the payment of principal and interest on principal outstanding.

The Expected Credit Loss ('ECL') model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets, therefore this is no longer dependent on the Group first identifying a credit loss event. This requires consideration of a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- where credit risk is low or has not increased significantly since recognition (Stage 1);
- has increased significantly since initial recognition (Stage 2); and
- where the financial asset is credit impaired (Stage 3).

'12-month expected credit losses' are recognised for Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2.

Expected credit losses are defined as the weighted average of credit losses with the respective risk of default occurring as the weights.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group manages credit risk exposures through a comprehensive counterparty credit risk policy. See the financial instruments disclosures for further details.

q) Trade receivables

Trade receivables are initially recognised at their transaction price.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the trade receivable.

In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

The Group assesses impairment of trade receivables on a collective basis and where they possess shared credit risk characteristics they have been Grouped; these Groups are residential measured, residential unmeasured, non-household measured and developer services, and other customers.

In particular, existing or forecast adverse changes in financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations is taken into account when assessing whether credit risk has increased significantly since initial recognition.

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable or is subject to a settlement agreement or forgiveness scheme. This may be because it is, unrealistic, impractical, inefficient or uneconomic to collect the debt.

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded and attempts to trace the customers whereabouts prove unsuccessful;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the debt is subject to insolvency proceedings and there are insufficient funds to settle the debt;
- Where the value and/or age of debt make it uneconomic to pursue; and
- Where debt becomes statute barred.

We also write off debts following a settlement arrangement on an outstanding balance and for eligible customers on our debt forgiveness scheme (Back on Track) as part of payment matching.

Debt that is still subject to enforcement activity is not written off unless it becomes uneconomic to pursue.

1. Accounting policies continued

r) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less, and outstanding bank overdrafts.

Other short-term deposits with a tenor of more than three months are classified as investments – cash deposits.

s) Trade and other payables

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are normally settled at the end of the following month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

u) 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. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in note 17. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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 Group's 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:

u) Derivative financial instruments continued

- 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 such cases the fair value change of the currency basis element of the cross currency interest rate swap is recognised in other comprehensive income and accumulated in the cost of hedging reserve and 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 an individual hedge basis.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss ('FVTPL').

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

1. Accounting policies continued

u) Derivative financial instruments continued

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 cumulative amount of fair value adjustment on the hedge item at the point of discontinuation is then amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

ii Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. 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'.

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 hedged cost 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.

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.

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 and loss, and changes in fair value are recognised immediately in the income statement.

v) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

w) Retirement benefit obligations

i Defined benefit schemes

For defined benefit schemes, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The current service cost, which is the increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period, is charged to operating costs. The net interest on the schemes' net assets/(liabilities) is included in other finance charges. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

ii Defined contribution schemes

The cost of defined contribution schemes is charged to the income statement in the period in which the contributions become payable.

2. Key sources of estimation uncertainty and critical accounting judgements

In preparing these consolidated financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 1, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Climate change

The Group is continually assessing and responding to the impact that climate change has on its assets and liabilities. In assessing the impact of climate change we have considered not just the impact on our asset base as a result of no action but the impact of our 2030 net zero route map has also been incorporated into our normal assessment of asset UEL. Nothing has been identified within our net zero plan which has the potential to impact on our existing asset base or their net book values.

Infrastructure assets within property plant and equipment, specifically in relation to the water mains network have a net book value of £3,188.9 million and an associated annual depreciation charge of £34.4 million (£3,126.9 million, £33.9 million 31 March 2024). The impact of climate change on these assets is dependent on several factors, including but not limited to, the geology of the region these assets go through and the material they are made from. As part of our PR24 submission we have put forward an investment to renew 668km of climate vulnerable mains in AMP8 as part of a multi-AMP programme of removing 75% of our 8,241km of climate vulnerable main by 2060. The Group's intention is to replace these assets which would lead to an acceleration of depreciation on these assets, however that judgement cannot be made until there is certainty over funding following the CMA appeal. Therefore, no adjustment has been made in the current year financial statements as our current funding arrangements would be to repair rather than replace the assets, recording such costs within the income statement as incurred. This will be kept continuously under review to ensure appropriate treatment of network assets.

As weather events become more severe there is a risk of impairment to our assets. There have been no such impairments in the current financial year.

We have also set out the risks posed by climate change and how we will address them in our latest Climate Change Adaptation Report.

a) Critical accounting judgements

The areas where the most critical judgements have been applied are as follows:

i Capitalised expenditure

Additions to intangible assets, and to property, plant and equipment, include £186.7 million (2024: £158.6 million) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefit will flow to the Group.

ii Asset lives

The property, plant and equipment used in the Group is primarily the infrastructure and operational assets of the regulated water business. Infrastructure and operational assets have estimated useful lives of between 30 and 160 years and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset. Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

iii Recognition of grants and contributions

a) Income from connections to the water and wastewater network

The Group receives income from developers for new connections to the water and wastewater networks either in the form of cash or infrastructure assets. The significant components are as follows:

1) New connection charges £14.9 million (2024: £13.4 million) – developer request for the provision of new connections to the network.

2) Infrastructure charges £12.6 million (2024: £11.4 million) – developers' contribution to offsite network reinforcement as permitted by the Water Industry Act.

3) Self-lay, requisitions and adoption fees £12.7 million (2024: £10.9 million) – providing the developer with assistance in the construction of assets which enable the development to be connected to the network.

4) Adopted assets at £nil consideration £34.0 million (2024: £48.2 million) – developer contributes assets on a £nil consideration basis that have been installed on a new development.

Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question.

2. Key sources of estimation uncertainty and critical accounting judgements continued

a) Critical accounting judgements continued

For 1 and 2 above, all communication is between ourselves and the developer/site owner and the agreement is signed by said developer/site owner. The agreements set out components of the charge and what is to be delivered. Our conclusion is therefore that the developer is the customer and our 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.

For 3 and 4, it is the developer who constructs and transfers the asset, and therefore similar to the above, the agreement is between ourselves and the developer. The occupants of the properties served are unaware of the transaction and indifferent to who is maintaining the asset, they receive no benefit from the transaction.

Our obligation is to inspect and adopt the assets. As such, the Group considers that the ongoing obligation to maintain the assets is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer. Therefore, revenue from these streams should be recognised at a point in time when the contract with the developer is fulfilled; on connection, completion, or adoption.

Our obligations to maintain and reinforce our infrastructure do not constitute performance obligations as these are imposed on us by the regulator. A performance obligation involves a transfer of control of benefit from the seller to the customer; however, maintenance and reinforcement of the infrastructure does not transfer any benefit outside of Anglian Water, because the assets being maintained or reinforced are Anglian Water's own assets. The promise to the customer is to provide water/sewerage services, the promise to the developer is to provide a connection and there is no performance obligation in respect of upkeep of the assets.

b) Diversions

The Group also receives income from various authorities which is reimbursing the cost of diverting assets due to them presenting an obstruction to the construction or upgrade of infrastructure such as roads or rail. Diversion income within the year amounted to £15.0 million (2024: £13.9 million).

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.

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key areas involving estimation are discussed below:

i Retirement benefit actuarial assumptions

The Company operates one defined benefit scheme (which is closed to new members and future accrual), a defined contribution scheme and an unfunded arrangement for former employees. Under IAS 19 ‘Employee Benefits’ the Company has recognised an actuarial gains of £29.1 million (2024: loss of £25.8 million) in respect of the defined benefit scheme which affects other comprehensive income and net assets. The actuarial valuation of the scheme liabilities is reliant on key assumptions which include: the discount rate, salary inflation and life expectancy. The main assumptions and associated sensitivities are set out in note 19 of the financial statements.

ii Level 3 derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. Level 3 derivative financial instruments comprise CPI-linked inflation swaps and RPI-CPI basis 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. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 can be found in note 17.

iii Depreciation backlog

IAS 16 requires depreciation of an asset to begin when it is available for use, where there are delays between this and the asset being commissioned in the system management have to record an overlay adjustment to depreciation. Management have estimated the depreciation adjustment using a methodology based on historic average time before commissioning and depreciation charge calculated average life per actual commissioning in prior years. At 31 March 2025, the cumulative adjustment required to depreciation (excluding capitalised interest) amounts to £10.6 million (31 March 2024: £10.8 million). The average period schemes are assessed as being overdue has remained broadly consistent through the year (2025: 1.09 years, 2024: 0.97 years).

2. Key sources of estimation uncertainty and critical accounting judgements continued

c) Other area involving estimation

i Expected credit loss on trade receivables

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

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

Management apply judgement when determining impact of the wider economy on future cash collection (macro-economic).

The extent to which future cash collections will be impacted by macro-economic trends is uncertain. Management have estimated the potential impact through scenario analysis considering the correlation between cash collection rates against a combination of unemployment rates and real household disposable income (RHDI). Office for Budget Responsibility, Office of National Statistics and Bank of England forecasts for these measures have then been utilised to forecast changes in future cash collection rates.

The Bank of England forecast at February 2025 now predicts unemployment to peak at 4.8%, and The Office for Budget Responsibility forecast for RHDI predicts a peak of £24,700 per person- in the medium term. Based on management's calculations, this is consistent with predictions at March 2024 and the additional provision required against bills raised to the balance sheet date has remained broadly the same, at £3.1 million.

Sensitivity of +/- 1% for employment and £1,000 per person for RHDI has been modelled to assess the impact on the figure. +/- 1 has been used as this reflects a reasonable market movement based on historical and forecast data. Unemployment shows a range of +/-11.5 million and RHDI shows a range of -£8.8 million to +£9.4 million when applying the sensitivity. This therefore gives a range from a low of -£11.5 million to a high of £11.5 million.

ii Measured income accrual

For Anglian Water the measured income accrual is an estimation of the amount of water and wastewater main 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 smart meter usage data and historical billing information. The calculation is sensitive to estimated consumption for measured domestic customers. For 2024/25 the average consumption for measured household customers was 99 cubic meters. A fall or rise of two cubic metres (2%) in average annual consumption will reduce or increase revenue by approximately £15.6 million respectively.

3. Segmental information

The Directors believe that the whole of the Group's activities constitute a single class of business.

The Group's revenue is wholly generated from within the United Kingdom.

4. Revenue

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Water and water recycling services:		
Anglian Water		
Household – measured	1,046.7	961.0
Household – unmeasured	248.8	239.8
Non-household – measured	315.0	290.8
Grants and contributions	89.2	97.8
Other	49.6	37.2
	1,749.3	1,626.6

Included in Grants and contributions are adopted assets of £34.0 million (2024: £48.2 million) which are non-cash.

Other includes £28.2 million (2024: £25.6 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income (note 6).

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the year, see our accounting policy in note 1 for further details.

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

	Group and Company	
	2025 £m	2024 £m
Contract liability		
At 1 April	(330.3)	(345.5)
Revenue recognised	1,295.5	1,200.8
Cash received in advance	(1,296.7)	(1,185.6)
At 31 March	(331.5)	(330.3)
Contract asset		
At 1 April	406.5	331.5
Revenue recognised	1,361.7	1,2751.8
Amounts billed	(1,346.9)	(1,176.8)
At 31 March	421.3	406.5

5. Operating costs

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Raw materials and consumables	43.2	37.0
Staff costs	345.9	310.3
Research and development	8.7	7.5
Contribution to Anglian Water Assistance Fund	0.7	0.8
Short-term lease costs	5.7	2.9
Hired and contracted services	289.3	279.2
Rates	76.4	69.5
Power	144.6	165.4
Regulatory fees	34.4	29.7
Insurance	15.8	10.8
Vehicles and fuel	21.5	17.7
Other expenses	10.3	13.5
Own work capitalised	(186.7)	(158.6)
Profit on disposal of property, plant and equipment[1]	-	(1.5)
Operating costs before depreciation, amortisation and loss allowance for expected credit losses	809.8	784.2
Depreciation of property, plant and equipment	366.9	333.1
Amortisation of intangible assets	56.6	55.5
Depreciation and amortisation	423.5	388.6
Loss allowance for expected credit losses	36.3	38.7
Operating costs	1,269.6	1,211.5

[1] The profit on disposal of property, plant and equipment relates to various sales of surplus land and assets.

During the year the Group obtained the following services from the Company's Auditor:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Fees payable to the Company's Auditor for the audit of the consolidated financial statements	0.6	0.4
Fees payable to the Company's Auditor for the audit of the subsidiaries	0.1	0.1
Fees payable to the Company's Auditor for other services		
Non-audit services	0.2	0.4
	0.9	0.9

The Company's Auditor for the year ended 31 March 2024 and 31 March 2025 was Deloitte LLP. Audit related assurance services predominantly relate to regulatory reporting to Ofwat, review of the Group's half-year results, and other agreed upon procedures throughout the year.

6. Net finance costs

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Finance costs		
Interest expense on bank loans and overdrafts	(12.8)	(12.8)
Interest expense on other loans including financing expenses	(287.2)	(241.8)
Indexation[1]	(197.1)	(359.9)
Amortisation of debt issue costs	(4.5)	(2.9)
Interest on leases	(1.0)	(1.1)
Unwinding of discount on provision	(0.1)	(0.1)
Total finance costs	(502.7)	(618.6)
Less: amounts capitalised on qualifying assets	84.1	71.1
	(418.6)	(547.5)
Finance income		
Interest income on short-term bank deposits	46.1	42.5
Defined benefit pension scheme interest	2.1	2.4
	48.2	44.9
Fair value gains/(losses) on derivative financial instruments		
Hedge ineffectiveness on cash flow hedges[2]	1.2	1.9
Derivative financial instruments not designated as hedges	64.2	207.8
Recycling of de-designated cash flow hedge relationship[3]	(2.5)	(4.8)
	62.9	204.9
Finance income, including fair value gains on derivative financial instruments	111.1	249.8
Net finance costs	(307.5)	(297.7)

[1] Indexation comprise of £123.9 million in borrowings (2024: £229.9 million) and £73.2 million in derivatives (2024: £130.0 million).

[2] Hedge ineffectiveness on fair value hedges comprises fair value gains on hedging instruments of £14.0 million (2024: loss of £22.5 million), offset by fair value losses of £12.8 million on hedged risks (2024: gains of £24.4 million).

[3] Please refer to note 21 for breakdown of hedging reserve.

7. Taxation

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Current tax:		
In respect of the current period	(47.8)	(47.3)
Adjustments in respect of prior periods	25.6	(0.4)
Total current tax credit	(22.2)	(47.7)
Deferred tax:		
Origination and reversal of temporary differences	96.7	82.8
Adjustments in respect of previous periods	(21.9)	(3.9)
Total deferred tax charge	74.8	78.9
Total tax charge on loss on continuing operations	52.6	31.2

The current tax credit for both years reflects receipts from other Group companies for losses surrendered to those Group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest.

The deferred tax charge for this year mainly reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years.

The current and deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations. In the current year, a decision was made for the year ended 31 March 2023, not to surrender losses from this company to another Group company under the Group relief provisions of part 5 of the Corporation Taxes Act 2010. This gave rise to a current tax charge and a deferred tax credit, although the amounts were different due to the different rates for current tax and deferred tax in that year.

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

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a legislative framework, followed by detailed guidance sets, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom enacted the tax legislation related to the top-up tax in July 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' were endorsed by the UK Endorsement Board on July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a significant impact on the financial statements.

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (2024: 25%) to the profit before tax from continuing operations as follows:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Profit before tax from continuing operations	189.0	133.2
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (2024:25%)	47.3	33.3
Effects of recurring items:		
Depreciation and losses on assets not eligible for tax relief	1.1	1.2
Disallowable expenditure	0.5	1.0
	48.9	35.5
Effects of non-recurring items:		
Adjustments in respect of prior periods	3.7	(4.3)
Tax charge for the year	52.6	31.2

7. Taxation continued

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Deferred tax:		
Defined benefit pension schemes	7.3	(6.5)
Cash flow hedges	9.4	(1.9)
Total deferred tax charge/(credit)	16.7	(8.4)
Total tax charge/(credit) recognised in other comprehensive income	16.7	(8.4)

8. Employee information and Directors' emoluments

a) Employee information

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Wages and salaries	289.5	260.8
Social security costs	30.1	26.2
Pension costs – defined contribution	26.4	23.2
Pension costs – defined benefit	-	0.1
	345.9	310.3

Staff costs for the year ended 31 March 2025 in the table above are shown inclusive of £110.7 million (2024: £75.9 million) of costs that have been capitalised, as shown within 'own work capitalised' in note 5.

Average monthly number of full-time equivalent persons (including Executive Directors) employed by the Group:

	Year ended 31 March 2025	Year ended 31 March 2024
Water Services	1,254	1,395
Water Recycling Services	1,760	1,598
Customer Services	666	539
Asset Management and Other	2,194	1,999
	5,874	5,531

Group employees are employed by the Company thus has the same number of employees as the Group.

b) Directors' emoluments

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Aggregate emoluments	927	1,335

Aggregate emoluments of the Directors comprise salaries, taxable benefits, cash payments in lieu of company pension contributions and amounts payable under annual bonus schemes. No retirement benefits are accrued for Directors (2024: no Directors) under a defined benefit pension scheme.

Retirement benefits are accruing to two Directors (2024: two Directors) under a defined contribution pension scheme. In addition to the aggregate emoluments above, certain Directors receive emoluments from other Anglian Water Group Limited Group undertakings.

c) Highest paid Director

More detailed disclosures of the Directors' remuneration can be found in the Remuneration report on pages 147-165.

	Year ended 31 March 2025 £'000	Year ended 31 March 2024 £'000
Aggregate emoluments	374	945

9. Dividends

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Paid by the Group:		
Previous year final dividend	88.6	79.9
	88.6	79.9

The Directors have recommended that no final dividend in relation to 2024/25 be paid. During the year ended 31 March 2025, dividends of £88.6 million (£2.77 per share) were paid by the Company to its immediate parent undertaking, Anglian Water Services UK Parent Co Limited (2024: £79.9 million at £2.50 per share). See note 28 for details of dividends declared after the year end.

10. Intangible assets

	Group and Company			
	Computer Software £m	Other intangibles £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2024	436.6	53.0	138.4	628.0
Additions	-	-	117.5	117.5
Transfers on Commissioning	41.2	42.5	(83.7)	-
Disposals	(0.6)	(16.4)	-	(17.0)
At 31 March 2025	477.2	79.1	172.2	728.5
At 1 April 2023	417.4	146.0	121.6	685.0
Additions	-	-	58.2	58.2
Transfers on Commissioning	19.2	22.2	(41.4)	-
Disposals	-	(115.2)	-	(115.2)
At 31 March 2024	436.6	53.0	138.4	628.0
Accumulated amortisation				
At 1 April 2024	(345.3)	(26.1)	-	(371.4)
Charge for the year	(36.5)	(20.1)	-	(56.6)
Disposals	0.6	16.2	-	16.8
At 31 March 2025	(381.2)	(30.0)	-	(411.2)
At 1 April 2023	(300.6)	(130.5)	-	(431.1)
Charge for the year	(44.7)	(10.8)	-	(55.5)
Disposals	-	115.2	-	115.2
At 31 March 2024	(345.3)	(26.1)	-	(371.4)
Net book amount				
At 31 March 2025	96.0	49.1	172.2	317.3
At 31 March 2024	91.3	26.9	138.4	256.6

Of those intangible assets under construction, £111.2 million (2024: £98.7 million) relates to software systems under development and £60.9 million (2024: £39.7 million) to internally generated assets.

Included in this intangible asset under construction balance is £95.0 million (2024: £74.0 million) in relation to our SAP replacement project which is now expected to go live in 2025.

Other intangible assets mainly comprise capitalised development expenditure.

Included within additions above is £8.7 million (2024: £6.8 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.6% (2024: 9.5%).

Intangible assets with a cost of £16.0 million and a net book value of £0.2 million were disposed during the year (2024: £115.2 million, £nil net book value). The 2025 retirement mostly represented a house-keeping exercise, where fully depreciated data-models and other similar assets were retired from our fixed asset register.

The other intangible assets mainly comprise capitalised development expenditure.

11. Property, plant and equipment

	Group and Company					
	Land and buildings £m	Infrastructure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 April 2024	96.5	7,701.8	6,969.3	1,232.7	1,225.7	17,226.0
Additions	-	-	-	-	1,067.5	1,067.5
Transfers on commissioning	9.0	158.2	203.2	231.1	(601.5)	-
Disposals	(1.7)	(0.3)	(46.7)	(65.8)	-	(114.5)
At 31 March 2025	103.8	7,859.7	7,125.8	1,398.0	1,691.7	18,179.0
At 1 April 2023	95.3	7,446.5	6,728.2	1,126.8	854.8	16,251.6
Additions	-	-	-	-	1,044.0	1,044.0
Transfers on commissioning	1.5	255.3	275.6	140.7	(673.1)	-
Disposals	(0.3)	-	(34.5)	(34.8)	-	(69.6)
At 31 March 2024	96.5	7,701.8	6,969.3	1,232.7	1,225.7	17,226.0
Accumulated depreciation						
At 1 April 2024	(25.0)	(1,025.6)	(4,031.4)	(729.3)	-	(5,811.3)
Charge for the year	(4.5)	(62.9)	(209.2)	(90.3)	-	(366.9)
Disposals	1.7	0.3	46.2	65.2	-	113.4
At 31 March 2025	(27.8)	(1,088.2)	(4,194.4)	(754.4)	-	(6,064.8)
At 1 April 2023	(21.3)	(963.0)	(3,865.0)	(698.0)	-	(5,547.3)
Charge for the year	(4.0)	(62.6)	(200.8)	(65.7)	-	(333.1)
Disposals	0.3	-	34.4	34.4	-	69.1
At 31 March 2024	(25.0)	(1,025.6)	(4,031.4)	(729.3)	-	(5,811.3)
Net book amount						
At 31 March 2025	76.0	6,771.5	2,931.4	643.6	1,691.7	12,114.2
At 31 March 2024	71.5	6,676.2	2,937.9	503.4	1,225.7	11,414.7

Property, plant and equipment at 31 March 2025 includes land of £31.4 million (2024: £31.4 million) which is not subject to depreciation. Included within additions above is £76.3 million (2024: £64.3 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.6% (2024: 9.5%).

11. Property, plant and equipment continued

Right-of-use assets held under leases

Included within the amounts shown above are the following amounts in relation to right-of-use assets held under leases:

	Group and Company				
	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Total £m
At 31 March 2025					
Opening net book value	21.9	4.8	34.4	9.6	70.7
Additions	6.3	0.1	-	0.2	6.6
Disposals	(1.7)	-	-	(0.4)	(2.1)
Depreciation charge	(3.6)	-	(1.2)	(2.9)	(7.7)
Depreciation on disposals	1.6	-	-	0.4	2.0
Net book value	24.5	4.9	33.2	6.9	69.5
At 31 March 2024					
Opening net book value	25.0	4.9	35.6	9.1	74.6
Additions	-	-	-	3.6	3.6
Disposals	(0.1)	-	-	(3.7)	(3.8)
Depreciation charge	(3.1)	(0.1)	(1.2)	(3.1)	(7.5)
Depreciation on disposals	0.1	-	-	3.7	3.8
Net book value	21.9	4.8	34.4	9.6	70.7

12. Investments

Investments in subsidiaries are held at cost less, where appropriate, provisions for impairment, if there are any indications that the carrying value may not be recoverable.

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% owned, all in ordinary shares, and is registered, incorporated and operating in the UK at 31 March 2025. The address of its registered office is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

The Directors are of the opinion that the value of the investments is supported by the underlying assets.

13. Trade and other receivables

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Trade receivables	427.4	383.8	427.4	383.8
Loss allowance for expected credit losses	(238.9)	(212.1)	(238.9)	(212.1)
Net trade receivables	188.5	171.7	188.5	171.7
Amounts receivable from group undertakings	2.1	0.9	2.1	0.9
Other amounts receivable	32.8	30.1	32.8	30.1
Prepayments	13.5	12.2	13.5	12.2
Accrued income	421.3	406.5	421.3	406.5
	658.2	621.4	658.2	621.4

Other amounts receivable includes £21.0 million VAT debtor (2024: £20.5 million) and various other sundry debtors.

Accrued income as at 31 March 2025 includes water and water recycling income not yet billed of £421.3 million (2024: £405.0 million).

Of the trade receivables, £416.4 million (2024: £376.2 million) relates to residential customers, £2.7 million (2024: £1.4 million) relates to non-household retailer balances, and the remaining balance of £8.3 million (2024: £6.2 million) relates to developer services and other receivables. The majority of non-household customers are billed in arrears and are therefore included within accrued income above.

There is no fixed payment date for amounts owed by Group undertakings and no interest is applied. Amounts are payable on demand.

The Group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to household trade receivables are limited due to the Anglian Water customer base consisting of a large number of unrelated households. The Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises including domestic dwellings. However, allowance is made by the water regulator in the price limits at each price review for a proportion of debt deemed to be irrecoverable. The Directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables.

Following the introduction of market reform on 1 April 2017, the provision of water and wastewater services to non-household customers was transferred to a relatively small number of licenced retailers. Anglian Water bills the retailers on a monthly basis, and they are contractually obliged to pay in full within one month and therefore the credit risk is limited to one month's revenue relating to non-household customers.

13. Trade and other receivables continued

The principal retailer that Anglian Water transacts with is Wave Ltd, with £nil receivables (2024: £nil) and £14.9 million of income accrued at 31 March 2025 (2024: £13.4 million).

The movement on the expected credit loss provision, all of which relates to trade receivables, was as follows:

	Group and Company 2025 £m	2024 £m
At 1 April	212.1	258.1
Loss allowance for expected credit losses	36.3	38.7
Amounts written off during the year	(9.5)	(84.9)
Amounts recovered during the year	-	0.2
At 31 March	238.9	212.1

The following table details the risk profile of trade receivables and accrued income based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments. The majority of non-household customers are billed in arrears and are therefore included within accrued income.

	Group and company			
	Expected loss rate %	Gross carrying amount £m	Loss allowance	Net carrying amount £m
At 31 March 2025				
Not past due	1.5%	457.2	(6.9)	450.3
Up to 1 year past due	34.2%	117.1	(40.1)	77.0
Up to 2 years past due	53.2%	62.4	(33.2)	29.2
Up to 3 years past due	63.9%	47.6	(30.4)	17.2
Up to 4 years past due	66.2%	41.4	(27.4)	14.0
Up to 5 years past due	79.4%	36.0	(28.6)	7.4
Up to 6 years past due	77.7%	31.0	(24.1)	6.9
More than 7 years past due	100.0%	56.0	(56.0)	-
Miscellaneous loss allowance adjustments	-	-	7.8	7.8
		848.7	(238.9)	609.8

	Group and company			
	Expected loss rate %	Gross carrying amount £m	Loss allowance	Net carrying amount £m
At 31 March 2024				
Not past due	1.4%	444.5	(6.2)	438.3
Up to 1 year past due	34.8%	99.9	(34.8)	65.1
Up to 2 years past due	53.9%	57.0	(30.7)	26.3
Up to 3 years past due	58.9%	47.5	(28.0)	19.5
Up to 4 years past due	72.8%	39.7	(28.9)	10.8
Up to 5 years past due	71.5%	35.8	(25.6)	10.2
Up to 6 years past due	81.8%	30.2	(24.7)	5.5
More than 7 years past due	100.0%	35.7	(35.7)	-
Miscellaneous loss allowance adjustments	-	-	2.5	2.5
		790.3	(212.1)	578.2

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14. Analysis of net debt

Group

	Current assets		Liabilities from financing activities			
	Cash and cash equivalents[1] £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments[2] £m	Total liabilities from financing activities £m	Net debt Total £m
At 1 April 2024	474.4	530.0	(7,981.3)	(634.0)	(8,615.3)	(7,610.9)
Cash flows						
Interest paid	(235.8)	-	-	-	-	(235.8)
Issue costs paid	(25.6)	-	24.7	-	24.7	(0.9)
Interest on leases	(1.0)	-	-	-	-	(1.0)
Increase in amounts borrowed	950.0	-	(950.0)	-	(950.0)	-
Repayment of amounts borrowed	(349.3)	-	349.3	-	349.3	-
Repayment of principal on derivatives	(85.0)	-	-	85.0	85.0	-
Receipt of principal on derivatives	67.1	-	-	(67.1)	(67.1)	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows[3]	(199.4)	(100.0)	-	-	-	(299.4)
	114.6	(100.0)	(569.6)	17.9	(551.7)	(537.1)
Movement in interest accrual on debt	-	-	(59.6)	-	(59.6)	(59.6)
New lease agreements	-	-	(6.6)	-	(6.6)	(6.6)
Amortisation of issue costs	-	-	(4.5)	-	(4.5)	(4.5)
Indexation of borrowings and Inflation swaps	-	-	(123.9)	(73.2)	(197.1)	(197.1)
Foreign exchange gains and losses	-	-	22.4	(22.4)	-	-
Fair value gains and losses	-	-	(17.0)	91.7	74.7	74.7
At 31 March 2025	589.0	430.0	(8,740.1)	(620.0)	(9,360.1)	(8,341.1)
Net debt at 31 March 2025 comprises:						
Non-current assets	-	-	-	167.0	167.0	167.0
Current assets	589.0	430.0	-	-	-	1,019.0
Current liabilities	-	-	(704.5)	(7.5)	(712.0)	(712.0)
Non-current liabilities	-	-	(8,035.6)	(779.5)	(8,815.1)	(8,815.1)
	589.0	430.0	(8,740.1)	(620.0)	(9,360.1)	(8,341.1)

Group

	Current assets		Liabilities from financing activities			
	Cash and cash equivalents[1] £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments[2] £m	Total liabilities from financing activities £m	Net debt Total £m
At 1 April 2023	335.1	298.0	(6,881.0)	(697.7)	(7,578.7)	(6,945.6)
Cash flows						
Interest paid	(224.3)	-	-	-	-	(224.3)
Issue costs paid	(15.2)	-	15.8	-	15.8	0.6
Interest on leases	(1.1)	-	-	-	-	(1.1)
Increase in amounts borrowed	1,379.5	-	(1,379.5)	-	(1,379.5)	-
Repayment of amounts borrowed	(487.1)	-	487.1	-	487.1	-
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows[3]	(494.6)	232.0	-	-	-	(262.6)
	139.3	232.0	(870.2)	11.5	(858.7)	(487.4)
Movement in interest accrual on debt	-	-	(31.2)	-	(31.2)	(31.2)
New lease agreements	-	-	(4.0)	-	(4.0)	(4.0)
Amortisation of issue costs	-	-	(2.9)	-	(2.9)	(2.9)
Indexation of borrowings and RPI swaps	-	-	(229.9)	(130.0)	(359.9)	(359.9)
Foreign exchange gains and losses	-	-	49.0	(49.0)	-	-
Fair value gains and losses	-	-	(11.1)	231.2	220.1	220.1
At 31 March 2024	474.4	530.0	(7,981.3)	(634.0)	(8,615.3)	(7,610.9)

1 Included within cash and cash equivalents is £7.3 million (2024: £6.5 million) of cash which is ring-fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.

2 Derivative financial instruments exclude the liability of £0.7 million (2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

3 Non-financing cash flows comprise: net cash flows from operating activities of £811.3 million (2024: £767.1 million), less net cash used in investing activities of £922.1 million (2024: £1,181.8 million) and dividends paid of £88.6 million (2024: £79.9 million).

14. Analysis of net debt continued

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

	Group and Company	
	2025 £m	2024 £m
Non-current assets	1.3	1.5
Current assets	0.9	0.9
Current liabilities	(0.8)	(13.2)
Non-current liabilities	(2.1)	(10.6)
	(0.7)	(21.4)

Company

	Current assets		Liabilities from financing activities			
	Cash and cash equivalents[1] £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments[2] £m	Total liabilities from financing activities £m	Net debt Total £m
At 1 April 2024	472.1	530.0	(7,981.3)	(634.0)	(8,615.3)	(7,613.1)
Cash flows						
Interest paid	(235.8)	-	-	-	-	(235.8)
Issue costs paid	(25.6)	-	24.7	-	24.7	(0.9)
Interest on leases	(1.0)	-	-	-	-	(1.0)
Increase in amounts borrowed	950.0	-	(950.0)	-	(950.0)	-
Repayment of amounts borrowed	(349.3)	-	349.3	-	349.3	-
Repayment of principal on derivatives	(85.0)	-	-	85.0	85.0	-
Receipt of principal on derivatives	67.1	-	-	(67.1)	(67.1)	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows[3]	(235.4)	(100.0)	-	-	-	(335.4)
	78.6	(100.0)	(569.6)	17.9	(551.7)	(573.1)
Movement in interest accrual on debt	-	-	(59.6)	-	(59.6)	(59.6)
New lease agreements	-	-	(6.6)	-	(6.6)	(6.6)
Amortisation of issue costs	-	-	(4.5)	-	(4.5)	(4.5)
Indexation of borrowings and RPI swaps	-	-	(123.9)	(73.3)	(197.2)	(197.2)
Foreign exchange gains and losses	-	-	22.4	(22.4)	-	-
Fair value gains and losses	-	-	(17.0)	91.7	74.7	74.7
At 31 March 2025	550.7	430.0	(8,740.1)	(620.0)	(9,360.1)	(8,379.4)
Net debt at 31 March 2025 comprises:						
Non-current assets	-	-	-	167.0	167.0	167.0
Current assets	550.7	430.0	-	-	-	980.7
Current liabilities	-	-	(704.5)	(7.5)	(712.0)	(712.0)
Non-current liabilities	-	-	(8,035.6)	(779.5)	(8,815.1)	(8,815.1)
	550.7	430.0	(8,740.1)	(620.0)	(9,360.1)	(8,379.4)

14. Analysis of net debt continued

Company

	Current assets		Liabilities from financing activities			
	Cash and cash equivalents[1] £m	Investments – cash deposits £m	Borrowings £m	Derivative financial instruments[2] £m	Total liabilities from financing activities £m	Net debt Total £m
At 1 April 2023	328.4	298.0	(6,880.9)	(697.7)	(7,578.6)	(6,952.2)
Cash flows						
Interest paid	(224.3)	-	-	-	-	(224.3)
Issue costs paid	(15.2)	-	15.8	-	15.8	0.6
Interest on leases	(1.1)	-	-	-	-	(1.1)
Increase in amounts borrowed	1,379.5	-	(1,379.5)	-	(1,379.5)	-
Repayment of amounts borrowed	(487.1)	-	487.1	-	487.1	-
Repayment of principal on derivatives	(11.5)	-	-	11.5	11.5	-
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows[3]	(490.2)	232.0	-	-	-	(258.2)
	143.7	232.0	(870.2)	11.5	(858.7)	(483.0)
Movement in interest accrual on debt	-	-	(31.3)	-	(31.3)	(31.3)
New lease agreements	-	-	(4.0)	-	(4.0)	(4.0)
Amortisation of issue costs	-	-	(2.9)	-	(2.9)	(2.9)
Indexation of borrowings and RPI swaps	-	-	(229.9)	(130.0)	(359.9)	(359.9)
Foreign exchange gains and losses			49.0	(49.0)	-	-
Fair value gains and losses	-	-	(11.1)	231.3	220.2	220.2
At 31 March 2024	472.1	530.0	(7,981.3)	(633.9)	(8,615.2)	(7,613.1)

1 Included within cash and cash equivalents is £7.3 million (2024: £6.5 million) of cash which is ring-fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.;

2 Derivative financial instruments exclude the liability of £0.7 million (2024: liability of £21.4 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt

3 Non-financing cash flows comprise: net cash flows from operating activities of £777.3 million (2024: £773.3 million), less net cash used in investing activities of £924.1 million (2024: £1,183.6 million) and dividends paid of £88.6 million (2024: £79.9 million).

15. Trade and other payables

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Trade payables	52.5	45.6	52.5	45.6
Capital creditors	145.0	157.1	145.0	157.1
Receipts in advance	375.7	371.0	375.7	371.0
Amounts owed to group undertakings	0.9	0.7	16.5	50.4
Other taxes and social security	7.4	-	7.4	-
Accruals and deferred income	112.0	126.7	112.0	126.7
Other payables	7.9	16.1	7.9	16.0
	701.4	717.2	717.0	766.8

Receipts in advance includes £331.5 million (2024: £330.3 million) relating to amounts received from customers for water and sewerage charges in respect of bills that fall due in the following year.

Accruals and deferred income is made up of £106.4 million accruals (2024: £119.7 million) with the remainder attributable to the deferred income.

Amounts relating to capital creditors and accruals have been separately presented in the above table to aid consistency with the presentation required by Ofwat in the Annual Performance Report of Anglian Water Services Limited.

The Directors consider that the carrying values of trade and other payables are not materially different from their fair values.

There is no fixed payment date for amounts owed to Group undertakings and no interest is applied. Amounts are payable on demand.

16. Loans and other borrowings

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
£75 million 3.666% RPI index-linked 2024	-	163.4	-	163.4
£100 million 1.588% fixed rate 2024	-	100.4	-	100.4
£250 million 1.625% fixed rate 2025	249.4	240.2	249.4	240.2
£200 million 4.5% fixed rate 2026	198.9	196.3	198.9	196.3
£55 million 2.93% fixed rate fixed rate 2026	55.6	55.5	55.6	55.5
US$150 million 3.29% fixed rate 2026	115.7	115.6	115.7	115.6
£20 million 2.93% fixed rate 2026	20.2	20.1	20.2	20.1
US$35 million 1.16% fixed rate 2026	25.9	25.3	25.9	25.3
£75 million EIB amortising 0.53% RPI index-linked 2027	24.8	35.8	24.8	35.8
£75 million EIB amortising 0.79% RPI index-linked 2027	24.8	35.8	24.8	35.8
£200 million 2.6225% fixed rate 2027	196.0	193.5	196.0	193.5
£250 million 4.5% fixed rate 2027	254.3	253.9	254.3	253.9
£150 million EIB amortising 0% RPI index-linked 2028	72.3	92.8	72.3	92.8
£73.3 million 4.394% fixed rate 2028	69.0	67.4	69.0	67.4
£200 million 6.625% fixed rate 2029	202.8	202.8	202.8	202.8
£85 million 2.88% fixed rate 2029	85.1	85.0	85.1	85.0
US$53 million 4.27% fixed rate 2029	41.1	42.1	41.1	42.1
£65 million EIB amortising 0.41% RPI index-linked 2029	40.5	48.8	40.5	48.8
£65 million 2.87% fixed rate 2029	65.6	65.6	65.6	65.6
£125 million EIB amortising 0.1% RPI index-linked 2029	86.6	102.0	86.6	102.0
£300 million 2.75% fixed rate 2029	301.6	301.2	301.6	301.2
£75 million floating rate 2029	76.0	76.1	76.0	76.1
£60 million EIB amortising 0.01% RPI index-linked 2030	46.0	53.2	46.0	53.2
£246 million 6.293% fixed rate 2030	253.0	251.4	253.0	251.4
£25 million 3.0% fixed rate 2031	25.0	25.0	25.0	25.0
£35 million floating rate fixed rate 2031	34.8	34.8	34.8	34.8
£300 million 5.875% fixed rate 2031	311.7	311.4	311.7	311.4
£200 million wrapped 3.07% RPI index-linked 2032	447.5	433.5	447.5	433.5
£60 million wrapped 3.07% RPI index-linked 2032	121.2	116.9	121.2	116.9
C$ 350 million 4.525% fixed rate 2032	187.7	204.1	187.7	204.1
£75 million floating rate 2032	75.7	75.8	75.7	75.8
£50 million 2.05% RPI index-linked 2033	81.6	78.4	81.6	78.4
£25 million 6.875% fixed rate 2034	25.1	25.1	25.1	25.1
JPY 8.5 billion 1.917% fixed rate 2034	43.6	44.2	43.6	44.2
Sub-total carried forward	3,859.1	4,173.4	3,859.1	4,173.4

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Sub-total brought forward	3,859.1	4,173.4	3,859.1	4,173.4
£402 million 2.4% RPI index-linked 2035	569.0	541.1	569.0	541.1
£50 million 1.76% fixed rate 2035	50.0	50.0	50.0	50.0
£26.1 million 0.01% CPI index-linked 2035 - 1	35.4	34.7	35.4	34.7
£26.1 million 0.01% CPI index-linked 2035 - 2	35.2	34.5	35.2	34.5
£35 million 2.14% fixed rate 2036	25.0	25.8	25.0	25.8
£40 million 2.14% fixed rate 2036	28.6	29.5	28.6	29.5
£242 million 6.07% fixed rate 2037	247.8	247.8	247.8	247.8
£24 million 6.07% fixed rate 2037	24.6	24.6	24.6	24.6
JPY 7 billion 0.855% fixed rate 2039	36.1	36.6	36.1	36.6
£560 million 6.0% fixed rate 2039	578.9	578.6	578.9	578.6
£50 million 6.05% fixed rate 2039	50.8	-	50.8	-
£65 million amortising 0.835% CPI index-linked 2040	81.0	78.9	81.0	78.9
£100 million 2.427% CPI index-linked 2040	105.0	99.6	105.0	99.6
£100 million amortising 3.017% CPIH index-linked 2040	111.2	107.3	111.2	107.3
JPY 7 billion 0.85% fixed rate 2040	23.9	25.8	23.9	25.8
£35 million 1.141% RPI index-linked 2042	55.8	53.7	55.8	53.7
£110 million floating rate 2043	110.4	110.5	110.4	110.5
£575 million 5.75% fixed rate 2043	592.9	372.6	592.9	372.6
£700 million 6.25% fixed rate 2044	714.3	-	714.3	-
£130 million 2.262% RPI index-linked 2045	232.6	223.7	232.6	223.7
£50 million 1.7% RPI index-linked 2046 - 1	100.2	97.1	100.2	97.1
£50 million 1.7% RPI index-linked 2046 - 2	100.0	96.0	100.0	96.0
£60 million 1.7903% RPI index-linked 2049	120.8	117.0	120.8	117.0
£50 million 1.52% RPI index-linked 2055	94.8	90.4	94.8	90.4
£40 million 1.7164% RPI index-linked 2056	80.6	78.0	80.6	78.0
£50 million 1.6777% RPI index-linked 2056	100.7	97.5	100.7	97.5
£50 million 1.3825% RPI index-linked 2056	100.1	96.2	100.1	96.2
£100 million wrapped floating rate 2057	100.7	100.9	100.7	100.9
£100 million 1.3784% RPI index-linked 2057	200.3	192.5	200.3	192.5
£75 million 1.449% RPI index-linked 2062	142.2	135.5	142.2	135.5
IFRS 16 leases	33.9	33.6	33.9	33.6
Liquidity & Emergency facilities	(1.8)	(2.1)	(1.8)	(2.1)
Total loans and other borrowings	8,740.1	7,981.3	8,740.1	7,981.3

16. Loans and other borrowings continued

	Group 2025 £m	Group 2024 £m	Company 2025 £m	Company 2024 £m
Included in:				
Current liabilities	704.5	453.8	704.5	453.8
Non-current liabilities	8,035.6	7,527.5	8,035.6	7,527.5
Of which are leases:				
Current liabilities	7.2	5.4	7.2	5.4
Non-current liabilities	26.7	28.2	26.7	28.2

The value of the capital and interest elements of the index-linked loans is linked to movements in inflation. The increase in the capital value of index-linked loans during the year of £123.9 million (2024: £229.9 million) has been taken to the income statement as part of interest payable.

These loans are shown net of issue costs, discount and premium on issue of loans of £47.2 million (2024: £26.9 million). The issue costs, discount and premium are amortised at the effective interest rate based on the carrying amount of debt over the life of the underlying instruments.

A security agreement dated 30 July 2002 between Anglian Water Services Financing Plc, Anglian Water Services Limited, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Holdings Limited and Deutsche Trustee Company Limited (as Agent and Trustee for itself and each of the Finance Parties to the Global Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water Services Limited to the extent permissible under the Water Industry Act 1991. In addition, there is a fixed charge over the issued share capital of Anglian Water Services Financing Plc, Anglian Water Services Limited and Anglian Water Services UK Parent Limited. At 31 March 2025, this charge applies to £8,740.1 million (2024: £7,947.7 million) of the debt listed above. With the exception of issue costs capitalised and leases, all of the company's borrowings are payable to Anglian Water Services Financing Plc, but on terms set out above.

Loans and other borrowing liabilities disclosed within borrowings on the balance sheet are the only instruments designated as fair value hedge items by the Group. The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

Group and Company	Carrying value £m	Proportion hedged %	Accumulated hedge adjustment[1] £m	Discounted hedge adjustment £m
At 31 March 2025				
£250 million 1.625% fixed rate 2025	249.4	100	3.0	-
£200 million 4.5% fixed rate 2026	198.9	50	1.8	-
US$150 million 3.29% fixed rate 2026	115.7	76	1.9	-
US$35 million 1.16% fixed rate 2026	25.9	100	1.2	-
£200 million 2.6225% fixed rate 2027	196.0	41	5.1	-
£73.3 million 4.394% fixed rate 2028	69.0	100	5.8	-
£246 million 6.293% fixed rate 2030	253.0	20	2.4	-
£35 million 2.14% fixed rate 2036	25.0	100	10.1	-
£40 million 2.14% fixed rate 2036	28.6	100	11.6	-
JPY 7 billion 0.85% fixed rate 2040	25.8	100	12.0	-
	1,187.3		54.9	-
At 31 March 2024				
£250 million 1.625% fixed rate 2025	240.2	100	11.8	-
£200 million 4.5% fixed rate 2026	196.3	50	4.1	-
US$150 million 3.29% fixed rate 2026	115.6	76	4.5	-
US$35 million 1.16% fixed rate 2026	25.3	100	2.3	-
£200 million 2.6225% fixed rate 2027	193.5	41	7.3	-
£73.3 million 4.394% fixed rate 2028	67.4	100	7.4	-
£246 million 6.293% fixed rate 2030	251.4	20	3.9	-
£35 million 2.14% fixed rate 2036	25.8	100	9.3	-
£40 million 2.14% fixed rate 2036	29.5	100	10.6	-
JPY 7 billion 0.85% fixed rate 2040	25.8	100	10.6	-
	1,170.8		71.8	-

[1] The accumulated hedge adjustment noted above is included within the carrying value of each instrument. The movement in the accumulated hedge adjustment is shown within fair value losses on derivative financial instruments in the income statement.

17. Financial instruments

Financial assets by category

	Group				
	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	Total £m
At 31 March 2025					
Investments					
Current – cash deposits	-	-	-	430.0	430.0
Cash and cash equivalents					
Current	-	-	589.0	-	589.0
Trade and other receivables					
Current	-	-	623.7	-	623.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	152.2	16.1	-	-	168.3
	152.2	17.0	1,212.7	430.0	1,811.9
At 31 March 2024					
Investments					
Current – cash deposits	-	-	-	530.0	530.0
Cash and cash equivalents					
Current	-	-	474.4	-	474.4
Trade and other receivables					
Current	-	-	588.7	-	588.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	216.9	16.2	-	-	233.1
	216.9	17.1	1,063.1	530.0	1,827.1

Trade and other receivables above exclude prepayments and VAT.

	Company				
	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	Total £m
At 31 March 2025					
Investments					
Current – cash deposits	-	-	-	430.0	430.0
Cash and cash equivalents					
Current	-	-	550.7	-	550.7
Trade and other receivables					
Current	-	-	623.7	-	623.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	152.2	16.1	-	-	168.3
	152.2	17.0	1,174.4	430.0	1,773.6
At 31 March 2024					
Investments					
Current – cash deposits	-	-	-	530.0	530.0
Cash and cash equivalents					
Current	-	-	472.1	-	472.1
Trade and other receivables					
Current	-	-	588.7	-	588.7
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	216.9	16.2	-	-	233.1
	216.9	17.1	1,060.8	530.0	1,824.8

Trade and other receivables above exclude prepayments and VAT.

Notes to the financial statements continued

17. Financial instruments continued

Financial liabilities by category continued

	Group			
	Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	Total £m
At 31 March 2025				
Borrowings				
Current	-	-	704.5	704.5
Non-current	-	-	8,035.6	8,035.6
Trade and other payables				
Current	-	-	312.6	312.6
Derivative financial instruments				
Current	2.4	5.9	-	8.3
Non-current	697.1	84.5	-	781.6
	699.5	90.4	9,052.7	9,842.6
At 31 March 2024				
Borrowings				
Current	-	-	453.8	453.8
Non-current	-	-	7,527.5	7,527.5
Trade and other payables				
Current	-	-	339.1	339.1
Derivative financial instruments				
Current	79.6	13.2	-	92.8
Non-current	689.9	106.6	-	796.5
	769.5	119.8	8,320.4	9,209.7

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

	Company			
	Liabilities at fair value through profit and loss £m	Derivatives used for hedging £m	Other liabilities held at amortised cost £m	Total £m
At 31 March 2025				
Borrowings				
Current	-	-	704.5	704.5
Non-current	-	-	8,035.6	8,035.6
Trade and other payables				
Current	-	-	328.2	328.2
Derivative financial instruments				
Current	2.4	5.9	-	8.3
Non-current	697.0	84.6	-	781.6
	699.4	90.5	9,068.3	9,858.2
At 31 March 2024				
Borrowings				
Current	-	-	453.8	453.8
Non-current	-	-	7,527.5	7,527.5
Trade and other payables				
Current	-	-	388.8	388.8
Derivative financial instruments				
Current	79.6	13.2	-	92.8
Non-current	689.9	106.6	-	796.5
	769.5	119.8	8,370.1	9,259.4

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

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17. Financial instruments continued

Derivative financial instruments

	Group and Company			
	2025		2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Designated as cash flow hedges				
Interest rate swaps	-	(0.4)	-	(0.2)
Cross currency interest rate swaps	6.2	(24.7)	7.1	(19.4)
Energy swaps	2.2	(2.9)	2.4	(23.8)
	8.4	(28.0)	9.5	(43.4)
Designated as fair value hedges				
Interest rate swaps	-	(39.2)	-	(54.8)
Cross currency interest rate swaps	8.6	(23.2)	7.6	(21.6)
	8.6	(62.4)	7.6	(76.4)
Derivative financial instruments designated as hedges	17.0	(90.4)	17.1	(119.8)
Derivative financial instruments not designated as hedges				
Interest rate swaps	51.1	(91.0)	69.1	(80.2)
RPI swaps	69.8	(390.7)	129.3	(484.3)
CPI swaps	31.3	(202.9)	18.5	(205.0)
Basis swaps	-	(14.9)		
Total derivative financial instruments	169.2	(789.9)	234.0	(889.3)
Derivative financial instruments can be analysed as follows:				
Current	0.9	(8.3)	0.9	(92.8)
Non-current	168.3	(781.6)	233.1	(796.5)
	169.2	(789.9)	234.0	(889.3)

At 31 March 2025, the fixed interest rates vary from 1.70% to 5.88%, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 bps, RPI-linked interest rates vary from 1.27% to 2.12% plus RPI and CPI-linked interest rates vary from negative 1.21% plus CPI to 3.35% plus CPI. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

In accordance with IFRS 9, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no amounts recorded in the income statement for gains or losses on embedded derivatives for the year ended 31 March 2025 (2024: £nil)

Leases

The minimum lease payments in respect of all leases fall due as follows:

	Group and Company	
	2025 £m	2024 £m
Within one year	7.3	6.4
Between two and five years	17.9	20.0
After five years	16.2	14.9
	41.4	41.3
Future finance charges on leases	(7.5)	(7.7)
Present value of lease liabilities	33.9	33.6

Fair value of financial assets and liabilities

	Group			
	2025		2024	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	589.0	589.0	474.4	474.4
Current asset investments – cash deposits	430.0	430.0	530.0	530.0
Borrowings				
Current	(704.5)	(707.2)	(453.8)	(451.9)
Non-current	(8,035.6)	(7,473.3)	(7,527.5)	(7,545.5)
Interest and cross currency interest rate swaps – assets				
Current	-	-	-	-
Non-current	65.9	65.9	83.8	83.8

17. Financial instruments continued

Fair value of financial assets and liabilities continued

	Group			
	2025		2024	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Interest and cross currency interest rate swaps – liabilities				
Current	(7.5)	(7.5)	(1.1)	(1.1)
Non-current	(171.0)	(171.0)	(175.1)	(175.1)
RPI swaps – assets				
Current	-	-	-	-
Non-current	69.8	69.8	129.3	129.3
RPI swaps – liabilities				
Current	-	-	(78.5)	(78.5)
Non-current	(390.7)	(390.7)	(405.8)	(405.8)
CPI swaps – assets				
Current	-	-	-	-
Non-current	31.3	31.3	18.5	18.5
CPI swaps – liabilities				
Current	-	-	-	-
Non-current	(202.9)	(202.9)	(205.0)	(205.0)
Basis swaps – liabilities				
Current	-	-	-	-
Non-current	(14.9)	(14.9)	-	-
Net debt	(8,341.1)	(7,781.5)	(7,610.8)	(7,626.9)
Energy derivatives – assets				
Current	0.9	0.9	0.9	0.9
Non-current	1.3	1.3	1.5	1.5
Energy derivatives – liabilities				
Current	(0.8)	(0.8)	(13.2)	(13.2)
Non-current	(2.1)	(2.1)	(10.6)	(10.6)
	(8,341.8)	(7,782.2)	(7,632.2)	(7,648.3)

	Company			
	2025		2024	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Cash and cash equivalents	550.7	550.7	472.1	472.1
Current asset investments – cash deposits	430.0	430.0	530.0	530.0
Borrowings				
Current	(704.5)	(707.2)	(453.8)	(451.9)
Non-current	(8,035.6)	(7,473.3)	(7,527.5)	(7,545.5)
Interest and cross currency interest rate swaps – assets				
Current	-	-	-	-
Non-current	65.9	65.9	83.8	83.8
Interest and cross currency interest rate swaps – liabilities				
Current	(7.5)	(7.5)	(1.1)	(1.1)
Non-current	(171.0)	(171.0)	(175.1)	(175.1)
RPI swaps – assets				
Current	-	-	-	-
Non-current	69.8	69.8	129.3	129.3
RPI swaps – liabilities				
Current	-	-	(78.5)	(78.5)
Non-current	(390.7)	(390.7)	(405.8)	(405.8)
CPI swaps – assets				
Current	-	-	-	-
Non-current	31.3	31.3	18.5	18.5
CPI swaps – liabilities				
Current	-	-	-	-
Non-current	(202.9)	(202.9)	(205.0)	(205.0)
Basis swaps – liabilities				
Current	-	-	-	-
Non-current	(14.9)	(14.9)	-	-
Net debt	(8,379.4)	(7,819.8)	(7,613.1)	(7,629.2)
Energy derivatives – assets				
Current	0.9	0.9	0.9	0.9
Non-current	1.3	1.3	1.5	1.5
Energy derivatives – liabilities				
Current	(0.8)	(0.8)	(13.2)	(13.2)
Non-current	(2.1)	(2.1)	(10.6)	(10.6)
	(8,380.1)	(7,820.5)	(7,634.5)	(7,650.6)

17. Financial instruments continued

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 publicly traded, the cost which the Group would incur if it elected to transfer these borrowings, 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 using discounted cash flow methodology with reference to discounted estimated future cash flows using observable yield curves. The fair value of cross-currency interest rate derivatives is determined using discounted cash flow methodology, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the foreign exchange rate as at 31 March. The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market energy prices at 31 March.

Fair values of other non-current investments, non-current trade and other receivables and non-current trade and other payables have been estimated as being materially equal to 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 all instruments not linked to CPI and were valued using discounted cash flow method based on observable inputs. The fair value is then adjusted for credit risk. 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 year. 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 and RPI-CPI basis 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.

Movements in the year to 31 March for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	Group and Company	
	2025 £m	2024 £m
At 1 April	(186.6)	(207.7)
Net (losses)/gains for the period	19.9	45.7
Settlements	(19.8)	(24.6)
At 31 March	(186.5)	(186.6)

Gains and losses in the period are recognised in the income statement.

The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

	Group and Company	
	2025 £m	2024 £m
Gain/(loss)		
1% increase in inflation rates	(116.9)	(124.9)
1% decrease in inflation rates	103.2	108.7

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

Control of treasury

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the Group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the Group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;
- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources;
- monitor counterparty credit exposure.
- enhance control of financial resources;
- monitor counterparty credit exposure.

17. Financial instruments continued

Financing structure

Every five years the Company, along with all other Water and Sewage Companies, submits its Business Plan to the regulator Ofwat setting out what it believes it needs to run the business for the next five-year period, known as an AMP. Ofwat then assesses these plans in order to determine the revenue it will allow companies to charge customers.

In setting the allowed revenue Ofwat determines the efficient operating costs of the business. In order to fund the significant capital investment of the business it would be unfair to expect the current customers to fund the costs of assets that will deliver services for many years, especially as these costs can fluctuate year on year. Therefore, alongside increased cashflows from higher bills, companies raise money from both debt and equity investors to fund this investment. The investment set out in the Business Plan forms what is known as the Regulatory Capital Value (RCV) of the Company, Ofwat allows companies to recover the value of RCV through revenues via a depreciation charge. To enable long-term investment, Ofwat also allows a fair return on the investment to be included in those revenues.

In determining that fair return Ofwat has a duty under the Water Industry Act to ensure that the sector is financeable in the long term and is able to attract that investment. In order to do that Ofwat uses a "notional" company concept to determine a weighted average cost of capital (WACC) which is then applied across the sector. Actual companies have an opportunity to outperform our underperform against the determination, actual companies also have differing capital structures.

Through this regulatory regime the Group generates operating cash flow to service the day to day operations of the business, including capital maintenance and servicing of debt and equity. The Group seeks external investment from both debt and equity markets to fund growth (capital enhancement) and refinance existing debt in order to maintain a desired net debt to capital value ratio. Given the structure of the funding arrangement and relatively stable customer base, which includes a level of inflation protection, the business generates stable operating cash flows.

The Group's regulated water and water recycling business, Anglian Water Services Limited, is funded predominately by debt in the form of long-term bonds and other debt instruments through its financing subsidiary Anglian Water Services Financing Plc. Raising large amounts of debt in advance is not cost efficient and would not enable the company to operate within the notional cost of capital included in the Business Plan. The Group therefore raises debt multiple times a year in the form of new debt or the refinancing of maturing debt. Given this financing structure it is not unusual to have net current liabilities as this debt becomes due and the company uses bank facilities to manage this position. Details of our existing bank facilities can be found on page 211.

The weighted average length to maturity of the Company's debt is 12.3 years (31 March 2024: 11.8 years). At 31 March 2025, Anglian Water's net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 71.2% (2024: 68.8%).

Borrowing covenants

The Group's borrowings are raised by Anglian Water Services Financing Plc. The Treasury function monitors compliance against all financial obligations and it is the Group's policy to manage the balance sheet so as to ensure operation within covenant restrictions. There were no covenant breaches in the year. Please refer to compliance certificate sent to security trustee and uploaded on our website[1] for detailed covenants.

Management of financial risk

Financial risks faced by the Group include funding, interest rate, contractual, currency, liquidity and credit risks. The Group regularly reviews these risks and has approved written policies covering treasury strategy and the use of financial instruments to manage risks.

A Finance, Treasury and Energy Policy Group, including the Chief Financial Officer and the Group Treasurer, meets regularly with the specific remit of reviewing treasury matters. Relevant treasury matters are reported to the board.

The Group aims to meet its funding requirements primarily through accessing a range of financial markets such as public bond markets, private placements, bank loans and finance leases. Surplus cash is invested in short-term bank deposits, commercial paper, certificates of deposit, treasury bills and AAA rated money funds.

The Group also enters into derivative transactions (comprising currency, index-linked, interest rate and energy swaps) to economically manage the interest, currency and commodity risks to which the Group is exposed.

AWS operates with debt/RCV gearing around the low 70%'s, with a shareholder supported plan to deleverage AWS to a level of c.65% by the end of AMP8, with the balance from equity. This reflects the focus on seeking to maintain strong investment grade credit ratings at AWS, and the shareholders' long-term strategy was most recently evidenced through an unconditional commitment to an equity investment of £500 million in the companies which own AWS.

a) Market risk

i) Foreign currency

The Group has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The Group's foreign exchange policy allows for a range of hedge instruments, including forward foreign exchange, swaps and options, to hedge such exposures. All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The Group has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the particular operation, and has no material net exposure to movements in currency rates.

1 Our reports (awg.com)

17. Financial instruments continued

a) Market risk continued

Where exposures arise out of debt issuances in currencies other than sterling, this risk is hedged using cross currency interest rate swaps on the date the debt issuance is contracted. The Group assesses the economic relationship by comparing the currency cash flows on the underlying debt item with the currency cash flows on the hedge instrument to ensure an exact offset of the specific foreign currency flows of the debt is achieved. This results in a notional hedge ratio of one for all foreign currency hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied to manage foreign currency risks as appropriate and detailed below.

	Group and Company			
	Within one year m	Between one and five years m	Between five and 25 years m	Total m
At 31 March 2025				
Foreign currency borrowings – hedged item				
JPY	-	-	22,500.0	22,500.0
USD	-	238.0	-	238.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap – cashflow hedge				
JPY	-	-	(15,500.0)	(15,500.0)
USD	-	(89.0)	-	(89.0)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap – fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	-	(149.0)	-	(149.0)
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	154.4	-
USD	-	1.4	-	-
CAD	-	-	1.6	-

	Group and Company			
	Within one year m	Between one and five years m	Between five and 25 years m	Total m
At 31 March 2024				
Foreign currency borrowings – hedged item				
JPY	-	-	22,500.0	22,500.0
USD	-	238.0	-	238.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap – cashflow hedge				
JPY	-	-	(15,500.0)	(15,500.0)
USD	-	(89.0)	-	(89.0)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap – fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	-	(149.0)	-	(149.0)
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	154.4	-
USD	-	1.4	-	-
CAD	-	-	1.6	-

Hedge ineffectiveness on currency hedging primarily results from situations where we have taken the economic decision (in line with Treasury policy) to change our fixed and floating portfolio mix. Where this has required existing hedged positions to be changed, the existing hedge is de-designated and the replacement hedge will generate effectiveness. This ineffectiveness represents the difference between the amortisation of the effective balance of the hedge on the date of de-designation (released on a straight line basis) and the dynamic change in the value of the derivative as it trends to zero. In addition, ineffectiveness can result from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk).

Fair valuation movements related to foreign currency basis which forms part of the pricing of cross currency interest rate swaps are treated as a cost of hedging for all foreign currency hedge designations within the Group. As such, it is excluded from hedge relationships and is only a source of ineffectiveness where hedge accounting has been interrupted.

The changes in fair value of foreign currency basis spread accumulated in the cash flow hedge reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk

The Group's policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI or CPI), fixed and floating rates of interest. To guard against the adverse movements in interest rates having a detrimental impact on the business and to enable covenanted obligations and credit ratings to be met, the overall underlying debt portfolio is maintained at between 43% and 55% of RCV for index-linked debt and between 5% and 15% for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the Group endeavours to obtain the finest rates (lowest borrowing and finest depositing rates) consistent with ensuring that the relevant treasury objectives are met in full, i.e. the provision of adequate finance for Anglian Water Services Group at all times and maintaining security of principal on investments.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. Treasury manages its interest rate risk by monitoring market rates in relation to the debt (and investment) portfolios, analysing the effect of likely movements in interest rates and taking action as deemed appropriate, within the hedging limits outlined above.

The table below summarises the impact of derivatives on interest rate and inflation risks within the debt portfolio:

	Group and Company			
	Debt position £m	Swap impact £m	Post swap position £m	Effective interest rate %
At 31 March 2025				
Fixed	(5,110.7)	2,246.5	(2,864.2)	6.1
Floating	(395.0)	(711.8)	(1,106.8)	6.4
Index-linked	(3,193.9)	(1,834.9)	(5,028.8)	5.5
Leases	(33.9)	-	(33.9)	3.0
	(8,733.5)	(300.2)	(9,033.7)	
At 31 March 2024				
Fixed	(4,270.4)	1,921.6	(2,348.8)	5.9
Floating	(395.0)	(539.3)	(934.3)	6.3
Index-linked	(3,319.3)	(1,735.9)	(5,055.2)	8.8
Leases	(24.1)	-	(24.1)	2.7
	(8,008.8)	(353.6)	(8,362.4)	

Where exposures arising out of debt issuances are swapped this risk is hedged using cross currency interest rate swaps, interest rate swaps or inflation swaps. The Group assesses the economic relationship by comparing the cash flows on the underlying debt instrument with the offsetting cash flows on the hedge to ensure an exact offset of the specified notional value of the debt is achieved. This results in a notional hedge ratio of one for all interest rate hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied as appropriate. Derivatives that do not qualify for hedge accounting primarily consist of those relationships which swap debt into inflation. The table below outlines the Group's exposures to interest rates from derivative swaps in isolation (excluding offsetting debt instrument cashflows).

	Group and Company						
						Interest rate (weighted average)	
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	payable	receivable
At 31 March 2025							
Interest rate swaps							
Floating to fixed	25.0	-	350.0	-	(6.5)	5.2	5.7
Floating from fixed	525.0	204.5	845.0	-	(83.0)	6.1	3.8
Fixed to fixed	-	581.3	250.0	-	10.0	3.0	2.5
Inflation swaps							
Fixed to CPI	-	315.0	550.9	-	(167.7)	4.2	4.6
Floating to CPI	-	-	250.4	-	(3.9)	2.6	5.3
Fixed to RPI	-	-	100.0	-	3.0	5.4	6.0
Floating to RPI	-	-	225.0	190.9	(306.5)	4.9	5.4
RPI to Floating	-	-	97.4	-	(18.6)	6.4	5.0
RPI to CPI	-	-	1,750.0	-	(14.9)	3.5	3.3
Floating to fixed	74.0	-	-	-	1.2	1.5	5.0
Cross currency swaps							
JPY	-	-	145.8	-	(36.5)	4.9	1.3
USD	-	169.8	-	-	14.8	5.0	3.2
CAD	-	-	224.8	-	(11.4)	3.8	4.5
Total	624.0	1,270.6	4,789.3	190.9	(620.0)		

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk

	Group and Company						
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	Interest rate (weighted average) payable	receivable
At 31 March 2024							
Interest rate swaps							
Floating to fixed	-	99.0	250.0	-	(22.3)	4.2	5.3
Floating from fixed	75.0	729.5	645.0	-	(46.5)	6.0	3.4
Fixed to fixed	-	316.2	515.1	-	6.2	3.0	2.5
Inflation swaps							
Floating to RPI	150.0	-	225.0	190.9	(358.4)	3.2	5.7
Fixed to CPI	-	-	565.9	100.0	(157.5)	1.0	3.6
Floating to CPI	-	-	150.4	-	(29.1)	1.0	5.5
Cross currency swaps							
JPY	-	-	145.8	-	(30.4)	4.9	1.3
USD	-	169.8	-	-	14.3	5.0	3.2
CAD	-	-	224.8	-	(10.1)	3.8	4.5
Total	225.0	1,314.5	2,722.0	290.9	(633.8)		

We follow critical terms match approach for assessing hedge effectiveness. Hedge ineffectiveness can result from counterparty credit risk (which is present in the derivative but not in the hedged risk).

The maturity profile of Interest rate swaps in a cash flow hedge or fair value hedge relationship are given below.

	Group and Company						
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	Interest rate (weighted average) payable	receivable
At 31 March 2025							
Interest rate swaps							
Floating to fixed – Cash flow hedge	25.0	-	-	-	(0.4)	4.1	5.2
Fixed to flating – Fair Value hedge	350.0	204.5	75.0	-	(39.2)	5.5	1.8
At 31 March 2024							
Interest rate swaps							
Floating to fixed – Cash flow hedge	-	25.0	-	-	(0.2)	4.1	5.2
Fixed to flating – Fair Value hedge	-	554.5	75.0	-	(54.8)	5.6	1.8
						payable	receivable

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging derivatives. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The sensitivity of the Group's profits and equity, including the impact on derivative financial instruments, to potential changes in interest rates at 31 March is as follows:

	Group and Company	
	2025 £m	2024 £m
Increase/(decrease) in equity		
1% increase in interest rates	0.2	0.3
1% decrease in interest rates	(0.1)	(0.2)
Increase/(decrease) in profit before tax		
1% increase in interest rates	37.3	71.8
1% decrease in interest rates	(39.5)	(90.3)

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

17. Financial instruments continued

a) Market risk continued

ii) Interest rate and inflation rate risk continued

The following assumptions were made in calculating the interest rate sensitivity analysis:

- cash flow and fair value hedge relationships remain effective;
- the main fair value sensitivity to interest rates is in relation to inflation-linked derivatives;
- cash flow sensitivity is calculated on floating interest rate net debt; and
- all other factors are held constant.

Debt instruments

The following analysis shows the impact of a 1% change in RPI and a 1% change in CPI over the 12-month period to the reporting date on index-linked debt instruments.

The finance cost of the Group's index-linked debt instruments and derivatives varies with changes in inflation rather than interest rates. These instruments form an economic hedge with the Group's revenues and regulatory assets, which are linked to RPI and CPI-H inflation.

Inflation risk is reported monthly to the Finance, Treasury and Energy Policy Group, which manages inflation risk by identifying opportunities to amend the economic hedge currently in place where deemed necessary.

The sensitivity at 31 March of the Group's profit before tax to changes in RPI and CPI on debt and derivative instruments is set out in the following tables:

	Group and Company	
	2025 £m	2024 £m
Increase/(decrease) in profit before tax		
1% increase in inflation	(28.4)	(28.1)
1% decrease in inflation	28.3	28.1

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

RPI-linked derivatives

The fair values of the Group's RPI-linked derivatives are based on estimated future cash flows, discounted to the reporting date, and these will be impacted by an increase or decrease in RPI rates as shown in the following table. The sensitivity to CPI rates has been included in the level 3 disclosure and as such has not been repeated.

	Group and Company	
	2025 £m	2024 £m
Increase/(decrease) in profit before tax		
1% increase in RPI	(96.2)	(137.1)
1% decrease in RPI	89.9	112.5

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

iii) Commodity price risk

The Group recovers its electricity costs through revenue, set in real terms by Ofwat, to cover costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the Group to volatility in its operating cash flow. The Group's policy is to manage this risk either through forward purchases to fix the cost of future blocks of electricity with the contracted energy supplier, through the purchase of wholesale electricity swaps with financial counterparties, or through direct generation. Where swap contracts are utilised, the Group designates all the swaps in cash flow hedge relationships.

	Group and Company			
	Within one year MW	Between one and five years MW	Between five and 25 years MW	Mark to market £m
At 31 March 2025				
Electricity swap	105.5	78.0	-	(0.7)
At 31 March 2024				
Electricity swap	77.2	51.0	-	(21.4)

Hedge ineffectiveness primarily results from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk). There is no hedge ineffectiveness on any of our swap contracts. Assuming all energy hedges were in effective hedging relationships, a 10% increase/decrease in commodity prices would have the following impact:

	Group and Company	
	2025 £m	2024 £m
Increase/(decrease) in equity		
10% increase in original prices	6.1	3.7
10% decrease in original prices	(6.1)	(3.7)

10% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

17. Financial instruments continued

b) Credit risk

Credit risk arises principally from trading and treasury activities. From a trading perspective, the Group has no significant concentrations of credit risk due to minimising the risk through the effective management of customer relationships and through the collateralisation inherent in the licensing of business retail activities. The Group's largest trade receivable balance is in Anglian Water Services Limited, whose operating licence prevents the disconnection of water supply to domestic customers even where bills are unpaid. Irrecoverable debt is taken into consideration as part of the price review process by Ofwat, and therefore no additional provision is considered necessary in excess of the provision for expected credit loss allowance included in note 13.

Placements of cash on deposit expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements that provide protection in the event of counterparty rating downgrade or default. The Group only places cash deposits with banks of upper investment grade (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided. The credit rating applied to all counterparties is reviewed monthly and on an ongoing basis.

The Group's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme. There have been a recent downgrades across the sector reflecting the regulatory landscape, but these are not company specific.

All cash and cash deposits are held with institutions with a minimum of two short-term ratings of P1/A1/F1 or higher, or in the case of money market funds with a minimum of two ratings of Aaam MR1+/AAAm/AAAmmf or higher.

In the case of derivatives, the following table sets out the Group's financial assets and liabilities and the impact of any enforceable master netting arrangements.

Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis. Amounts that do not meet the criteria for offsetting on the balance sheet but could be settled net in the event of default of either party have been reflected in the offsetting column below.

Group policy requires that transactions are only executed with counterparties which are both (a) from the lending Group and (b) rated at least A- (long-term) or A1 (short-term) by Standard & Poor's, Moody's or Fitch.

	Group and Company		
	Gross carrying amounts £m	Offsetting not presented in the balance sheet £m	Net amount £m
At 31 March 2025			
Derivative financial assets	169.2	17.8	187.0
Derivative financial liabilities	(789.9)	(17.8)	(807.7)
At 31 March 2024			
Derivative financial assets	234.0	(12.4)	221.6
Derivative financial liabilities	(889.3)	12.4	(876.9)

Gross amounts offset represent equal and opposite transactions with the same counterparties and same terms on which no settlements are paid. Offsetting not presented in the balance sheet reflects the extent to which derivative assets and liabilities could be offset with the same counterparty in the event of counterparty default.

At 31 March, the maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset in the Group balance sheet:

	Group	
	2025 £m	2024 £m
Cash and cash equivalents	589.0	474.4
Trade and other receivables	662.6	617.4
Investments – cash deposits	430.0	530.0
Derivative financial assets	169.2	234.0

	Company	
	2025 £m	2024 £m
Cash and cash equivalents	550.7	472.1
Trade and other receivables	662.6	617.4
Investments – cash deposits	430.0	530.0
Derivative financial assets	169.2	234.0

17. Financial instruments continued

b) Credit risk continued

Note 2c details the assessment made for the expected credit losses for trade and other receivables.

None of the other financial assets are credit impaired.

The Company, as part of the Anglian Water Services Financing Group, guarantees unconditionally and irrevocably all the borrowings and derivatives of Anglian Water Services Financing Plc, which at 31 March 2025 amounted to £9,595.3 million (2024: 8,911.9 million). The borrowings of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are also guaranteed unconditionally and irrevocably by the Company. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited had no outstanding indebtedness at 31 March 2025 (2024: £nil).

During the period to 31 March 2025, there has been no change to the Group's position from that disclosed in the 31 March 2024 consolidated financial statements.

c) Capital risk management

The prime responsibility of the Group's treasury function is the efficient and effective management of financial resources within the Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures. The Group does not have externally imposed capital requirements.

It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets. The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings.

Anglian Water's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme.

d) Liquidity risk

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis.

As noted in the Financing Structure section above, the business generates operating cash flows to finance the day-to-day operations of the Group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long term viability of the Group (see our Long term viability statement, page 117). In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient to enable it to be able to access the necessary debt and equity to deliver its Business Plan both over the current five-year regulatory period but also into the future taking consideration the long-term planning cycle, as well as to be able to maintain a strong investment grade credit rating throughout. This is in part why we have asked Ofwat to refer the PR24 Final Determination to the CMA as we do not believe this financeability requirement has been met for the notional company.

The Group's borrowing facilities of £1,382.5.0 million (2024: £1,450.0 million), as set out below. On 11 June 2025 the Group received formal commitment from lenders for the refinancing of £950 million of RCF's that were due to expire in March 2026 and June 2026 in the form of a new three-year facility totalling £900 million. Further details of our longer-term financing can be found in our long-term viability statement on page 117.

The Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

	Group and Company	
	2025 £m	2024 £m
Expires:		
Within one year	557.5	600.0
Between one and two years	575.0	-
Between two and five years	250.0	850.0
	1,382.5	1,450.0

The Group's borrowing facilities of £1,382.5 million (2024: £1,450.0 million) comprise Class A debt service reserve facilities totalling £294.0 million provided by HSBC Bank Plc, Sumitomo Mitsui Banking Corporation and Assured Guaranty; a £138.5 million operating and capital maintenance expenditure reserve facility provided by Barclays Bank Plc, BNP Paribas Plc, Lloyds TSB Bank Plc and Bank of Nova Scotia; two syndicated loan facilities totalling £850.0 million for working capital and capital expenditure requirements managed by Barclays Bank Plc in the role of facility agent and syndicated to a pool of relationship banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £50.0 million with Bank of China Limited for general corporate purposes.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity Groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payable:

17. Financial instruments continued

d) Liquidity risk continued

We have used spot FX rates and forward interest rates to calculate undiscounted cashflows.

	Group				
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
At 31 March 2025					
Trade and other payables	(312.6)	-	-	-	(312.6)
Borrowings	(868.0)	(2,926.5)	(9,540.1)	(2,279.3)	(15,613.9)
Derivative financial instruments (net settled)	(98.8)	(198.0)	(809.0)	(280.7)	(1,386.5)
Derivative financial instruments (gross settled outflow)	(26.1)	(237.1)	(452.3)	-	(715.5)
Derivative financial instruments (gross settled inflow)	15.9	231.5	335.4	-	582.8
Leases	(7.3)	(17.9)	(12.7)	(3.5)	(41.4)
	(1,296.9)	(3,148.0)	(10,478.7)	(2,563.5)	(17,487.1)
At 31 March 2024					
Trade and other payables	(339.1)	-	-	-	(339.1)
Borrowings	(583.6)	(2,836.9)	(8,240.2)	(2,665.8)	(14,326.5)
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	(1,389.9)
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	(744.5)
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	628.1
Leases	(6.4)	(20.0)	(11.3)	(3.6)	(41.3)
	(1,011.8)	(3,079.9)	(9,211.9)	(2,909.6)	(16,213.2)

	Company				
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Total £m
At 31 March 2025					
Trade and other payables	(328.2)	-	-	-	(328.2)
Borrowings	(868.0)	(2,926.5)	(9,540.1)	(2,279.3)	(15,613.9)
Derivative financial instruments (net settled)	(98.8)	(198.0)	(809.0)	(280.7)	(1,386.5)
Derivative financial instruments (gross settled outflow)	(26.1)	(237.1)	(452.3)	-	(715.5)
Derivative financial instruments (gross settled inflow)	15.9	231.5	335.4	-	582.8
Leases	(7.3)	(17.9)	(12.7)	(3.5)	(41.4)
	(1,312.5)	(3,148.0)	(10,478.7)	(2,563.5)	(17,502.7)
At 31 March 2024					
Trade and other payables	(388.8)	-	-	-	(388.8)
Borrowings	(583.6)	(2,836.9)	(8,240.2)	(2,665.8)	(14,326.5)
Derivative financial instruments (net settled)	(77.5)	(217.8)	(854.4)	(240.2)	(1,389.9)
Derivative financial instruments (gross settled outflow)	(22.0)	(250.2)	(472.3)	-	(744.5)
Derivative financial instruments (gross settled inflow)	16.8	245.0	366.3	-	628.1
Leases	(6.4)	(20.0)	(11.3)	(3.6)	(41.3)
	(1,061.5)	(3,079.9)	(9,211.9)	(2,909.6)	(16,262.9)

18. Deferred tax

Group and Company	Accelerated tax depreciation £m	Financial instruments £m	Retirement benefit obligation £m	Tax losses carried forward £m	Other £m	Total £m
At 1 April 2024	1,977.4	(18.7)	7.7	(356.5)	(8.1)	1,601.8
Charged/(credited) directly to income statement	124.9	15.8	7.3	(70.6)	(2.6)	74.8
Charged directly to other comprehensive income	-	9.4	7.3	-	-	16.7
At 31 March 2025	2,102.3	6.5	22.3	(427.1)	(10.7)	1,693.3
At 1 April 2023	1,838.2	(68.0)	12.8	(244.3)	(7.4)	1,531.3
Charged/(credited) directly to income statement	139.2	51.2	1.4	(112.2)	(0.7)	78.9
Charged directly to other comprehensive income	-	(1.9)	(6.5)	-	-	(8.4)
At 31 March 2024	1,977.4	(18.7)	7.7	(356.5)	(8.1)	1,601.8

Deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

19. Net retirement benefit surplus

Pension arrangements for the majority of the company's UK employees are of the funded defined benefit type through the AWG Pension Scheme ("AWGPS") Main section and Hartlepool section (a defined benefit scheme for the employees of the former Hartlepool Water Limited, where the pension scheme was transferred on 1 April 2000 which is now a section of the AWGPS). The defined benefit pension arrangements are closed to new pension accrual with effect from 31 March 2018.

The Company also manages an unfunded pension arrangement which has been valued by independent actuaries to take account of the requirements of IAS19 as at 31 March 2025. The provision for unfunded pension obligations relates to the cost of enhancements of former employees, over and above their entitlement in the Company's pension schemes. The majority of these employees ceased their employment following redundancy programmes principally between 10 and 20 years ago. These pension enhancements are payable until the death of these former employees (or their dependants) and payments are expected to be made over approximately 25 years.

The assets and liabilities relating to the defined benefit scheme for the employees of the former Hartlepool Water Limited are held in a segregated section of the AWGPS. Hartlepool Water Limited was acquired in July 1997, with trade and assets transferred to Anglian Water on 1 April 2000. However, as the Trustees assess the funding requirements of the Hartlepool section separately from the rest of AWGPS, the Hartlepool section has been separately disclosed in the tables below.

On 23 May 2022 a buyout of the Hartlepool section was completed resulting in a settlement of liabilities. However, we note there are still some residual assets in the section.

Within the scheme, employees are entitled to retirement benefits based on their final salary and length of service at the time of leaving, or closure of, the schemes, payable on attainment of retirement age (or earlier death).

On 31 March 2018, following a period of consultation with representatives of all employees, the defined benefit sections of the AWGPS (including the Hartlepool section) were closed for future accruals. From 1 April 2018 all employees now have the option to participate in a new high quality defined contribution scheme which offers an equitable scheme with more flexible benefits.

Full valuations as at 31 March 2023 have been completed for the AWGPS Main and Hartlepool sections, the results of which have been used as a basis for the IAS 19 'Employee Benefits' disclosures as at 31 March 2025.

The Group has a plan in place with the scheme's trustees to address the funding deficit for the Main Section of the AWGPS by 2026, through a series of annual deficit recovery contributions.

During the year, the Group contributed £24.5 million (2024: £nil) deficit reduction payments. There were no deficit reduction payments (2024: none) for the Hartlepool Section due to the buyout.

In the year to 31 March 2026 employers' contributions are expected to be £23.2 million. The approximate weighted average duration of all defined benefit obligations for AWGPS is 13 years.

There is one defined contribution scheme which operates predominantly in the UK, and contributions to this scheme amounted to £25.5 million (2024: £22.5 million). There is £nil outstanding balance on the defined contribution scheme at year end (2024: £nil).

The Virgin Media Ltd v NTL Pension Trustees II Court ruling

On 16 June 2023, the High Court handed down its decision in The Virgin Media Ltd v NTL Pension Trustees II which concerned the correct interpretation of section 37 of the Pension Schemes Act 1993. Subsequently Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024, it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that a section 37 confirmation was required where an alteration to a scheme's rules affected pension benefits attributable to past or future service benefits related to section 9(2B) rights between 6 April 1997 until the end of contracting-out on 5 April 2016.

The Trustee with its advisors, and the Scheme Actuary are considering the possible implications for the Scheme. An initial review by the Trustee and scheme lawyers has been undertaken and a letter was sent by the Trustee to the Company in April 2025 setting out the work done and advice from the scheme lawyers. The advice is that it would be reasonable and proportionate, and in line with common market practice, for the Trustee to note the output of that review and then adopt a 'wait and see' approach, pending further developments and noting there is no suggestion that the Scheme was not being governed in accordance with relevant legal requirements at the time. Based on this the Company does not believe it appropriate to record a provision in the accounts.

Notes to the financial statements continued

a) Principal actuarial assumptions

The liabilities of the Group's pension schemes have been valued using the projected unit method and using the following assumptions:

	Group and Company	
	2025 % pa	2024 % pa
Discount rate	5.8	4.8
Inflation rate		
RPI	3.3	3.3
CPI	2.9	2.9
Increases to deferred benefits during deferment		
RPI	3.3	3.3
CPI	2.9	2.9
Increases to inflation related pensions in payment[1]		
RPI	3.2	3.2
CPI	2.8	2.9
	Years	Years
Longevity at age 65 for current pensioners		
Men	21.6[3]	21.5[3]
Women	24.2[3]	24.1[3]
Longevity at age 65 for future pensioners[2]		
Men	22.9[3]	22.8[3]
Women	25.6[3]	25.5[3]

1 Life expectancies for 'AWGPS' and 'Unfunded pensioners' only

2 For pension increases capped at 5% p.a.

3 The life expectancy shown for future pensioners is for those reaching 65 in 2045

b) Sensitivity analysis

The following table sets out the sensitivity of the liabilities within the schemes to changes in the financial and demographic assumptions.

	Group and Company				
	Change in assumption	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 31 March 2025					
Discount rate	+/- 0.5 % pa	-50/55	-	-1/1	-58/64
Rate of RPI inflation	+/- 0.5 % pa	49/-45	-	1/-1	53/-50
Life expectancy	+/- 1 year	27/-27	-	1/-1	33/-34
At 31 March 2024					
Discount rate	(0.5)	-62/69	-	-1/2	-63/71
Rate of RPI inflation	(0.5)	62/-57	-	2/-1	64/-58
Life expectancy	(1.0)	33/-29	-	1/-1	34/-30

Changes to market conditions that influence the assumptions above may also have an impact on the value of the schemes' investment holdings. The extent to which these are managed is discussed in section (c) below. The sensitivities in the table above have been calculated by changing the key assumption and leaving all others fixed, with the exception of the RPI inflation assumption, which has a corresponding impact on Consumer Prices Index ('CPI') inflation, pension increases and salary increases due to the way the assumptions are derived. These changes in assumptions represent a reasonable alternative range, as well as a useful benchmark change.

19. Net retirement benefit surplus continued

c) Risk and risk management

The Group's defined benefit pension schemes, in common with the majority of such schemes in the UK, have a number of areas of risk. These areas of risk, and the ways in which the Group manages them, are set out below.

The risks are considered below from both a funding perspective (which drives the cash commitments of the Group) and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Asset volatility

For the purpose of setting the contribution requirements, the calculation of the value of the liabilities uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. Under IAS 19, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields.

The schemes hold a proportion of their assets in return-seeking funds. The return on these assets may be volatile and are not correlated to the value of the liabilities. This means that the deficit may be volatile in the shorter term, which may lead to an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the balance sheet.

The Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. The schemes' other assets are well diversified by investing in a range of asset classes including government bonds and corporate bonds. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Change in bond yields

A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds and liability-driven investments is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

Price inflation

The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). A significant proportion of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature (corporate bonds and government bonds), or have an indirect link to inflation (equities).

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

d) Amounts recognised in comprehensive income

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
2025				
Amounts (charged)/credited to finance costs				
Interest income on scheme assets	47.7	-	-	47.7
Interest cost on scheme liabilities	(44.2)	-	(1.4)	(45.6)
Net interest income/(expense)	3.5	-	(1.4)	2.1
Amounts credited/(charged) to the income statement	3.5	-	(1.4)	2.1
Amounts (charged)/credited to other comprehensive income				
Return on plan assets (excluding amounts included in net interest)	(91.1)	-	-	(91.1)
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	115.5	-	2.7	118.2
Experience adjustments	2.0	-	-	2.0
Net (charge)/credit to other comprehensive income	26.4	-	2.7	29.1
2024				
Amounts (charged)/credited to finance costs				
Interest income on scheme assets	48.7	-	-	48.7
Interest cost on scheme liabilities	(44.8)	-	(1.5)	(46.3)
Net interest income/(expense)	3.9	-	(1.5)	2.4
Amounts credited/(charged) to the income statement	3.9	-	(1.5)	2.4
Amounts (charged)/credited to other comprehensive income				
Return on plan assets (excluding amounts included in net interest)	(51.6)	0.5	-	(51.1)
Actuarial gains/(losses) arising from:				
Changes in financial assumptions	33.3	-	0.9	34.2
Experience adjustments	(8.7)	-	(0.2)	(8.9)
Net (charge)/credit to other comprehensive income	(27.0)	0.5	0.7	(25.8)

19. Net retirement benefit surplus continued

e) Amounts recognised in the balance sheet

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
2025				
Equities	-	-	-	-
Corporate bonds	421.2	-	-	421.2
Government bonds	464.3	-	-	464.3
Property	-	-	-	-
Alternatives	94.8	0.7	-	95.5
Pooled LDI investments (with def of LDI)	72.1	-	-	72.1
Derivatives	(10.7)	-	-	(10.7)
Repurchases	(249.4)	-	-	(249.4)
Cash and cash equivalents	142.2	0.4	-	142.6
Total assets	934.5	1.1	-	935.6
Present value of scheme liabilities	(819.7)	-	(26.6)	(846.3)
Net pension deficit	114.8	1.1	(26.6)	89.3
Comprising:				
Pension schemes with a net surplus, included in non-current assets	114.8	1.1	-	115.9
Pension schemes with a net deficit, included in non-current liabilities	-	-	(26.6)	(26.6)
	114.8	1.1	(26.6)	89.3

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
2024				
Equities	83.9	-	-	83.9
Corporate bonds	309.3	-	-	309.3
Government bonds	758.8	-	-	758.8
Property	31.6	-	-	31.6
Alternatives	69.4	0.7	-	70.1
Pooled LDI investments (with def of LDI)	71.4	-	-	71.4
Derivatives	(25.1)	-	-	(25.1)
Repurchases	(403.4)	-	-	(403.4)
Cash and cash equivalents	111.4	0.4	-	111.8
Total assets	1,007.3	1.1	-	1,008.4
Present value of scheme liabilities	(946.9)	-	(30.8)	(977.7)
Net pension deficit	60.4	1.1	(30.8)	30.7
Comprising:				
Pension schemes with a net surplus, included in non-current assets	60.4	1.1	-	61.5
Pension schemes with a net deficit, included in non-current liabilities	-	-	(30.8)	(30.8)
	60.4	1.1	(30.8)	30.7

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. Most of the assets have quoted prices in active markets, but there are corporate bonds, alternative investments and insurance contracts, which are unquoted amounting to £8.3 million (2024: £98.8 million).

19. Net retirement benefit surplus continued

f) Reconciliation of fair value of scheme assets

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 1 April 2024	1,007.3	1.1	-	1,008.4
Interest income on scheme assets	47.7	-	-	47.7
Employers' contributions	24.4	-	2.8	27.2
Benefits paid	(53.8)	-	(2.8)	(56.6)
Return on plan assets (excluding interest income)	(91.1)	-	-	(91.1)
At 31 March 2025	934.5	1.1	-	935.6
At 1 April 2023	1,060.6	0.6	-	1,061.2
Interest income on scheme assets	48.7	-	-	48.7
Employers' contributions	-	-	2.9	2.9
Benefits paid	(50.4)	-	(2.9)	(53.3)
Bulk transfer	-	-	-	-
Return on plan assets (excluding interest income)	(51.6)	0.5	-	(51.1)
At 31 March 2024	1,007.3	1.1	-	1,008.4

g) Reconciliation of scheme liabilities

	Group and Company			
	AWGPS £m	Hartlepool £m	Unfunded pensions £m	Total £m
At 1 April 2024	(946.9)	-	(30.8)	(977.7)
Interest cost on scheme liabilities	(44.1)	-	(1.3)	(45.4)
Benefits paid	53.8	-	2.8	56.6
Actuarial losses	117.5	-	2.7	120.2
At 31 March 2025	(819.7)	-	(26.6)	(846.3)
At 1 April 2023	(977.1)	-	(33.0)	(1,010.1)
Interest cost on scheme liabilities	(44.8)	-	(1.4)	(46.2)
Benefits paid	50.4	-	2.9	53.3
Actuarial losses	24.6	-	0.7	25.3
At 31 March 2024	(946.9)	-	(30.8)	(977.7)

20. Share capital and premium

	Group and Company	
	2025 £m	2024 £m
Share capital		
Authorised, issued and fully paid		
32,000,002 ordinary shares of £1 each	32.0	32.0
Share premium	1,165.0	1,165.0

21. Hedging reserve

	Group	
	2025 £m	2024 £m
At 1 April	14.9	17.8
(Losses)/gains on cash flow energy hedges	6.5	(50.2)
Amounts transferred to the income statement relating to existing cash flows hedges	15.7	27.5
Losses on cash flow hedges	(2.4)	(0.9)
Amounts transferred to the income statement from discontinued cash flow hedges	2.5	4.8
Exchange movement on hedging instruments related to debt in cash flow hedges	19.2	14.6
Deferred tax movement on cash flow hedges	(10.4)	1.3
At 31 March	46.0	14.9

Cost of hedging reserve

	Group	
	2025 £m	2024 £m
At 1 April	(0.4)	1.7
(Losses)/gains on hedge relationships	(3.9)	(2.7)
Deferred tax movement on hedge relationships	1.0	0.6
At 31 March	(3.3)	(0.4)

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.

21. Hedging reserve continued

The table below provides additional information in relation to the annual movements and cumulative closing positions on the cash flow hedge reserves.

	Group					
	Annual movements		Cumulative reserves			
	Hedged item gain/(loss) £m	Hedge ineffectiveness gain/(loss) £m	Total hedge reserves continuing £m	Total hedge reserves discontinued £m	Deferred tax on hedge reserves £m	Total hedge reserves £m
At 31 March 2025						
Cash flow hedge of interest rate risk	14.3	-	38.0	18.9	(14.2)	42.7
At 31 March 2024						
Cash flow hedge of interest rate risk	(75.2)	-	3.1	16.0	(4.6)	14.5

22. 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 value outstanding of orders placed at 31 March.

	Group	
	2025 £m	2024 £m
Property, plant and equipment	354.8	305.8
Intangible assets	54.9	58.6
	409.7	364.4

23. Lease arrangements

The Group leases various items of property, plant and equipment. Right-of-use assets are included within property, plant and equipment on the balance sheet, further details can be found in note 11. Lease liabilities are included within borrowings on the balance sheet, further details can be found in note 16.

	Group	
	2025 £m	2024 £m
Additions to right-of-use assets	6.6	3.6
Depreciation charge for right-of-use assets	(7.7)	(7.5)
Carrying amount of right-of-use assets	69.5	70.7
Interest expense on lease liabilities	(1.0)	(1.1)
Expense relating to short-term leases	5.7	2.9
Total cash outflow for leases comprising interest and capital payments	(7.4)	(7.5)
Reconciliation of lease liability		
Contractual undiscounted cash flows	41.4	41.3
Effect of discounting	(7.5)	(7.7)
Lease liability	33.9	33.6

A maturity analysis of lease liabilities is included within note 17d.

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

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

	Group	
	Interest £m	IFRS debt £m
At 31 March 2025		
CTA leases	0.3	6.9
Non-CTA leases (Permitted indebtedness)	0.7	27.0
At 31 March 2024		
CTA leases	0.4	9.6
Non-CTA leases (Permitted indebtedness)	0.6	24.0

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. There are no material lease payments with variable payment features.

24. Contingencies

Flow to Full Treatment investigations

As previously disclosed, in November 2021 Ofwat and the Environment Agency ("EA") launched separate industry-wide investigations focusing on spills to the environment. Ofwat's focus is potential non-compliance with the Water Industry Act and the Urban Wastewater Treatment Regulations (referred to as the Flow to Full Treatment investigation) whilst the EA is focusing on permit compliance.

By June 2022 Ofwat opened enforcement cases against six water and wastewater companies ("WaSCs") including Anglian Water.

In July 2024, Ofwat announced the opening of enforcement cases into the remaining four WaSCs.

In August 2024, Ofwat issued draft enforcement notices following the conclusion of its investigation into three of the companies (Northumbrian Water, Thames Water and Yorkshire Water). In these draft enforcement notices Ofwat states that it has concluded that each company has failed to meet certain duties and obligations arising as a result of the Urban Wastewater Treatment (England and Wales) Regulations 1994, Section 94 of the Water Industry Act 1991 (WIA91) and Licence Condition P.

Ofwat is continuing to progress the enforcement cases in relation to the other seven WaSCs (including the case against Anglian Water).

Ofwat has the power to fine a Regulated Company up to 10%. (for each respective breach) of the relevant regulated turnover in the preceding 12 months if it fails to comply with certain of its statutory duties or the terms of its licence or fails to meet standards of performance. The proposed financial penalties announced in August range from 5% to 9% of turnover in respect of the Water Recycling Price controls. Assuming it were in line with those penalties issued to date any potential financial penalty issued to Anglian Water would be in the range: £43.6 million (assuming 5%.) to £78.5 million (assuming 9%.). There is no certainty that Ofwat would propose a financial penalty within this range.

In March 2025, Ofwat announced that it had concluded that its investigation into Yorkshire water on the basis of binding undertakings. The undertakings include commitments to a proposed redress package valued at £40 million in lieu of the financial penalty that would otherwise have been imposed (£36.9 million or 5.5% of its relevant turnover) following consideration of the new evidence provided by Yorkshire Water. In the annex to its decision notice, Ofwat sets out factors which will lead it conclude that the scale and seriousness of the breaches is Minor (up to 3%), Serious (up to 6%) and Significant (up to 10%). However, Ofwat then goes on to say that, once allocated to one of these three categories it will re-consider the full set of case evidence in the round, to determine the appropriate penalty level. Under WIA s19, Ofwat can accept undertakings in lieu of a financial penalty. Based on the fact that Ofwat has accepted undertakings from Yorkshire it is considered likely that Ofwat would also accept appropriate undertakings from Anglian Water in lieu of a financial penalty. Such undertakings would most likely primarily take the form of a commitment to future capital works which would be accounted for under IAS 16.

The EA's separate investigation (referred to as Operation Standard) is also ongoing. The Company has provided comprehensive information to both regulators and continues to engage positively with them.

Competition Act

As previously disclosed, in December 2023, Professor Carolyn Roberts (acting as the Proposed Class Representative or "PCR") issued proceedings against Anglian Water alleging that the company had abused (and continues to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings were issued against five other WASCs. Professor Roberts alleged that the WASCs had provided misleading information to the EA and to Ofwat with the result that Ofwat had allowed companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it proposed to progress the claim as a class action in the Competition Appeal Tribunal ("CAT") on behalf of all relevant customers, the claim needed to be certificated before it could proceed to a substantive trail. A certification hearing took place before the CAT in September 2024. In March 2025, the CAT confirmed that it did not propose to allow the claim to proceed on the basis that Section 18(8) of the Water Industry Act 1991 provides that the correct avenue for any remedy in respect of the matters alleged by way of a regulatory process. The PCR is now seeking leave to appeal the CAT's decision.

Whilst there is a reasonable prospect of leave to appeal being granted, the CAT's reasoning is considered to be robust and therefore the chances of a successful appeal by the PCR of the certification decision are not considered to be high. Even if the appeal in respect of certification decision is successful, the Directors consider that this application of the Competition Act is extremely novel and that there are a number of significant hurdles which must be overcome by the Claimant in connection with this litigation. There is also material overlap between this claim and Ofwat's and the EA's investigations (referred to above).

As is normal for a company of this size and nature, it is subject to a number of other claims, disputes and litigation, these will be recognised as a provision if the required thresholds for recognition are met. The directors consider an appropriate position has been taken in reflecting such items in these financial statements at this time.

25. Ultimate parent undertaking and controlling party

Anglian Water Services Limited is incorporated and domiciled in the UK.

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

The Directors consider Anglian Water Group Limited, a company registered in Jersey, to be the ultimate parent undertaking. Anglian Water Group Limited is itself owned and ultimately controlled by a consortium of investors consisting of Canada Pension Plan Investment Board (CPP Investments™), IFM Global Infrastructure Fund, Camulodunum Investments, First Sentier Investors and Infinity Investments S.A.

Osprey Acquisitions Limited is the parent company of the smallest Group to consolidate the financial statements of the company, and Anglian Water Group Limited is the parent company of the largest Group to consolidate the financial statements of the company. Copies of the Anglian Water Group Limited financial statements and Osprey Acquisitions Limited's financial statements can be obtained from the Company Secretary at the registered address: Anglian Water Services Limited, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

26. Related party transactions

a) Transactions with shareholders

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.

During the year to 31 March 2025, there were no transactions (2024: £nil) with the shareholders.

b) Remuneration of key management personnel

Key management personnel comprise all the Directors and members of the Executive Committee during the year. The remuneration of Directors is included within the amounts disclosed below. Further information about the Directors' Remuneration report on pages 147-165.

	Group	
	2025 £m	2024 £m
Short-term employee benefits	6.2	5.8
Post-employment benefits	0.5	0.3
	6.7	6.1

c) Parent company

The Company's related party transactions are summarised below:

	2025 £m	2024 £m
Sale of goods/services to		
Fellow subsidiaries of Anglian Water Group Limited	0.3	0.2
Purchase of goods/services from		
Fellow subsidiaries of Anglian Water Group Limited	11.6	9.7
Management fees paid to		
Subsidiaries	0.4	0.4
Interest charged by		
Subsidiaries	494.9	615.3
Dividends paid to		
Parent company	88.6	79.9

	Group	
	2025 £m	2024 £m
Trade and other receivables due from		
Fellow subsidiaries of Anglian Water Group Limited	2.1	0.9
Trade and other payables due to		
Subsidiaries	15.6	49.6
Fellow subsidiaries of Anglian Water Group Limited	0.9	0.7
Loans and other borrowings due to		
Subsidiaries	8,805.4	8,046.5

27. Alternative performance measures

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each year presented in these financial statements.

a) EBITDA

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the company's overall financial performance. Each element of this APM is shown on the face of the income statement.

	Group	
	2025 £m	2024 £m
EBITDA	920.0	819.5
Net finance costs	(307.5)	(297.7)
Tax charge	(52.6)	(31.2)
Depreciation and amortisation	(423.5)	(388.6)
Profit for the period	136.4	102.0

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains on derivative financial instruments. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2025 £m	2024 £m
Adjusted finance costs	(370.4)	(502.6)
Fair value gains on derivative financial instruments	62.9	204.9
Net Finance costs, including fair value gains on derivative financial instruments	(307.5)	(297.7)

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

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

	Group	
	2025 £m	2024 £m
Adjusted profit before tax/Profit before fair value gains	126.1	(71.7)
Tax charge	(52.6)	(31.2)
Fair value gains on derivative financial instruments	62.9	204.9
Profit for the period	136.4	102.0

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business.

See note 16 and below.

	Group	
	2025 £m	2024 £m
Net cash and cash equivalents	589.0	474.4
Current asset investments	430.0	530.0
Borrowings	(8,740.1)	(7,981.3)
Net debt excluding derivatives	(7,721.1)	(6,976.9)
Derivatives	(620.7)	(655.3)
Less: energy derivatives	0.7	21.3
Adjusted net debt	(8,341.1)	(7,610.9)

27. Alternative performance measures continued

e) Interest cover

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

	Group 2025 £m	Group 2024 £m
Operating cash	811.3	767.1
RCV run off	(501.5)	(475.2)
	309.8	291.9
Interest cash	(180.2)	(181.8)
Interest cover ratio	1.7	1.6

f) Capital investment

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

	Group 2025 £m	Group 2024 £m
Property, plant and equipment additions	1,067.5	1,044.0
Intangible assets addition	117.5	58.2
Capitalised interest	(84.1)	(71.0)
Adopted assets	(34.0)	(48.2)
Non-appointed business	(1.0)	(1.3)
Items shown as stock	14.7	(18.3)
Capital investment	1,080.6	963.4

g) Free cash flow

Free cash flow is used in determining cash conversion and is calculated as cash from operating activities, less net interest of cash deposits, less capital maintenance.

	Group 2025 £m	Group 2024 £m
Operating cash	811.3	767.1
Interest on cash	(180.2)	(181.8)
Less: Net interest income excluded under CTA	(13.5)	(17.6)
Capital maintenance	(424.0)	(341.0)
Free cash flow	193.6	226.7

28. Events after the balance sheet date

The Directors have recommended not to pay a final dividend in relation to 2024/25. Whilst there was capacity to pay a dividend after taking account commitments to customers and other stakeholders and ensuring that it is able to finance its Appointed Business, the Directors felt it appropriate to defer this capacity at this time.

On 23 May 2025, the ultimate shareholders of the Anglian Water Group provided unconditional and legally binding commitments to inject £500 million into the Anglian Water Group, pro-rata to their current shareholdings. £300 million will be provided by early September 2025 and paid down the group structure to Anglian Water (Osprey) Financing plc (the borrowing entity at Midco which also includes Osprey Acquisitions Limited), where it will be used to repay a £240 million bond which matures in March 2026, as well as repayment of drawn bank revolving credit facilities. The remaining £200 million balance of shareholder funding will be provided to the Group by early June 2026, when we plan to cycle the funds down the group structure to Aigrette Financing (Issuer) plc, the unrated Topco borrowing entity, where it will be used to repay £200 million of bank loans maturing in mid-June 2026.

On 11 June 2025 the Group received formal commitment from lenders for the refinancing of £950 million of RCF's that were due to expire in March 2026 and June 2026 in the form of a new three-year facility totalling £900 million.

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.

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Anglian Water Services Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and parent company balance sheets;
- the group and parent company statements of changes in equity;
- the group and parent company cash flow statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Bad debt provisioning; Capital expenditure accounting; and Going concern. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £27.5m (2024: £25.3m) which was determined on the basis of 3% of EBITDA (2024: 3% of EBITDA).
Scoping	The group comprises Anglian Water Services Limited (the regulated water and water recycling business) and its only subsidiary company Anglian Water Services Financing Plc (the group's financing entity). We audited all entities in aggregate at the group level, which accounted for 100% of the group's net assets and 100% of the group's EBITDA.
Significant changes in our approach	In the current year we have identified accounting for capital expenditure as a key audit matter. This aligns with the continued expansion of the parent company's capital programme and associated complexities which led to a significant allocation of resource to this area, there is also increased judgement involved in determining the appropriate accounting treatment for some of these items. We have also identified going concern as a key audit matter. We planned our audit mindful of the expiration of banking facilities within the going concern assessment period together with the decision by the group to refer the Final Determination to the CMA which led to an increased level of judgement made by the Directors and an increase in experienced and specialist resource within the audit team being allocated to this area. We previously identified derivative accounting as a key audit matter. As the control environment has stabilised and no new complex instruments were entered into in the period we assessed a lower level of risk in this area and there was a reduced level of audit effort relative to the prior year and compared to the audit strategy related to bad debt provisioning and capital expenditure accounting.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.3.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Bad debt provisioning

Key audit matter description

As at 31 March 2025, the group and the parent company have an expected credit loss provision was £238.9 million (2024: £212.1 million) in respect of trade receivables.

A proportion of the group's customers do not or cannot pay their water bills, which results in the need for a provision to be made for the risk of non-payment of the customer balance. The bad debt provision is material, a key area of estimation uncertainty within the group and an area of scrutiny by Ofwat.

For the year ended 31 March 2025, the bad debt charge was £36.3 million (2024: £38.7 million). The movement in bad debt charge reflects a reduction in the macro-economic overlay driven by outlook improvements in the economic data used to predict future cash collection trends. Cash collection rates have remained consistent year-on-year and, overall, are comparable with the collection rates achieved in 2018-2022 which is the period used by the group to evaluate the expected credit loss.

Provisions are made against the group's trade receivables based on historical cash collection rates. A top-up to the provision is recorded to reflect expected deterioration in future cash collection compared to historical cash collection rates due to the anticipated impact of macro-economic uncertainties on customers' ability to pay bills, such as the cost-of-living crisis and reduction to real disposable household income. As at 31 March 2025, the forward looking macro-economic overlay provision is £3.1 million (2024: £5.7 million). The group determined this top-up provision considering a range of external data points, including the correlation between unemployment rates, real disposable household income and cash collections.

The key audit matter, which is also a potential fraud risk, is focused on the estimation of the household bad debt provision, including whether the experience of cash collection in historical periods provides an appropriate expectation of future credit losses under IFRS 9 'Financial Instruments'.

The Audit Committee have considered this as a key issue, and it is disclosed in the Audit Committee report on page 138. It is also included as an area involving estimation in note 2 to the financial statements, and the relevant accounting policy adopted is disclosed in note 1(q). The closing bad debt provision as at 31 March 2025 is disclosed in note 13 and the year-on-year bad debt charge is discussed in the Financial Performance report on page 25.

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Independent auditor's report to the members of Anglian Water Services Limited continued

5.1. Bad debt provisioning

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- obtained an understanding of relevant controls within the bad debt provision estimation process;
- utilised data analytics to perform a recalculation of debtor ageing to test the accuracy of information within the aged debt report in order to assess whether customers are accurately categorised based on information within the group's financial reporting system;
- challenged the base bad debt provision by agreeing the recoverability assumptions to cash collection rates and tested the mechanical accuracy of the calculation;
- assessed whether any discrepancies exist between the provision recognised and that supported by other macro-economic indicators that may impact the ability of customers to make payments;
- assessed whether the provision has been calculated in line with the policy of the group and with IFRS 9 'Financial Instruments'; and
- assessed the accuracy and completeness of the cash collection trends used in the provision rate calculation by reconciling billing and SAP data and tested a sample of cash collections both during the year and post period end.

Key observations

Based on the work performed above, we are satisfied that the bad debt provision is reasonable and in accordance with the requirements of IFRS 9.

5.2. Capital expenditure accounting

Key audit matter description

The group has a substantial capital programme which is agreed with the regulator ('Ofwat') at the beginning of each asset management plan ('AMP'), and therefore incurs significant expenditure in relation to the development and maintenance of its infrastructure network.

During the year, the group has invested £1,068 million (2024: £1,044 million) in capital expenditure on tangible assets, and £118 million (2024: £58 million) on intangible assets. Of this, £84 million (2024: £71 million) relates to capitalised borrowing costs on qualifying assets. Depreciation of £367 million (2024: £333 million) has been charged in the year on commissioned tangible assets, and amortisation of £57 million (2024: £56 million) has been charged in the year on commissioned intangible assets. Additions to property, plant and equipment ('PPE'), intangible assets, capitalised interest and depreciation or amortisation are disclosed in notes 10 and 11 of the financial statements.

As the determination of whether expenditure is capitalised or expensed in the period directly affects the group's reported financial performance, and due to the significant allocation of resource and audit effort in this area, we identified a key audit matter relating to the accounting for capital expenditure in accordance with the requirements of IAS 16 'Property, Plant and Equipment'. There is a high degree of judgement involved in determining whether a project is capital in nature and whether costs, including internal expenditure and overheads, meet the relevant criteria for capitalisation. As a result, we identified a potential risk of fraud relating to the classification of items as capital expenditure. Audit effort has also been allocated to other areas of accounting for capital expenditure, including the timeliness of asset commissioning and commencement of depreciation, value of work accrued at the balance sheet date and accuracy of the borrowing costs capitalised.

The Audit Committee also considered this as a critical accounting judgement as discussed in the Audit and Risk Committee report on page 138. Further details are included within the critical accounting judgements note in note 2 to the financial statements.

5.2. Capital expenditure accounting

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- obtained an understanding of, and tested, the relevant controls over the classification of capital expenditure;
- reviewed the group's capitalisation policy to understand any changes in the current year and to determine compliance with the relevant accounting standards;
- tested a sample of costs capitalised in the year to confirm these meet the criteria for capitalisation by inspecting invoices or other supporting documents, making direct enquiries of project managers, and understanding the nature of the items selected to determine the appropriate accounting treatment including the level of estimation associated with accruals at the balance sheet date;
- recalculated the expected capitalised borrowing costs in the year, based on the value of qualifying assets and average cost of debt, to assess whether the group's figure was reasonable;
- tested the timeliness oof asset commissioning on completion of projects and the resulting manual adjustments arising from assets under construction which have been operationally commissioned but not yet been commissioned in the fixed asset register including estimates of the associated catch up depreciation, by obtaining supporting evidence for the inputs and reperforming calculations on a sample of items; and
- recalculated the expected depreciation charge in the year based on the value of each asset class and weighted average useful economic life, to assess whether the group's figure was reasonable.

Key observations

Based on the work performed, we are satisfied that capitalised expenditure in the year has been appropriately accounted for in accordance with the requirements of IAS 16.

5.3. Going concern

Key audit matter description

The Directors have considered the potential impacts of current market volatility and uncertainties within the sector in relation to the PR24 referral to the CMA and ongoing regulatory investigations as part of their assessment of the going concern assumption. At 31 March 2025 the group also has facilities due for renewal totalling £375 million in March 2026 and £575 million in June 2026. On 11 June 2025 the Group received formal commitment from lenders for new three-year facilities totalling £900 million.

We planned our audit anticipating an increased level of judgement would be made by the Directors in assessing the going concern basis in preparing the financial statements including the associated disclosures and increased the experience and specialist resource within the audit team allocated to this area. We have also identified a risk of management bias relating the key judgements with respect to the going concern assumption.

The Audit Committee also considered this judgement as discussed in the Audit and Risk Committee report on page 138. Further details are included within the critical accounting judgements note in note 2 to the financial statements.

5.3. Going concern

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- obtained an understanding of the relevant controls over the cashflow forecasting and going concern assessment;
- understood the group's process to model the impact of going concern and agreed relevant data points in the model to supporting documentation;
- understood and challenged the sufficiency of the period the Directors' have assessed for the purposes of going concern and whether that was appropriate;
- assessed the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by the group;
- tested the assumptions used in establishing the group's base case, including comparison of key assumptions to plans for Asset Management Period ("AMP") 8, including reconciling to the Final Determination and independent data sources where relevant;
- considered the impact of the referral of the Final Determination to the CMA on the Director's going concern conclusions by assessing the likely timing of any changes in cashflows arising from that referral and considering whether the referral provided contradictory evidence to any aspects of the group's cashflow forecasts or disclosures;
- evaluated liquidity, including the ability of the group to raise future financing and inspected the commitment to renew banking facilities which are required within the going concern period. In considering the ability of the group to raise debt we have considered a number of factors including the group's credit ratings, past history of debt raises by the group and others across the water sector, and challenged management to calculate the impact of sensitivities associated with debt being raised at higher costs;
- read the external financing agreements to establish and assess the covenant requirements attached to the borrowings;
- recalculated and assessed the amount of headroom in the forecasts (liquidity and covenants) and recalculated compliance with covenants during the year ended 31 March 2025 and throughout the going concern assessment period;
- challenged the sensitivity analysis including downside risks prepared by the group in the context of operational performance challenges, requirements to raise debt in the period, increased spend on capital projects, cyber risk and the broader socio-economic conditions; and
- assessed the appropriateness of the disclosures in the financial statements.

5.3. Going concern

Key observations

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements and associated disclosure is appropriate.

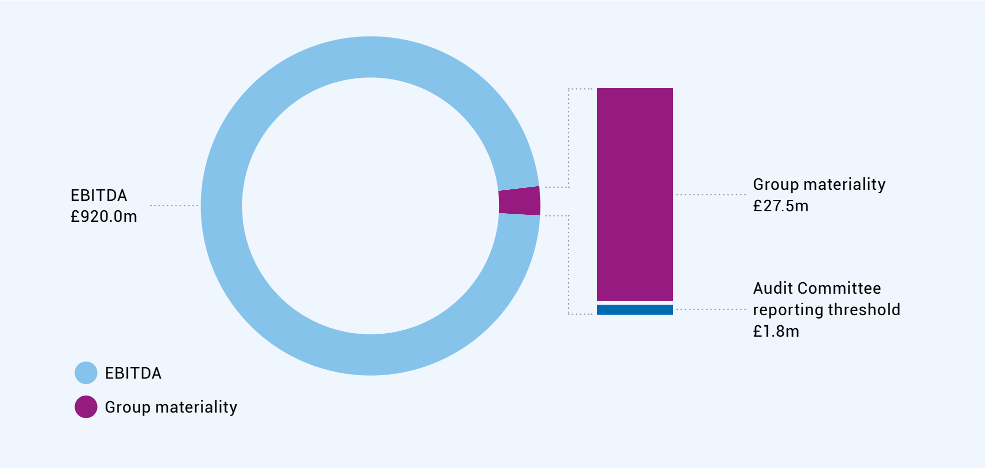
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£27.5 million (2024: £25.3m)	£27.5 million (2024: £25.2m)
Basis for determining materiality	In both years, we considered 3% of EBITDA as a benchmark for determining materiality. As aggregation risk is mitigated by our auditing 100% of the group's net assets, revenue and profits, the parent company materiality was set at the same level as group.	
Rationale for the benchmark applied	We have used EBITDA as the benchmark for materiality as this is deemed a key driver of business value, is a critical component of the financial statements and is a focus for users of the financial statements. EBITDA is disclosed on page 24 in the Financial Performance Report, and reconciled to the statutory profit after tax in note 27a. The substantial majority of the group's operations are carried out by the parent company.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 65%) of group materiality	70% (2024: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In the prior year we decreased performance materiality in response to the increased engagement risk arising from public scrutiny and increased risk associated with the water sector. In the current year we have determined there to be less uncertainty for the group and the engagement risk has returned to level consistent with FY23. In reaching this conclusion we considered the following factors: • the group's control environment which remains stable with the prior year; • the functioning of the key business operations and initial signs of performance improvements; • strong experience of new executive management team and consistency of key accounting personnel during the year; and • the low level of corrected and uncorrected misstatements identified in previous periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.8 million (2024: £1.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Anglian Water Services Limited and Anglian Water Services Financing Plc were audited in aggregate at the group level and together account for 100% (2024: 100%) of the group's net assets and EBITDA. All procedures were carried out directly by the group audit team.

7.2. Our consideration of the control environment

Our work in relation to the group's internal control environment involved testing the group's key reporting system. With the involvement of our IT specialists, we tested relevant General Information Technology Controls (GITCs) within the group's key reporting system, including the access controls, change management controls and controls around segregation of duties. We identified control weaknesses in a specific element of the reporting system and performed substantive audit procedures which responded to the risks presented.

We also tested the relevant controls within capital expenditure and certain aspects of treasury business processes, which are not supported by the group's key reporting system.

7.3. Our consideration of climate-related risks

As a part of our audit procedures, we have obtained the group's climate-related risk assessment and held discussions with the group to understand the process of identifying climate-related risks and opportunities, the determination of mitigating actions and the impact on the group's financial statements.

The group embed climate related risks within each principal risk as described on page 107. The group considered climate change in their preparation of the Strategic Direction Statement and the Water Resources Management Plan as described on pages 9 and 42. The risks identified do not have an impact on our key audit matters in the current year. The group have determined that the impact of climate related risks on the financial statements for the year is not material, as described in note 2 to the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction. Our procedures included reading disclosures included in the Strategic report from page 75 to 101, as well considering whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We involved climate change and sustainability specialists in assessing these disclosures.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the internal audit function, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, particularly in relation to the matters disclosed in note 24, "Contingencies";
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, pensions, and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: bad debt provisioning, going concern and capital expenditure accounting. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Environment Agency regulations, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's / company's ability to operate or to avoid a material penalty. These included the license conditions imposed by The Water Services Regulation Authority (Ofwat).

11.2. Audit response to risks identified

As a result of performing the above, we identified bad debt provisioning, and capital expenditure accounting as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the procedures addressing the key audit matters above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofwat;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by our engagement letter

In our opinion, the part of the Director's Remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by Board of Directors on 1 September 2016 to audit the financial statements for the year ending 31 March 2017 and we were reappointed in subsequent financial periods, including following a formal tender in 2021. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the years ending 31 March 2017 to 31 March 2025.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Hadley (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
Birmingham, United Kingdom

12 June 2025

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