Anglian Water Services Financing Plc Annual report and financial statements

for the year ended 31 March 2020

Company number: 04330322

Anglian Water Services Financing Plc Strategic report for the year ended 31 March 2020

The Directors present the Strategic Report for the year ended 31 March 2020.

Business review

Fair review of the business

The principal activity of Anglian Water Services Financing Plc (the Company) is the raising of listed debt to lend to Anglian Water Services Limited (AWSL). It forms part of the group of four companies referred to as the Anglian Water Services Financing Group (AWSFG) as shown below.

Anglian	Water Services Holdings Limited
Anglian	Water Services UK Parent Co Limited
Anglian	Water Services Limited

Anglian Water Services Financing Plc

The Company repaid £220.3 million (2019: £112.17 million) of debt in the year. £815.9 million of new debt was raised in the year (2019: £450.1 million). The monies raised were lent to AWSL on a back-to-back basis. As at 31 March 2020 the Company had cash and deposits amounting to £0.1 million (2019: £1.8 million).

The Company is a wholly owned subsidiary of AWG Group Limited and was put in place in 2002, when AWSL's covenanted and ring-fenced debt structure was established. The AWSFG provides protection for the customers of the principal trading company in the group, AWSL, and bond holders of the Company from risks associated with other non-regulated Anglian Water Group companies outside of the ring-fence.

The statement of comprehensive income on page 17 shows the Company's results for the year. For the financial year ended 31 March 2020 the Company made a loss on ordinary activities before taxation of £2.7 million (2019: loss of £0.7 million). The Company has made a loss for the current year as a result of the adoption of IFRS 9 and the expected credit loss now being recognised through the income statement. Given the nature of the business, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

The Directors expect the activities of the Company to continue in the foreseeable future without material change.

The impact of Covid-19 on the financing of the AWSFG is primarily an increase in volatility and uncertainty. This has impacted on the reported valuation of derivatives and debt which have varied based on movements in interest rates, credit spreads and inflation rates as the market has sought to incorporate the risks associated with the pandemic. On funding, Anglian Water benefits from being a regulated utility and as such capital markets have remained accessible at competitive rates for the water industry.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Whilst this duty is not new, this year companies are required to report explicitly how the Board has had regard to the matters set out in section 172.

Being the Group's financing company, the stakeholders are limited to investors, banks and ratings agencies. The Company has no employees, customers or suppliers however there are other companies within the group with whom there are intercompany relationships.

As the Company does not operate separately to the AWSFG the Company's values and reputation are highly integrated with that of AWSL and therefore interested parties should read disclosures within the consolidated group annual report and financial statements.

Anglian Water Services Financing Plc Strategic report for the year ended 31 March 2020

Investors, banks and ratings agencies

The funding advanced by investors and banks is crucial to the delivery the Group's investment programme, which directly benefits our communities and our environment. Engagement is vital to understand their requirements, demonstrate our long-term sustainable vision and help them understand what makes Anglian Water a sound investment.

How we engage

We hold investor events at least twice a year to coincide with preliminary and interim company results, and periodically hold additional events and site visits for investors. In addition, Peter Simpson, Steve Buck and the Company's Treasurer hold regular face-to face meetings and telephone conferences with banks and investors. We also engage with banks and investors through written reports, including the Annual Integrated Report, the annual Green Bond Report and the semi-annual investor report, and by publishing interim and preliminary company results at half year and year end.

Key areas of engagement in 2019/20

Board members discuss key areas of Group risk such as PR19 and Covid-19 with investors and banks to facilitate the continued funding of the business. Engagement with banks and investors also informs our approach to sustainable financing. Anglian Water is committed to financing capital investment sustainably, while for their part, banks and investors have a clear appetite to invest in purpose-led, sustainable businesses such as ours.

Principal decisions made by the Board

Approval of annual and interim financial statements

Bi-annually the Board approves the annual or interim financial statements. The Board is engaged on any key issues impacting the Company throughout the year and gives appropriate time and consideration to the approval.

To give support to the Directors and enable them to discharge their duties, all new Directors receive a thorough induction programme on appointment which includes receiving a full background information pack, visits to operational sites and briefings from Executive Directors and senior managers.

The Company offers the Directors in-house training as necessary to aid their professional development and awareness of business and sector-specific issues. In addition, the Company offers to fund participation on externally provided training courses. All Directors are entitled to receive, at the Company's expense, independent professional advice on any matters relating to their responsibilities as a Director.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks, the principal risks being management of liquidity, interest rate and foreign currency exposure.

Liquidity

The Company's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At the year end the Company held cash at bank and in hand of £0.1 million (2019: £1.8 million) and had drawn committed working capital and capital expenditure facilities of £600.0 million with an additional £50m undrawn (2019: £600.0 million undrawn). Cash is held on deposit by the Company to the extent required to meet near term debt repayments. These resources are maintained to ensure liquidity and the continuation of the AWSL investment programme. The maturity profile of the Company's borrowings is set out in note 10 to the financial statements. In addition the Company has access to a further £400.0 million (2019: £400.0 million) of 'liquidity facilities': £279.0 million (2019: £279.0 million) to finance AWSL debt service costs; and £121.0 million (2019: £121.0 million) to finance AWSL operating expenditure and maintenance capital expenditure. These facilities address the risk of AWSL being in default of its debt obligations and having insufficient liquidity.

Anglian Water Services Financing Plc Strategic report (continued) for the year ended 31 March 2020

Principal risks and uncertainties (continued)

Interest rates

The Company's policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI and 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 circa 50 per cent of RCV for indexlinked debt and between 5 per cent and 15 per cent for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the Company 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 Financing Plc at all times and maintaining security of principal.

Foreign currency

The Company has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The Company uses a range of instruments 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 Company has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the Company.

Approved by the Board on 26 June 2020 and signed on its behalf by:

Claire Russell

Company Secretary

Anglian Water Services Financing Plc Directors' report (continued)

for the year ended 31 March 2020

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

Future developments

The Directors expect the activities as detailed in the Strategic Report to continue in the foreseeable future without material change.

Directors of the Company

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Stephen Billingham (resigned 31st March 2020)
Steven Buck (appointed 1st August 2019)
Natalie Ceeney
Polly Courtice
John Hirst
Scott Longhurst (resigned 31st July 2019)
Zarin Patel
Jane Pilcher
Alex Plant
Peter Simpson
Paul Whittaker

Directors' liabilities

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third party indemnity provision for the purpose of section 234((2) - (6)) of the Companies Act 2006.

Dividends

No dividend was paid during the year (2019: £nil). The Directors are not recommending the payment of a final dividend (2019: nil).

Financial risk management

Objectives and policies

The Company does not operate separately to the AWSFG and therefore its financial risks are governed by the AWSFG's policies and procedures. These policies and procedures are discussed within the Anglian Water Services Limited consolidated group financial statements.

Liquidity risk and cash flow risk

Liquidity, interest rate and foreign currency risk are detailed within the Strategic Report.

Going Concern

Under the terms of the Company's financing arrangements, its parent, AWSL, guarantees unconditionally and irrevocably all the Company's borrowings and derivatives. As the Company does not operate separately to the AWSFG, the Directors have undertaken a detailed review to assess the liquidity requirements of the Group compared against the cash and facilities available to the Group. The review included a range of downside outcomes as a result of Covid-19 and the Final Determination received from Ofwat that has subsequently been referred to the Competition and Markets Authority.

Whilst certain worst-case scenarios indicate the potential for a Trigger Event in respect of the financing arrangements, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. This is because a Trigger Event 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. It does not enable creditors to destabilise the Company through enforcing their security.

The Directors believe, after due and careful enquiry, that the Company has sufficient resources to continue in operational existence for at least one year after the financial statements were authorised for issue. Therefore, it is considered to be appropriate to adopt the going concern basis in preparing the 2020 financial statements. Further information is provided within the AWSL consolidated group annual report and financial statements.

Anglian Water Services Financing Plc Directors' report (continued) for the year ended 31 March 2020

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- and the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of auditor

Deloitte LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed to the board.

Corporate Governance

The Board are appointed by the shareholders and meet regularly to review the financial and operational performance of the Company. The Company does not operate separately to the AWSFG and is specifically established for the raising of listed debt to on-lend to Anglian Water Services Limited as noted in its principal activities in the Strategic report. The risk management process includes clear accountabilities, delegated authority limits and well-defined policies and procedures.

Approved by the Board on 26 June 2020 and signed on its behalf by:

Claire Russell Company Secretary

Anglian Water Services Financing Plc Directors' responsibilities statement for the year ended 31 March 2020

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc

for the year ended 31 March 2020

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Anglian Water Services Financing PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Derivative 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 in the current year was £18.5m which was determined on the basis of 0.25% of total borrowings.

Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach

The timing of the company's year end, in relation to the Covid-19 pandemic related UK lock-down, means the impact of the pandemic on the company was not significant during the financial year.

However, the company, being the financing entity of the Anglian Water Services Group ("the Group"), is reliant on Anglian Water Services Limited in order to be able to meet its liabilities as they fall due. The consequences of Covid-19, together with the Group's referral to the Competition and Markets Authority of Ofwat's final determination, has increased the focus on the overall Group's ability to finance its operations.

As a result, the ability of the company to continue as a going concern was identified as a new key audit matter for the year ended 31 March 2020.

Management override of controls was considered a key audit matter in the prior year, but is no longer considered to be a key audit matter as the degree of complexity and manual intervention in the preparation of the company accounts was not significant in the current year.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

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. Derivative accounting



Key audit matter description

The company has gross derivative liabilities of £1,406.4m (2019: £1,200.8m) and gross derivative assets of £1,406.4m (2019: £1,200.8m), disclosed in note 10 to the financial statements, including interest rate swaps, index-linked swaps and cross currency swaps.

IFRS 9 'Financial Instruments' requires derivatives to be accounted for at fair value with movements recognised as profit or loss. We identified a key audit matter relating to the valuation of derivatives and the related credit risk adjustments.

We have focused audit effort in particular on the risk of material misstatement arising on the valuation of the index-linked swaps due to their complexity.

The relevant accounting policy adopted is disclosed in note 1 to the financial statements.

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

In response to this matter, we have performed the following procedures with the involvement of our financial instruments specialists:

- obtained an understanding of, and tested, relevant controls around the valuation techniques used in determining the fair value of derivatives;
- performed valuation testing, through independent recalculation, of a sample of complex derivative financial instruments, including an assessment of the credit risk adjustment;
- reviewed the accounting for derivative positions, both external to the company and the intercompany arrangements with the group, to assess whether they are in accordance with IFRS 9.

Key observations

We are satisfied that derivative financial instruments have been accounted for appropriately and that the valuations adopted are reasonable.

5.2. Going Concern (1)



Kev audit matter description

The ability of the company to continue as a going concern is reliant on the Anglian Water Services Group, and therefore, the key audit matter focusses on the ability of both the company and the wider Group to meet their liabilities as they fall due. As disclosed in note 1 to the financial statements, the company's parent, Anglian Water Services Limited, quarantees unconditionally and irrevocably all the company's borrowings and derivatives.

In approving the financial statements, the Directors are required to make an assessment of the company's ability to continue as a going concern for a period of at least 12 months from approval of the financial statements. The Directors have considered the guarantee on the company's borrowings and derivatives provided by Anglian Water Services Limited in making their assessment.

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

There is a greater level of judgement in the going concern assessment of the Group and therefore the company in the current year. The PR19 final determination, which is currently referred to the Competition and Markets Authority, has introduced a number of new risks to the Group which are being mitigated through the implementation of a cost reduction programme. Moreover, the economic disruption likely to occur as a result of the Covid-19 pandemic, particularly in relation to non-household demand and the collectability of debtors, is expected to adversely affect the cash generation of the business.

In establishing the assumptions adopted as part of the Group's going concern assessment, including the downside sensitivities modelled, management have considered external data sources as well as their own internal analysis, particularly when estimating the impact of Covid-19.

The considerations of the Directors in making their going concern assessment include:

- the strong liquidity position of the Group at 31 March 2020, and forecast throughout the going concern period;
- the cost reduction programme being undertaken in response to the PR19 final determination;
- the assumptions adopted in respect of estimating the potential impact of Covid-19 on the Group, as well as consideration of a number of different potential downside scenarios; and
- the risk of either a Trigger or Default covenant event, as defined in the terms of the Group's lending arrangements, occurring during the going concern period.

Under certain downside scenarios modelled by management, the Group may breach a Trigger covenant but the Directors do not consider such an event to constitute a material uncertainty related to the going concern conclusion.

How the scope of our audit responded to the key audit matter In response to this matter we have performed the following procedures:

- reviewed and challenged the appropriateness of the assumptions taken by management in establishing their Group base case, including comparison of the assumptions taken in respect of the impact of Covid-19 to independent data sources and the reasonableness of assumptions made in respect of cost savings which will be achieved during the going concern period;
- understood the process undertaken by management in modelling the impact of their going concern assumptions and agreed relevant data points within the model to supporting documentation;
- considered the liquidity of the Group, including in the scenario where future financing is restricted;
- reviewed the terms of the external financing of the Group to establish
 the covenant requirements attached to this financing. We have also
 reviewed and recalculated the covenant calculations prepared by
 management and considered the headroom available against these
 covenants;
- considered the impact if either Trigger or Default covenant breaches occurred and evaluated the Directors' conclusion that certain downside scenarios did not constitute a material uncertainty related to going concern:
- considered the appropriateness, and results, of the sensitivity testing completed by management, including comparison to external data sources;
- assessed the appropriateness of financial statement disclosures considering the results of procedures noted above; and

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

•	reviewed the existence of the legal guarantee by agreeing to external
	supporting documentation

Key observations	We are satisfied with the appropriateness of the Directors' assessment of the company's ability to continue as a going concern for at least 12 months from approval of the financial statements.

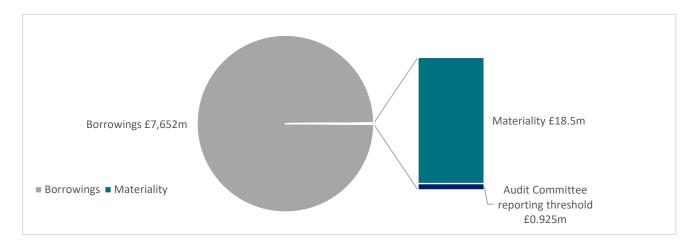
6. Our application of materiality

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:

Materiality	£18.5m (2019: £13.5m)
Basis for determining materiality	0.25% of borrowings (2019: 0.20% of borrowings)
Rationale for the benchmark applied	The primary purpose of the company is to raise funding from external sources and provide funding to Anglian Water Services Limited. We have therefore used total borrowings as the benchmark. The applied materiality is capped at the component materiality determined as part of the Anglian Water Services Limited group audit.



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. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a. our consideration of the company's control environment;
- b. the limited number of changes to the business and the limited turnover of management and key accounting personnel during the year; and

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

c. the history of a low number 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 £925,000 (2019: £675,000), 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. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The company's accounting records are contained within the Group's accounting system. Our work in relation to the Group's internal control environment involved testing of the Group's key reporting system. With the involvement of our IT specialists, we obtained an understanding of, and 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 obtained an understanding of and tested the relevant controls within the borrowings and derivatives business processes, which are supported by the Group's key reporting system.

In response to the outbreak of Covid-19 and the changes in working practices which came into effect at the end of March 2020, we performed additional procedures on a number of controls within these business processes to determine whether individual controls had been affected by working practice changes.

8. Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

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 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 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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;
- results of our enquiries of management, internal audit and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

 the matters discussed among the audit engagement team and involving 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. 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 company 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 or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, tax legislation and pension 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 company's ability to operate or to avoid a material penalty. These included the company's operating licence and regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 above;
- 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
- 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 noncompliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued)

for the year ended 31 March 2020

12. Opinions on other matters prescribed by 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

13.1. 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. 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.

We have nothing to report in respect of this matter.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the board of directors on 1 September 2016 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 March 2017 to 31 March 2020.

14.2. 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).

Anglian Water Services Financing Plc Independent Auditors' Report to the Members of Anglian Water Services Financing Plc (continued) for the year ended 31 March 2020

15. 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.

James Leigh (Senior statutory auditor)

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For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 June 2020

Anglian Water Services Financing Plc Statement of comprehensive income

for the year ended 31 March 2020

		Year ended 31 March 2020	Year ended 31 March 2019
Notes		£m	£m
	Revenue	_	
	Operating costs	-	-
	Operating result	-	
4	Finance income	343.1	351.6
5	Finance costs including fair value movements on derivative financial instruments	(343.0)	(351.2)
7	Expected credit loss on intercompany loan	(2.8)	(331.2) (1.1)
	Net finance costs	(2.7)	(0.7)
	Loss on ordinary activities before tax	(2.7)	(0.7)
6	Tax credit/(charge)	-	-
	Loss for the period and total comprehensive income	(2.7)	(0.7)

Balance Sheet

(Registration number: 04330322) for the year ended 31 March 2020

Notes		At 31 March 2020 £m	At 31 March 2019 £m
Notes	Non-current assets		2111
7	Investments	6,620.2	6,607.9
10	Derivative financial instruments	1,311.2	1,168.6
		7,931.4	7,776.5
	Current assets		
7	Investments	1,012.3	306.9
10	Derivative financial instruments	95.2	32.2
8	Trade and other receivables	48.5	46.6
	Cash and cash equivalents		1.8 387.5
		1,150.1	307.3
	Total assets	9,087.5	8,164.0
	Current liabilities		
10	Short-term borrowings	(1,012.3)	(306.9)
10	Derivative financial instruments	(95.2)	(32.2)
		(1,107.5)	(339.1)
	Net current assets	48.6	48.4
	Total assets less current liabilities	7,980.0	7,824.9
	Non-current liabilities		
10	Loans and other borrowings	(6,639.7)	(6,624.5)
10	Derivative financial instruments	(1,311.2)	(1,168.6)
		(7,950.9)	(7,793.1)
	Net assets	29.1	31.8
	Capital and reserves		
11	Share capital	-	-
	Reserves	29.1	31.8
	Total equity	29.1	31.8

Notes 1 to 13 are an integral part of these financial statements.

Approved by the Board on 26 June 2020 and signed on its behalf by:

Peter Simpson Director

Steven Buck Director

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Anglian Water Services Financing Plc Statement of Changes in Equity for the year ended 31 March 2020

	Share capital £m	Retained earnings £m	Total equity £m
	ΣΙΙΙ	ΣΙΙΙ	ZIII_
At 1 April 2019	-	31.8	31.8
Loss for the year		(2.7)	(2.7)
Total comprehensive expense	-	(2.7)	(2.7)
At 31 March 2020		29.1	29.1
	Share capital £m	Retained earnings £m	Total equity £m
At 1 April 2018 Change in accounting policy - IFRS 9		48.0 (15.5)	48.0 (15.5)
At 1 April 2018 (under IFRS 9)	-	32.5	32.5
Loss for the year		(0.7)	(0.7)
Total comprehensive expense	-	(0.7)	(0.7)
At 31 March 2019	<u> </u>	31.8	31.8

Cash flow statement

for the year ended 31 March 2020

Notes		Year ended 31 March 2020 £m	Year ended 31 March 2019 £m
	Investing activities		
7	Loan repayment from parent	218.4	112.7
	Loans to parent	(815.9)	(450.1)
	Interest received	229.5	221.6
	Net cash used in investing activities	(368.0)	(115.8)
	Financing activities		
	Interest paid	(229.3)	(221.5)
	Increase in amounts borrowed	815.9	450.1
	Repayments of amounts borrowed	(220.3)	(112.7)
	Net cash from financing activities	366.3	115.9
	Net (decrease)/increase in cash and cash equivalents	(1.7)	0.1
	Cash and cash equivalents at 1 April	1.8	1.7
	Cash and cash equivalents at 31 March	0.1	1.8

¹ Comprises £220.3 million (2019: £139.7 million) of debt repayment and £nil (2019: £27.0 million) of swap repayments.

Notes to the financial statements

for the year ended 31 March 2020

1 Accounting policies

General information

The Company is a private company limited by share capital, incorporated and domiciled in the UK.

The address of the registered office is: Lancaster House Lancaster Way Ermine Business Park Huntingdon Cambridgeshire PE29 6XU

These financial statements were authorised for issue by the Board on 26 June 2020.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 13 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Given the straight forward nature of the Company no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been identified by management.

The financial statements are prepared on a going concern basis, as noted in the Director's Report on page 4, under the historical cost convention as modified by the revaluation of derivative financial instruments at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Summary of disclosure exemptions

The Company has utilised the following exemptions:

Paragraph 30-31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);

The requirements of IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;

Paragraph 17 of IAS 24 'Related party Disclosures' (key management compensation); and

Paragraph 8(d) of FRS 101 the requirements of IFRS 7 'Financial Instruments: Disclosures'.

Notes to the financial statements (continued)

for the year ended 31 March 2020

1 Accounting policies (continued)

New standards, amendments and interpretations

IFRS 16 'Leases'

The Company holds no leases and therefore was not impacted by IFRS 16 Leases.

*IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'*Hedge accounting is not applied in the Company, therefore was not impacted by these amendments.

Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividends

Dividends are recognised as a liability in the period in which they are approved. Interim dividends are recognised in the period in which they are paid.

Foreign currencies

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 balance sheet date.

Profits and losses on both individual foreign currency transactions during the year and monetary assets and liabilities are dealt with in the statement of comprehensive income.

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (\pounds) , which is also the Company's functional currency.

Financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised and subsequently re-measured at fair value. However, within the Company, hedge accounting is not applied and therefore the movements in the fair value of these derivatives are included in the statement of comprehensive income within interest payable.

There is a "back-to-back" intercompany loan agreement in place between Anglian Water Services Limited and Anglian Water Services Financing Plc, which passes the financing arrangements of the external debt and derivative positions held by Anglian Water Services Financing Plc to Anglian Water

1 Accounting policies (continued)

Financial instruments (continued)

Services Limited. Accordingly, the majority of external balances are mirrored by corresponding balances due from Anglian Water Services Limited. The Company recognises an expected credit loss on the intercompany loan with AWSL shown within investments (note 7).

Anglian Water Services Limited lends cash back to the Company to provide the funds for the company to repay its external debt, normally 12 months in advance of debt falling due for payment.

Investments

Investments represent loans to the immediate parent undertaking (Anglian Water Services Limited) and reflect the "back-to-back" arrangement with the Company. 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 principal payments and interest on the principal outstanding.

The expected credit loss (ECL) model requires the Company to account for ECLs and changes in those ECLs 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 company first identifying a credit loss event. This requires consideration of a broader range of information when assessing credit risk and measuring ECLs, 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');
- where credit risk is not low or 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.

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

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.

The Company's activity of the raising of listed debt to on-lend to Anglian Water Services Limited constitutes a single class of business and, as such, no segmental reporting is required.

1 Accounting policies (continued)

Finance income and costs

With the exception of the ECL, finance income and costs are recognised in the period to which they relate using the effective interest rate method. Finance income receivable from Anglian Water Services Limited relates to the "back-to-back" arrangement with Anglian Water Services Limited whereby all borrowings and derivatives are replicated, thus resulting in net neutral impact on the income statement. Management fees receivable from Anglian Water Services Limited are treated as interest receivable as they relate directly to the cost of financing in accordance with the 2002 intercompany loan agreement, resulting in net profit in the company. An ECL is recognised in line with the ECL model on investments.

Receivables

Receivables are measured at fair value on initial recognition. If there is objective evidence that the amount receivable is impaired it is written down to its recoverable amount, with the irrecoverable amount being recognised as an expense in operating costs.

The group makes use of a simplified approach in accounting for 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 receivable.

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

2 Auditor's remuneration

The remuneration for the audit of the company financial statements of £10,000 (2019: £5,000) is borne by Anglian Water Services Limited and not recharged to the company.

3 Particulars of employees

The monthly average number of persons employed by the Company (including Directors) during the year was nil (2019: nil). Anglian Water Services Limited employees carry out all the activities of the Company, there is no specific recharge for these services. None of the Directors receive emoluments for the provision of services to the company (2019: none).

4 Finance income

	2020	2019
	£m	£m_
Interest receivable from Anglian Water Services Limited	342.7	351.2
Management fees treated as interest receivable	0.3	0.3
Other interest income	0.1	0.1
	343.1	351.6

5 Finance costs

	2020 <u>£m</u>	2019 £m
Interest expense on bank loans and overdrafts	(228.5)	(221.6)
Indexation of loan stock	(114.5)	(129.6)
	(343.0)	(351.2)

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

The Company holds interest rate swaps and cross currency swaps to enable the Company to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activity in the Company. Within the Company hedge accounting is not applied and therefore the movements in the fair value of these derivatives are included in the statement of comprehensive income.

The Company has a "back-to-back" arrangement with Anglian Water Services Limited whereby all borrowings and derivatives are replicated on identical terms. As a result, derivative fair value gains and losses are fully offset within finance costs above.

6 Taxation

	2020 <u>£m</u>	2019 £m
Tax on profit on ordinary activities comprises:		
UK corporation tax - current year Total tax charge	<u>-</u>	

Tax on profit on ordinary activities for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020 £m	2019 <u>£</u> m
Loss before tax from continuing operations	(2.7)	(0.7)
Corporation tax at standard rate of 19% (2019: 19%)	(0.5)	(0.1)
Items not deductible for tax purposes: Expected credit loss on intercompany loan	0.5	0.2
Group relief not paid for	-	(0.1)
Tax charge/(credit) for the year		

It has been agreed that companies within the Anglian Water Services Financing Group (AWSFG) will not pay each other for tax losses.

7 Investments

	2020 <u>£m</u>	2019 £m
Amounts due after one year Amounts due within one year	6,620.2 1,012.3	6,607.9 306.9
Amounte due main one yeu.	7,632.5	6,914.8
		2020
		£m
At 1 April 2019		6,914.8
Increase in loans Loans repaid		815.9 (229.3)
Movement on back to back arrangement with Anglian Water Services		133.9
Movement on expected credit loss	_	(2.8)

The loan to AWSL mirrors the external loan and is on terms equal to that set out in note 10.

8 Trade receivables

At 31 March 2020

	2020 £m	2019 £m_
Amounts owed by immediate parent undertaking	48.5	46.6
Total	48.5	46.6

Amounts owed by parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

7,632.5

9 Cash and cash flow

Movement in net debt excluding derivatives

	Cash and		
	cash		
	equivalents	Borrowings	Net debt
	£m	£m	£m
At 1 April 2018	1.7	(6,453.4)	(6,451.7)
Increase in cash	0.1	-	0.1
Increase in amounts borrowed	-	(450.1)	(450.1)
Repayments of amounts borrowed	-	139.7	139.7
Indexation of borrowings and RPI swaps	-	(97.7)	(97.7)
Movement in interest accrual on borrowings	-	(5.4)	(5.4)
Exchange movements		(64.5)	(64.5)
At 31 March 2019	1.8	(6,931.4)	(6,929.6)
At 1 April 2019	1.8	(6,931.4)	(6,929.6)
Decrease in cash	(1.7)	-	(1.7)
Increase in amounts borrowed	=	(815.9)	(815.9)
Repayments of amounts borrowed	=	220.3	220.3
Movement in interest accrual on borrowings	=	(1.9)	(1.9)
Indexation of borrowings and RPI swaps	=	(77.8)	(77.8)
Fair value gains and losses and exchange movements	<u> </u>	(45.3)	(45.3)
At 31 March 2020	0.1	(7,652.0)	(7,651.9)
Net debt at 31 March 2020 comprises:			
Current assets	0.1	-	0.1
Current liabilities	-	(1,012.3)	(1,012.3)
Non-current liabilities	=	(6,639.7)	(6,639.7)
	0.1	(7,652.0)	(7,651.9)

10 Loans, other borrowings and financial instruments

Loans and other borrowings £200 million 6.875% fixed rate 2023 £200 million 6.625% fixed rate 2029 £200 million 6.625% fixed rate 2029 £264.6 £257.1 £246 million 6.293% fixed rate 2030 £256.4 £256 million 3.67% fixed rate 2030 £250 million 3.07% index-linked 2032 £200 million 3.07% index-linked 2032 £200 million 3.07% index-linked 2032 £200 million 3.07% index-linked 2032 £275 million 3.666% index-linked 2032 £275 million 3.666% index-linked 2035 £250 million 1.7% index-linked 2035 £250 million 1.7% index-linked 2046 £250 million 1.77% index-linked 2046 £250 million 1.790 index-linked 2055 £250 million 1.3825% indexation bond 2057 £250 million 1.3825% indexation bond 2056 £250 million 1.52% index-linked post 2054 £250 million 1.52% index-linked 2055 £250 million 1.52% index-linked 2055 £250 million 1.52% index-linked 2055 £250 million 1.52% index-linked term facility 2019 £250 million 1.52% index-linked term facility 2020 £250 million 1.52% index-linked term facility 2020 £250 million 1.53% index-linked term facility 2020 £250 million 1.59% index-linked term facility 2027 (1) £250 million 1.59% private placements 2022 £250 milli		2020	2019
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### E402 million 2.4% index-linked 2035 ### E50 million 1.7% index-linked 2046 ### E50 million 1.7% index-linked 2046 ### Million 1.7% index-linked 2046 ### Million 1.7146% indexation bond 2056 ### E50 million 1.7146% indexation bond 2056 ### E50 million 1.79403% indexation bond 2056 ### E50 million 1.7903% indexation bond 2049 ### E100 million 1.3784% indexation bond 2057 ### E100 million 1.3825% indexation bond 2056 ### E100 million 1.3825% indexation bond 2056 ### E100 million Class A wrapped floating rate bonds ### E100 million Class A wrapped floating rate bonds ### E110 million Class A unwrapped floating rate bonds ### E110 million Class A unwrapped floating rate bonds ### E110 million Class A unwrapped floating rate bonds 2043 ### E110 million 1.52% indexation bond 2055 ### E110 million 1.52% indexation bond 2019/2038 (6) ### E150 million 1.626% index-linked term facility 2019 ### E18 ## E50 million 1.626% index-linked term facility 2019 ### E18 ## E50 million 1.626% index-linked term facility 2020 ### E18 ## E50 million 1.3% index-linked term facility 2020 ### E150 million 2.262% indexation bond 2045 ### US\$410 million 5.18% private placements 2021 ### US\$410 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E75 million 0.53% index-linked term facility 2027 (1) ### E18 ## E150 million 0.53% index-linked term facility 2027 (1) ### E18 ## E100 Million 0.53% index-linked term facility 2027 (1) ### E18 ## E100 Million 0.53% index-linked term facility 2027 (1) ### E100 Million 0.53% index-linked term facility 2027 (1) ### E100 Million 0.53% index-linked term facility 2027 (1) ### E100 Million 0.53% index-linked 10		_	99.0
### ### ### ### ### ### ### ### ### ##			122.6
### 1.50 million 1.7% index-linked 2046 ### 2046 75.1 73.0 ### 2050 million 1.7146% indexation bond 2056 60.2 58.6 ### 2050 million 1.6777% indexation bond 2056 75.2 73.3 ### 2050 million 1.7903% indexation bond 2049 90.2 87.9 ### 2050 million 1.3784% indexation bond 2057 149.7 146.0 ### 2050 million 1.3784% indexation bond 2056 74.9 73.0 ### 2050 million 1.3825% indexation bond 2056 74.9 73.0 ### 2050 million 1.3825% indexation bond 2055 107.0 103.8 ### 2050 million 1.52% indexation bond 2055 71.4 69.4 ### 2050 million 1.52% indexation bond 2055 71.4 69.4 ### 2050 million 1.52% indexation bond 2055 71.4 69.4 ### 2050 million 3.22% fixed rate bond 2019/2038 (6) - 35.1 ### 2052 million 3.22% fixed rate bond 2019/2038 (6) - 35.1 ### 25.4 25.4 ### 25.4 ### 25.4 25.4 ### 25.4 ### 25.4 25.4 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ### 25.6 ###			611.0
### ### ##############################			73.1
### ### ##############################		7	73.0
### ### ##############################			58.6
### 1400 million 1.3784% indexation bond 2057 ### 149.7 ### 146.0 ### 149.7			73.3
### ### ### ### ######################			87.9
### ### ##############################		_	146.0
£75 million 1.449% indexation bond 2062 £50 million 1.52% indexation bond 2055 £110 million Class A unwrapped floating rate bonds 2043 JPY 5 billion 3.22% fixed rate bond 2019/2038 (6)		_	73.0
### ### ##############################		100.2	100.2
### ### ##############################			103.8
JPY 5 billion 3.22% fixed rate bond 2019/2038 ⁽⁶⁾ £25 million 6.875% private placements 2034 £18 £50 million 1.626% index-linked term facility 2019 £18 £50 million 1.3% index-linked term facility 2020 £130 million 2.262% indexation bond 2045 US\$160 million 4.52% private placements 2021 US\$410 million 5.18% private placements 2021 £18 £75 million 0.53% index-linked term facility 2027 ⁽¹⁾ £18 £75 million 0.79% index-linked term facility 2027 ⁽¹⁾ £19 £75 million 0.79% index-linked term facility 2027 ⁽¹⁾ £250 million 4.5% fixed rate 2027 £255.5 £15 million 1.37% index-linked private placements 2022 £15 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2022 £73.3 million 3.983% private placements 2022 £22.8 £22.3 million 5% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0		71.4	69.4
### 25 million 6.875% private placements 2034 ### 25.4		110.2	110.2
EIB £50 million 1.626% index-linked term facility 2019 EIB £50 million 1.3% index-linked term facility 2020 £130 million 2.262% indexation bond 2045 U\$\$160 million 4.52% private placements 2021 U\$\$410 million 5.18% private placements 2021 EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) EIB £75 million 4.5% fixed rate 2027 £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 U\$\$47 million 5% private placements 2022 U\$\$\$47 million 5% private placements 2022 38.8 37.6	·	-	35.1
EIB £50 million 1.3% index-linked term facility 2020 £130 million 2.262% indexation bond 2045 US\$160 million 4.52% private placements 2021 US\$410 million 5.18% private placements 2021 EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2022 £50 million 3.983% private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0		25.4	25.4
£130 million 2.262% indexation bond 2045 US\$160 million 4.52% private placements 2021 130.4 124.2 US\$410 million 5.18% private placements 2021 335.6 EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.6		-	67.2
US\$160 million 4.52% private placements 2021 US\$410 million 5.18% private placements 2021 EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £10 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 32.5 33.6 319.7 64.4 72.0 64	,	-	66.2
US\$410 million 5.18% private placements 2021 EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 33.8 37.0		173.5	169.6
EIB £75 million 0.53% index-linked term facility 2027 (1) EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0	• •	130.4	124.2
EIB £75 million 0.79% index-linked term facility 2027 (1) £250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022 ### Private placements 2022		335.6	319.7
£250 million 4.5% fixed rate 2027 £15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 US\$47 million 5% private placements 2022 355.5 25.5 255.	·	64.4	72.0
£15 million 1.37% index-linked private placements 2022 £50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0		64.4	72.0
£50 million 2.05% index-linked private placements 2033 £31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0		255.5	255.5
£31.9 million 3.983% private placements 2022 £73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0		18.1	17.7
£73.3 million 4.394% private placements 2028 £22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0	·	60.5	59.2
£22.3 million 3.983% private placements 2022 US\$47 million 5% private placements 2022 38.8 37.0	£31.9 million 3.983% private placements 2022	32.5	32.5
US\$47 million 5% private placements 2022 38.8 37.0	£73.3 million 4.394% private placements 2028	74.9	74.9
	£22.3 million 3.983% private placements 2022	22.8	22.8
	US\$47 million 5% private placements 2022	38.8	37.0
Sub-total carried forward 4,666.5 4,763.6	Sub-total carried forward	4,666.5	4,763.6

10 Loans, other borrowings and financial instruments (continued)

	2020	2019
_	£m	
Sub-total brought forward	4,666.5	4,763.6
EIB £150 million 0% index-linked term facility 2028 (2)	142.9	157.1
£200 million Class B 4.5% fixed rate 2026	201.0	200.9
£35 million 1.141% index-linked bond 2042	41.5	40.6
US\$170 million 3.84% private placements 2023	139.3	132.7
£93 million 3.537% private placements 2023	94.5	94.5
US\$160 million 4.99% private placements 2023	131.1	124.9
EIB £65 million 0.41% index-linked term facility 2029	67.7	73.5
EIB Tranche 2 £125 million 0.1% 2029 (3)	135.6	139.6
EIB Tranche 3 £60 million 0.01% 2030 ⁽⁴⁾	68.2	66.7
RCF £550 million (5)	550.1	0.1
RCF £100 million bilaterals	50.0	-
US\$150 million 3.29% private placements 2026	122.5	116.7
£55 million 2.93% fixed rate private placements 2026	55.7	55.7
£20 million 2.93% fixed rate private placements 2026	20.3	20.3
£35 million floating rate private placements 2031	35.0	35.0
£200 million Class B 2.6225% fixed rate 2027	201.5	201.5
£250 million Green Bond 1.625% 2025	252.6	252.6
£300 million Green bond 2.75% 2029	303.6	303.6
£25 million 3.0% fixed rate 2031	25.1	25.1
US\$53 million 3.053% fixed rate 2029	43.0	40.9
£85 million 2.88% fixed rate 2029	85.4	85.4
£65 million 2.87% fixed rate 2029	65.9	-
£65 million CPI 0.835% 2040	-	0.4
JPY 7 billion 0.855% fixed rate 2039	52.5	-
EDC £100 million 1.588% fixed rate 2028	100.5	
Total loans and other borrowings	7,652.0	6,931.4
Less amounts included in short term borrowings	(1,012.3)	(306.9)
Loans and other borrowings due after more than one year	6,639.7	6,624.5

⁽¹⁾ These instruments are amortising from 2017 until the date of maturity shown.

⁽²⁾ This instrument is amortising from 2018 until the date of maturity shown.

⁽³⁾ This instrument is amortising from 2019 until the date of maturity shown.

⁽⁴⁾ This instrument is amortising from 2020 until the date of maturity shown.

⁽⁵⁾ The Revolving Credit Facility was increased to £550 million in June 2019 (March 2019: £500 million) with maturity extended to 24 June 2024.

⁽⁶⁾ Legal maturity of these instruments is the second of the two years quoted. Coupons increase for the first of the years quoted in accordance with the pricing terms agreed at issue.

10 Loans, other borrowings and financial instruments (continued)

The value of the capital and interest elements of the index-linked loans is linked to movements in the Retail Price Index. The increase in the capital value during the year of £114.5 million (2019: £129.6 million) has been taken to the statement of comprehensive income as part of interest payable.

Under a security agreement dated 30 July 2002 between Anglian Water Services Financing Plc (AWSF), Anglian Water Services Limited (AWSL), Anglian Water Services Overseas Holdings Limited (AWSOH), Anglian Water Services Holdings Limited (AWSH) and Deutsche Trustee Company Limited a fixed and floating charge was created 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 AWSL, AWSOH and AWSF. At 31 March 2020 this charge applies to £7,652.0 million (2019: £6,931.4 million) of the debt listed above.

In accordance with an intercompany loan agreement made in 2002, debt issue costs are excluded from the amounts disclosed in these financial statements. This is because under the loan agreement all debt issue costs are borne by the parent company, Anglian Water Services Limited. As at 31 March 2020 unamortised debt issue costs totalled £31.7 million (2019: £32.5 million).

Derivative financial instruments

		2020		2019
	Assets	Liabilities	Assets	Liabilities
	£m_	£m_	£m_	£m
Interest rate swaps	561.4	(561.4)	422.0	(422.0)
Cross-currency interest rate swaps	845.0	(845.0)	778.8	(778.8)
	1,406.4	(1,406.4)	1,200.8	(1,200.8)
Derivative financial instruments can be analysed as follows:				
Current	95.2	(95.2)	32.2	(32.2)
Non-current	1,311.2	(1,311.2)	1,168.6	(1,168.6)
	1,406.4	(1,406.4)	1,200.8	(1,200.8)

In accordance with IFRS 9 the Company 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 statement of comprehensive income for gains and losses on embedded derivatives in the year ended 31 March 2020 (2019: £nil).

The notional principal amount of the outstanding interest rate swap contracts, including the GBP leg of the cross currency interest rate swap contracts below, at 31 March 2020 was £4,619.7 million (2019: £4,447.6 million).

The notional foreign currency principal amount of the outstanding cross currency interest rate swap contracts at 31 March 2020 was USD 1,150.0 million (2019: USD 1,150.0 million), JPY 7.0 billion (2019: JPY 5.0 billion).

Notes to the financial statements (continued)

for the year ended 31 March 2020

10 Loans, other borrowings and financial instruments (continued)

Derivative financial instruments (continued)

At 31 March 2020 the fixed interest rates vary from 2.84% to 5.99%, floating rates vary from 0.60% (LIBOR plus 0.0 bps) to 3.71% (LIBOR plus 298.70 bps), RPI-linked interest rates vary from 1.02% to 2.97% plus RPI and CPI-linked interest rates vary from (0.90)% plus CPI to 1.69% plus CPI.

11 Called up share capital

The issued share capital is 50,000 (2019: 50,000) ordinary shares of £1 each (2019: £1), of which 49,998 (2019: 49,998) have been issued, a quarter paid-up and two shares are fully paid-up, giving an issued share capital of £12,502 (2019: £12,502).

12 Contingent liabilities

The Company, as part of the AWSFG, guarantees unconditionally and irrevocably all the secured borrowings of Anglian Water Services Limited, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited, which at 31 March 2020 amounted to £18.5 million (2019: £21.3 million) relating solely to finance leases owed by Anglian Water Services Ltd to third parties.

The Company had no other material contingent liabilities at 31 March 2020 or 31 March 2019.

13 Ultimate parent company

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

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

Anglian Water Group Limited is the parent company of the largest group to consolidate the financial statements of the Company, copies of which can be obtained from the Company Secretary at the registered address: 44 Esplanade, St Helier, Jersey JE4 9WG.

Anglian Water Group Limited is owned and ultimately controlled by a consortium of investors consisting of the Canada Pension Plan Investment Board, First Sentier Investors ('First Sentier', previously known as Colonial First State Global Asset Management), IFM Investors, Camulodunum Investments Ltd ('CIL'), and Infinity Investments S.A. ('Infinity').