

**Anglian Water Services Financing Plc**  
**Annual report and financial statements**  
for the year ended 31 March 2021

Company number: 04330322

# Anglian Water Services Financing Plc

## Strategic report

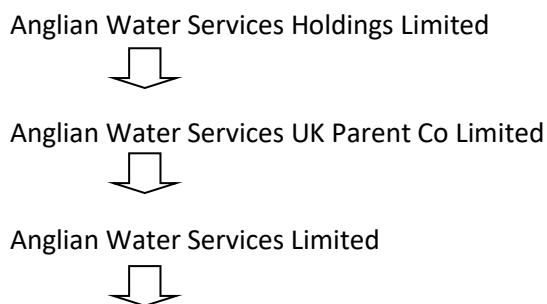
for the year ended 31 March 2021

The Directors present the Strategic Report for the year ended 31 March 2021.

### Business review

#### *Fair review of the business*

The principal activity of Anglian Water Services Financing Plc (the Company) is the raising of listed debt, on the UK public bond market, 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 Financing Plc**

The Directors expect the activities of the Company to continue in the foreseeable future without material change. The Company repaid £928.8 million (2020: £220.3 million) of debt in the year. £242.6 million of new debt was raised in the year (2020: £815.9 million). The monies raised were lent to AWSL on a back-to-back basis. As at 31 March 2021 the Company had cash and deposits amounting to £25.2 million (2020: £0.1 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 15 shows the Company's results for the year. For the financial year ended 31 March 2021 the Company made a profit on ordinary activities before taxation of £1.2 million (2020: loss of £2.7 million). 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.

#### **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.

## **Section 172 Statement (continued)**

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.

### *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 2020/21*

Board members discuss key areas of Group risk with investors and banks to facilitate the continued funding of the business. This year, the first of AMP7 (our Business Plan for 2020—2025), has been more challenging than many other years, recognising the Group's appeal to the Competition and Markets Authority in respect of the allowed revenues for AMP7, as well as dealing with the effects of Covid-19 but we have maintained a close dialogue. 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.

Anglian Water Services Financing Plc  
**Strategic report (continued)**  
for the year ended 31 March 2021

***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 £25.2 million (2020: £0.1 million) and had drawn committed working capital and capital expenditure facilities of £25.0 million (2020: £600.0 million) with an additional £575.0 million undrawn (2020: £50.0 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 (2020: £400.0 million) of 'liquidity facilities': £279.0 million (2020: £279.0 million) to finance AWSL debt service costs; and £121.0 million (2020: £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.

**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 between 45 per cent and 55 per cent of RCV for index-linked 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 16 June 2021 and signed on its behalf by:

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Claire Russell

Company Secretary

Anglian Water Services Financing Plc  
**Directors' report (continued)**  
for the year ended 31 March 2021

The Directors present their report and the audited financial statements for the year ended 31 March 2021.

**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:

Steven Buck  
Natalie Ceeney  
Polly Courtice  
John Hirst  
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 (2020: £nil). The Directors are not recommending the payment of a final dividend (2020: 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 against the redetermination issued by the CMA in March 2021.

Whilst the most severe worst case scenario indicates the potential for a Trigger Event in respect of the financing arrangements, the Directors do not consider this possibility to constitute material uncertainty related to going concern because the Directors believe that the company will trade better than the severe scenario, and in any event a Trigger Event is an early warning event designed to reinforce credit worthiness

Anglian Water Services Financing Plc  
**Directors' report (continued)**  
for the year ended 31 March 2021

**Going concern (continued)**

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 2021 financial statements.

**Post balance sheet events**

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.

**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
- 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 business review 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 16 June 2021 and signed on its behalf by:

.....  
Claire Russell  
Company Secretary

Anglian Water Services Financing Plc  
**Directors' responsibilities statement**  
for the year ended 31 March 2021

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; 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 AUDITOR'S REPORT TO THE MEMBERS OF ANGLIAN WATER SERVICES FINANCING PLC

### 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 2021 and of its profit 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 14.

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.



### 3. Summary of our audit approach

<b>Key audit matters</b>	The key audit matter that we identified in the current and prior year was derivative accounting.
<b>Materiality</b>	The materiality that we used in the current year was £22.2m, which was determined on the basis of total borrowings, capped at the component materiality determined as part of the Anglian Water Services Limited ("AWSL") group audit, which is the parent undertaking of the company.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	The going concern basis of accounting was identified as a key audit matter in the prior year, but is not considered a key audit matter in the current year due to a reduction in the level of judgement associated with this matter.

### 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 company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the assumptions used in establishing the liquidity position throughout the going concern period, with reference to forecast income and expenses;
- Evaluating the financing requirements, including the maturity profile of existing finance;
- Assessing the recoverability of investments where those investments are forecast to be used to finance the repayment of maturing external debt facilities; and
- Assessing the relationship with other group companies.

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 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

Anglian Water Services Financing Plc  
Independent auditor's report (continued)  
for the year ended 31 March 2021

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

<b>Key audit matter description</b>	<p>The company has gross derivative liabilities of £1,217.8m (2020: £1,406.4m) and gross derivative assets of £1,217.8m (2020: £1,406.4m), disclosed in note 11 to the financial statements, including interest rate swaps, index-linked swaps and cross currency swaps.</p> <p>IFRS 9 '<i>Financial Instruments</i>' 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.</p> <p>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.</p> <p>The relevant accounting policy adopted is disclosed in note 1 to the financial statements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>In response to this matter, we have performed the following procedures with the involvement of our financial instruments specialists:</p> <ul style="list-style-type: none"><li>• obtained an understanding of, and tested, relevant controls around the valuation techniques used in determining the fair value of derivatives;</li><li>• performed valuation testing, through independent recalculation, of a sample of complex derivative financial instruments, including an assessment of the credit risk adjustment; and</li><li>• 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.</li></ul>
<b>Key observations</b>	<p>We are satisfied that derivative financial instruments have been accounted for appropriately and that the valuations adopted are reasonable.</p>

## 6. Our application of materiality

### 6.1. Materiality

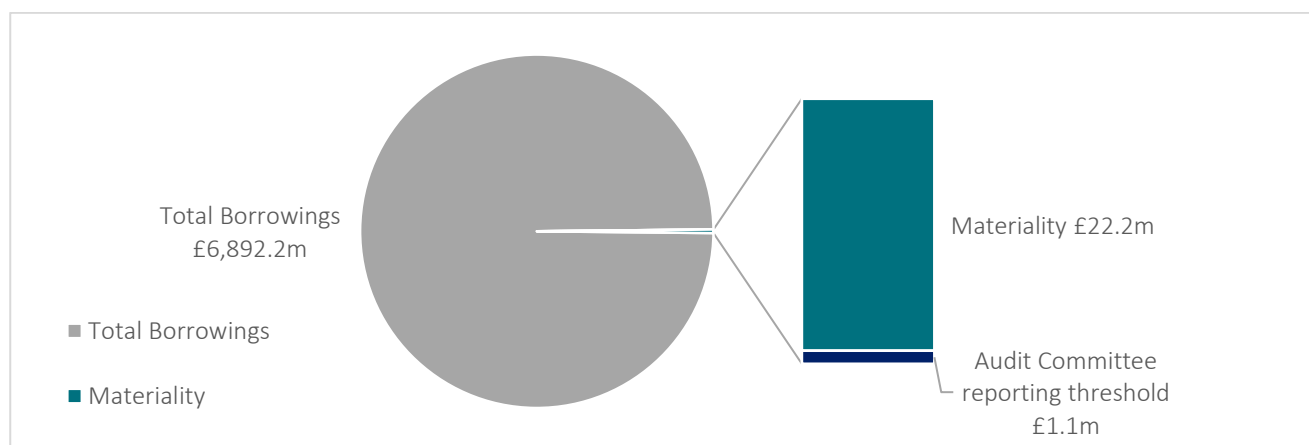
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

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

<b>Materiality</b>	£22.2m (2020: £18.5m)
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Anglian Water Services Financing Plc  
Independent auditor's report (continued)  
for the year ended 31 March 2021

<b>Basis for determining materiality</b>	Total borrowings, capped at the component materiality determined as part of AWSL group audit (2020: total borrowings, capped at the component materiality determined as part of AWSL group audit)
<b>Rationale for the benchmark applied</b>	The primary purpose of the company is to raise funding from external sources and provide funding to AWSL. We have therefore used total borrowings as the most appropriate benchmark. The applied materiality is capped at the component materiality determined as part of AWSL 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 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our consideration of the company's control environment;
- the limited number of changes to the business and the limited turnover of management and key accounting personnel during the year; and
- 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 £1.1m (2020: £0.9m), 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 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 Covid-19 and continued remote working practices observed for all of the year, we performed additional procedures on a number of controls within the business process to determine whether individual controls had been affected by working practice changes.

## 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 in 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 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.

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](http://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 company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company'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;
  - 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;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments 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

Anglian Water Services Financing Plc  
**Independent auditor's report (continued)**  
for the year ended 31 March 2021

amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules 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 company's ability to operate or to avoid a material penalty.

**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 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 and reviewing any 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 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, 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 which we are required to address

#### 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 five years, covering the years ending 31 March 2017 to 31 March 2021.

#### 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).

### 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)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

16 June 2021

# Statement of comprehensive income

for the year ended 31 March 2021

Notes		Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
	Revenue	-	-
	Total operating costs	-	-
	<b>Operating result</b>	-	-
4	Finance income	266.5	343.1
5	Finance costs, including fair value losses on derivative financial instruments	(266.2)	(343.0)
	Expected credit gain/(loss) on intercompany loan	0.9	(2.8)
	Net finance costs	1.2	(2.7)
	<b>Profit/(loss) before tax from continuing operations</b>	1.2	(2.7)
6	Tax	-	-
	<b>Profit/(loss) for the period and total comprehensive income</b>	1.2	(2.7)



# Balance Sheet

(Company number: 04330322)

At 31 March 2021

		Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Notes			
	<b>Non-current assets</b>		
7	Investments	6,233.3	6,620.2
11	Derivative financial instruments	1,113.3	1,311.2
		<b>7,346.6</b>	<b>7,931.4</b>
	<b>Current assets</b>		
8	Trade and other receivables	23.7	48.5
7	Investments	640.3	1,012.3
9	Cash and cash equivalents	25.2	0.1
11	Derivative financial instruments	104.5	95.2
		<b>793.7</b>	<b>1,156.1</b>
	<b>Total assets</b>	<b>8,140.3</b>	<b>9,087.5</b>
	<b>Current liabilities</b>		
10	Borrowings	(640.3)	(1,012.3)
11	Derivative financial instruments	(104.5)	(95.2)
		<b>(744.8)</b>	<b>(1,107.5)</b>
	<b>Net current assets</b>	<b>48.9</b>	<b>48.6</b>
	<b>Non-current liabilities</b>		
10	Borrowings	(6,251.9)	(6,639.7)
11	Derivative financial instruments	(1,113.3)	(1,311.2)
		<b>(7,365.2)</b>	<b>(7,950.9)</b>
	<b>Total liabilities</b>	<b>(8,110.0)</b>	<b>(9,058.4)</b>
	<b>Net assets</b>	<b>30.3</b>	<b>29.1</b>
	<b>Capital and reserves</b>		
12	Called up share capital	-	-
	Retained earnings	30.3	29.1
	<b>Total equity</b>	<b>30.3</b>	<b>29.1</b>

Notes 1 to 14 are an integral part of these financial statements.

Approved by the Board on 16 June 2021 and signed on its behalf by:

.....  
Peter Simpson  
Director

.....  
Steven Buck  
Director

Anglian Water Services Financing Plc

## Statement of Changes in Equity

For the year ended 31 March 2021

	Stated capital £m	Retained earnings £m	<b>Total equity £m</b>
<b>At 1 April 2019</b>	-	31.8	31.8
Loss for the period	-	(2.7)	(2.7)
Total comprehensive income	-	(2.7)	(2.7)
<b>At 31 March 2020</b>	-	29.1	29.1
Profit for the period	-	1.2	<b>1.2</b>
Total comprehensive income	-	1.2	<b>1.2</b>
<b>At 31 March 2021</b>	-	<b>30.3</b>	<b>30.3</b>

## Cash flow statement

For the year ended 31 March 2021

		Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Notes			
	<b>Investing activities</b>		
7	Loan repayment from parent	928.8	218.4
	Loans to parent	(242.6)	(815.9)
	Interest received	218.9	229.5
	Receipt on intercompany account	25.0	-
	<b>Net cash from/(used in) investing activities</b>	<b>930.1</b>	<b>(368.0)</b>
	<b>Financing activities</b>		
	Interest paid	(218.8)	(229.3)
	Increase in amounts borrowed	242.6	815.9
	Repayment of amounts borrowed	(928.8)	(220.3)
	<b>Net cash (used in)/from financing activities</b>	<b>(905.0)</b>	<b>366.3</b>
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>25.1</b>	<b>(1.7)</b>
	<b>Cash and cash equivalents at the beginning of the period</b>	<b>0.1</b>	<b>1.8</b>
	<b>Cash and cash equivalents at the end of the period</b>	<b>25.2</b>	<b>0.1</b>

Anglian Water Services Financing Plc

## Notes to the financial statements

for the year ended 31 March 2021

### 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 16 June 2021.

#### 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 the Act.

The Company is a qualifying entity for the purposes of FRS 101. Note 14 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, further detailed in the Director's report, 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.

No key assumptions or significant judgements were required in the preparation of these financial statements.

#### 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'.

Anglian Water Services Financing Plc

## Notes to the financial statements (continued)

for the year ended 31 March 2021

### 1. Accounting policies (continued)

#### Standards, amendments and interpretations effective or adopted

The following standards and amendments are effective in the company's financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform';
- Amendments to IAS 1 and IAS 8 'Definition of material';
- Amendments to IFRS 3 'Definition of a business'; and
- Amendments to reference to the Conceptual Framework in IFRS standards

#### i. *IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'*

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the reforms. Hedge accounting is not applied in the Company, therefore the financial statements were not impacted by these amendments.

#### ii. *Other amendments*

Other amendments effective during the reporting period did not have any significant impact on adoption.

#### 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' (£), which is also the Company's functional currency.

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**1. Accounting policies (continued)**

**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 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, other than receivables, ECLs are measured at an amount equal to the 12-month ECL.

Anglian Water Services Financing Plc

## Notes to the financial statements (continued)

for the year ended 31 March 2021

### 1. Accounting policies (continued)

#### 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.

#### 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 £15,000 (2020: £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 (2020: 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 (2020: none).

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**4. Finance income**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Finance income</b>		
Interest receivable from Anglian Water Services Limited	266.1	342.7
Management fees treated as interest receivable	0.3	0.3
Other interest income	0.1	0.1
	<b>266.5</b>	<b>343.1</b>

**5. Finance costs**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Finance costs</b>		
Interest expense on bank loans and overdrafts	(217.6)	(228.5)
Indexation of loan stock	(48.6)	(114.5)
	<b>(266.2)</b>	<b>(343.0)</b>

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.



Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**6. Taxation**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Tax charge/(credit) on profit/(loss) on continuing operations comprises:</b>		
UK corporation tax - current period	-	-
<b>Total tax charge/(credit) on profit/(loss) on continuing operations</b>	<b>-</b>	<b>-</b>

Tax on profit on continuing operations for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19 per cent (2020: 19 per cent).

The differences are reconciled below:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Profit/(loss) before tax from continuing operations	<b>1.2</b>	(2.7)
Profit/(loss) before tax from continuing operations at the standard rate of corporation tax in the UK of 19% (2020: 19%)	<b>0.2</b>	(0.5)
Effects of recurring items:		
Items not deductible for tax purposes		
Expected credit loss on intercompany loan	<b>(0.2)</b>	0.5
<b>Tax charge/(credit) for the period</b>	<b>-</b>	<b>-</b>

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

In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19 per cent to 25 per cent, effective 1 April 2023.

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**7. Investments**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Investments - current and non-current</b>		
Loan to parent undertaking	6,892.2	7,652.0
Expected credit loss	(18.6)	(19.5)
<b>Total</b>	<b>6,873.6</b>	<b>7,632.5</b>

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
At 1 April	7,632.5	6,914.8
Increase in loans	242.6	815.9
Loans repaid	(928.8)	(229.3)
Movement on back to back arrangement with parent	(73.6)	133.9
Movement on expected credit loss	0.9	(2.8)
<b>At 31 March</b>	<b>6,873.6</b>	<b>7,632.5</b>

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

**8. Trade receivables**

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Amounts owed by immediate parent undertaking	23.7	48.5
<b>Total</b>	<b>23.7</b>	<b>48.5</b>

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

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**9. Cash and cash flow**

**Movement in net debt excluding derivatives**

	Cash and cash equivalents £m	Borrowings £m	£m
At 1 April 2019	1.8	(6,931.4)	<b>(6,929.6)</b>
Decrease in cash	(1.7)	-	<b>(1.7)</b>
Increase in amounts borrowed	-	(815.9)	<b>(815.9)</b>
Repayment of amounts borrowed	-	220.3	<b>220.3</b>
Movement in interest accrual on debt	-	(1.9)	<b>(1.9)</b>
Indexation of borrowings and RPI swaps	-	(77.8)	<b>(77.8)</b>
Fair value gains and losses and foreign exchange	-	(45.3)	<b>(45.3)</b>
<b>At 31 March 2020</b>	<b>0.1</b>	<b>(7,652.0)</b>	<b>(7,651.9)</b>
Increase in cash	25.1	-	<b>25.1</b>
Increase in amounts borrowed	-	(242.6)	<b>(242.6)</b>
Repayment of amounts borrowed	-	928.8	<b>928.8</b>
Movement in interest accrual on debt	-	3.0	<b>3.0</b>
Indexation of borrowings and RPI swaps	-	(32.0)	<b>(32.0)</b>
Fair value gains and losses and foreign exchange	-	102.6	<b>102.6</b>
<b>At 31 March 2021</b>	<b>25.2</b>	<b>(6,892.2)</b>	<b>(6,867.0)</b>
Net debt at 31 March 2021 comprises:			
Non-current assets		-	-
Current assets	25.2	-	<b>25.2</b>
Current liabilities	-	(640.3)	<b>(640.3)</b>
Non-current liabilities	-	(6,251.9)	<b>(6,251.9)</b>
	<b>25.2</b>	<b>(6,892.2)</b>	<b>(6,867.0)</b>

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**10. Loans, other borrowings and other financial instruments**

	2021 £m	2020 £m
£250 million 5.837% fixed rate 2022	259.8	259.8
£200 million 6.875% fixed rate 2023	208.4	208.4
£200 million 6.625% fixed rate 2029	202.8	202.8
£246 million 6.293% fixed rate 2030	256.4	256.4
£150 million 4.125% index-linked 2020	-	264.6
£75 million 3.666% index-linked 2024	127.2	126.0
£200 million 3.07% index-linked 2032	338.9	335.6
£60 million 3.07% index-linked 2032	103.0	101.7
£402 million 2.4% index-linked 2035	630.7	625.2
£50 million 1.7% index-linked 2046	75.8	75.1
£50 million 1.7% index-linked 2046	75.8	75.1
£40 million 1.7146% indexation bond 2056	60.8	60.2
£50 million 1.6777% indexation bond 2056	75.9	75.2
£60 million 1.7903% indexation bond 2049	91.1	90.2
£100 million 1.3784% indexation bond 2057	151.6	149.7
£50 million 1.3825% indexation bond 2056	75.8	74.9
£100 million Class A wrapped floating rate bonds	100.1	100.2
£75 million 1.449% indexation bond 2062	109.1	107.0
£50 million 1.52% indexation bond 2055	72.8	71.4
£110 million Class A unwrapped floating rate bonds 2043	110.1	110.2
£25 million 6.875% private placements 2034	25.4	25.4
£130 million 2.262% indexation bond 2045	175.5	173.5
US\$160 million 4.52% private placements 2021	117.5	130.4
US\$410 million 5.18% private placements 2021	302.4	335.6
EIB £75 million 0.53% index-linked term facility 2027 <sup>1</sup>	55.9	64.4
EIB £75 million 0.79% index-linked term facility 2027 <sup>1</sup>	55.9	64.4
£250 million 4.5% fixed rate 2027	255.5	255.5
£15 million 1.37% index-linked private placements 2022	18.3	18.1
£50 million 2.05% index-linked private placements 2033	61.2	60.5
£31.9 million 3.983% private placements 2022	32.5	32.5
£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	35.0	38.8
EIB £150 million 0% index-linked term facility 2028 <sup>2</sup>	126.5	142.9
£200 million Class B 4.5% fixed rate 2026	200.9	201.0
£35 million 1.141% index-linked bond 2042	42.0	41.5
US\$170 million 3.84% private placements 2023	125.5	139.3
£93 million 3.537% private placements 2023	94.5	94.5
US\$160 million 4.99% private placements 2023	118.1	131.1
EIB £65 million 0.41% index-linked term facility 2029	60.9	67.7
EIB Tranche 2 £125 million 0.1% 2029 <sup>3</sup>	122.9	135.6
EIB Tranche 3 £60 million 0.01% 2030 <sup>4</sup>	62.1	68.2
RCF £550 million <sup>5</sup>	25.3	550.1
RCF £100 million bilaterals	-	50.0
US\$150 million 3.29% private placements 2026	110.4	122.5
£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
Sub-total	5,559.0	6,521.9

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**10. Loans, other borrowings and other financial instruments (continued)**

	2021 £m	2020 £m
<b>Sub-total brought forward</b>	<b>5,559.0</b>	6,521.9
£200 million Class B 2.6225% fixed rate 2027	<b>201.5</b>	201.5
£250 million Green Bond 1.625% 2025	<b>252.6</b>	252.6
£300 million Green bond 2.75% 2029	<b>303.6</b>	303.6
£25 million 3.0% fixed rate 2031	<b>25.1</b>	25.1
US\$53 million 3.053% fixed rate 2029	<b>38.7</b>	43.0
£85 million 2.88% fixed rate 2029	<b>85.3</b>	85.4
£65 million 2.87% fixed rate 2029	<b>65.9</b>	65.9
£65 million CPI 0.835% 2040	<b>65.5</b>	-
JPY 7 billion 0.855% fixed rate 2039	<b>46.0</b>	52.5
EDC £100 million 1.588% fixed rate 2028	<b>100.5</b>	100.5
£50 million 1.76% fixed rate 2035	<b>50.3</b>	-
JPY 7 billion 0.85% fixed rate 2040	<b>46.0</b>	-
JR £26.1 million CPI 0.01% 2035	<b>26.1</b>	-
BPPT £26.1 million CPI 0.01% 2035	<b>26.1</b>	-
£35 million 2.14% fixed rate 2036 <sup>6</sup>	-	-
£40 million 2.14% fixed rate 2036 <sup>6</sup>	-	-
<b>Total loans and other borrowings</b>	<b>6,892.2</b>	7,652.0
<b>Included in:</b>		
Current liabilities	<b>640.3</b>	1,012.3
Non-current liabilities	<b>6,251.9</b>	6,639.7

<sup>1</sup> These instruments are amortising from 2017 until the date of maturity shown.

<sup>2</sup> This instrument is amortising from 2018 until the date of maturity shown.

<sup>3</sup> This instrument is amortising from 2019 until the date of maturity shown.

<sup>4</sup> This instrument is amortising from 2020 until the date of maturity shown.

<sup>5</sup> The bilateral facility was decreased to £50.0 million in May 2020 (31 March 2020: £100.0 million).

<sup>6</sup> These instruments were transacted in March 2021 with debt cash proceeds received in April 2021 after the current period end.

## Notes to the financial statements (continued)

for the year ended 31 March 2021

### 10. Loans, other borrowings and other financial instruments (continued)

The value of the capital and interest elements of the index-linked loans and swaps are linked to movements in inflation. The increase in the capital value during the year of £48.6 million (2020: £114.5 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 2021 this charge applies to £6,892.2 million (2020: £7,652.0 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 2021 unamortised debt issue costs totalled £22.3 million (2020: £31.7 million).

Anglian Water Services Financing Plc  
**Notes to the financial statements (continued)**  
for the year ended 31 March 2021

**11. Derivative financial instruments**

	<b>2021</b>		<b>2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Interest rate and cross currency interest rate swaps	<b>434.5</b>	<b>(434.5)</b>	561.4	(561.4)
RPI and CPI swaps	<b>783.3</b>	<b>(783.3)</b>	845.0	(845.0)
	<b>1,217.8</b>	<b>(1,217.8)</b>	1,406.4	(1,406.4)
Derivative financial instruments can be analysed as				
Current	<b>104.5</b>	<b>(104.5)</b>	95.2	(95.2)
Non-current	<b>1,113.3</b>	<b>(1,113.3)</b>	1,311.2	(1,311.2)
	<b>1,217.8</b>	<b>(1,217.8)</b>	1,406.4	(1,406.4)

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 2021 (2020: £nil).

The notional principal amount of the outstanding index-linked swap contracts and interest rate swap contracts, including the GBP leg of the cross-currency interest rate swap contracts below, at 31 March 2021 was £4,808.9 million (2020: £4,619.7 million).

The notional foreign currency principal amount of the outstanding cross-currency interest rate swap contracts at 31 March 2021 was USD 1,150 million (2020: USD 1,150.0 million), JPY 14.0 billion (2020: JPY 7.0 billion).

At 31 March 2021 the fixed interest rates vary from 2.84 per cent to 5.99 per cent, floating rates vary from 0.09 per cent (LIBOR plus 0.0 bps) to 3.10 per cent (LIBOR plus 298.70 bps), RPI-linked interest rates vary from 1.27 per cent to 2.97 per cent plus RPI and CPI-linked interest rates vary from (1.21) per cent plus CPI to 1.69 per cent plus CPI. Gains and losses recognised in OCI 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, or in the case of highly probable forecast transactions the release from the reserve will occur over the period during which the hedged forecast transaction affects the income statement.

**12. Called up share capital**

The issued share capital is 50,000 (2020: 50,000) ordinary shares of £1 each (2020: £1), of which 49,998 (2020: 49,998) have been issued, a quarter paid-up and two shares are fully paid-up, giving an issued share capital of £12,502 (2020: £12,502).

## Notes to the financial statements (continued)

for the year ended 31 March 2021

### 13. 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 2021 amounted to £10.5 million (2020: £18.5 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 2021 or 31 March 2020.

### 14. Ultimate parent company

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

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

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

The Directors consider Anglian Water Group Limited, a company registered in Jersey but domiciled in the UK, to be the ultimate parent undertaking. Anglian Water Group Limited is owned and ultimately controlled by a consortium of investors consisting of the CPPIB (Hong Kong) Limited, First Sentier Investors, Infinity Investments S.A., Global InfraCo (HK) E. Limited and Camulodunum Investments Ltd.