Anglian Water Services Financing Plc

Annual report and financial statements

for the year ended 31 March 2023

Company number: 04330322

The Directors present the Strategic Report for the year ended 31 March 2023.

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" or the "Group") 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 Directors expect the activities of the Company to continue in the foreseeable future without material change.

The Company repaid £668.8 million (2022: £656.4 million) of debt in the year. £740.8 million of new debt was raised in the year (2022: £100.5 million). The monies raised were lent to AWSL on a back-to-back basis. As at 31 March 2023 the Company had cash and deposits amounting to £6.7 million (2022: £2.8 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 Anglian Water Group, whose ultimate parent company is Anglian Water Group Limited, operates a three-tier debt structure, referred to as OpCo, MidCo and HoldCo. The aim of this company is to raise debt and lend it to its parent company in the OpCo part of the structure in order to maintain a certain net debt to capital ratio (net debt expressed as a percentage of Anglian Water's regulated capital value). As such the KPI for AWSF is the related net debt to capital ratio.

At 31 March 2023 Anglian Water's net debt to capital value was 66 per cent (2022: 65 per cent).

The statement of comprehensive income on page 16 shows the Company's results for the year. For the financial year ended 31 March 2023 the Company made a profit before tax from continuing operations of £1.8 million (2022: loss of £0.3 million).

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.

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 2022/2023

Board members discuss key areas of Group risk 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 £6.7 million (2022: £2.8 million) and had drawn committed working capital and capital expenditure facilities of £nil million (2022: £nil million) with an additional £975.0 million undrawn (2022: £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 9 to the financial statements.

In addition, the Company has access to a further £375.0 million (2022: £375.0million) of 'liquidity facilities': £244.0 million (2022: £254.0 million) to finance AWSL debt service costs; and £131.0 million (2022: £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 07 June 2023 and signed on its behalf by:

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Claire Russell

Company Secretary

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

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
Fraser Campbell (appointed 1 November 2022)
Natalie Ceeney
Polly Courtice
Andrew Hodson (appointed 31 March 2023)
John Hirst
Colin Matthews (appointed 23 November 2022)
Zarin Patel
Alistair Phillips-Davies (appointed 23 November 2022)
Peter Simpson

The following directors resigned during the year:

Jane Pilcher (resigned on 31 October 2022)
Alex Plant (resigned 31 March 2023)
Paul Whittaker (resigned 13 October 2022)

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 (2022: £nil). The Directors are not recommending the payment of a final dividend (2022: £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 of the ability of the Group to meet its liabilities as they fall due for a period of at least 12 months from the date these financial statements are approved. This review assessed the liquidity requirements of the Group compared against the cash and facilities available to the Group as detailed below. The review included a range of downside outcomes as a result of the macro-economic environment. Key updates since the previous assessment are as follows:

- There continues to be considerable market volatility particularly in terms of energy, interest rates and inflation.
- Higher inflation is improving gearing relative to RCV.

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

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

We have identified three stretching scenarios to stress test our base forecast. These scenarios, low, medium and severe focus on the impact of the cost-of-living crisis and higher unemployment, the impacts of higher inflation and interest rates, as well as specific risks to the business, such as our ability to meet our stretching renewable energy generation targets. In addition, this year the scenarios consider the impact on our cash collection as a result of a cyber-attack.

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

- Liquidity – AWS holds sufficient liquidity to cover the going concern period even under the most severe downside scenario.
- Profitability – The revenues of the business are underpinned by the regulatory model and the business has a detailed plan in place to deliver in line with the CMA FD. Our most severe scenario represents an 10 per cent reduction in EBITDA.
- Debt covenants – The business has significant headroom against Default Events (where class A interest cover ratio is less than 1.6:1) under its securitised covenants with no plausible scenario identified that would cause an Event of Default.

While both the medium and sever scenarios indicate the potential for a Trigger Event, the Directors do not consider this possibility to constitute a material uncertainty related to going concern. As noted, a Trigger Event is not considered a going concern event and whilst it would result in dividend lock-up and prevent the business from raising new debt we have sufficient liquidity during the going concern period in this event even when including planned debt repayments.

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

For these reasons, the Directors believe it appropriate to continue to adopt the going concern basis in preparing the 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 07 June 2023 and signed on its behalf by:

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Claire Russell
Company Secretary

Directors' responsibilities statement

For the year ended 31 March 2023

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 2023 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 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. The non-audit services provided to the company for the year are disclosed in note 2 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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

Key audit matters	The key audit matter that we identified in the current year was derivative accounting. 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 £23.5m (2022: £21.9m), which was determined as 3% of borrowings, capped to the materiality of Anglian Water Services Limited ("AWSL"). (2022: 3% of borrowings, capped to the materiality of AWSL).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach.

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:

- Understanding Management's process to model the impact of going concern and agreeing relevant data points in the model to supporting documentation;
- Assessing the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by Management;
- Assessing the assumptions used in establishing Management's base case, including comparison of key assumptions to independent data sources where relevant;
- Evaluating liquidity, including in the scenario where future financing is restricted;
- Evaluating the external financing to establish and assess the covenant requirements attached to this financing;
- Assessing the amount of headroom in the forecasts (cash and covenants); and
- Evaluating the sensitivity analysis including downside risks to reflect the macro-economic conditions, as prepared by Management.

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 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 £1,138.2m (2022: £1,239.3m) and gross derivative assets of £1,138.2m (2021: £1,239.3m), 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, unless designated as hedge relationships. Where possible, Management have elected to apply hedge accounting. We identified a key audit matter relating to the valuation of derivatives and the related credit risk adjustments, which can be both complex and judgemental. We have focused in particular on the risk of error arising on the valuation of the index-linked swaps due to their complexity.
How the scope of our audit responded to the key audit matter	In response to this matter, we have performed the following procedures involving our financial instruments specialists where appropriate: • obtained an understanding of, and tested, relevant controls around the valuation techniques used in determining the fair value of derivatives; • tested the valuation, through independent recalculation, of a sample of complex derivative financial instruments, including an assessment of the credit risk adjustment; • inspected the hedge documentation and tested hedge effectiveness against the criteria documented; and • assessed banking agreements and the application of hedge accounting IFRS 9 in relation to new debt instruments and debt repayments. • Additionally we have reviewed the disclosures required by Financial Reporting Standard 101 to assess whether they are compliant with the standard and observed industry practice.
Key observations	We are satisfied that derivative financial instruments have been accounted for appropriately and that the valuations adopted are reasonable.

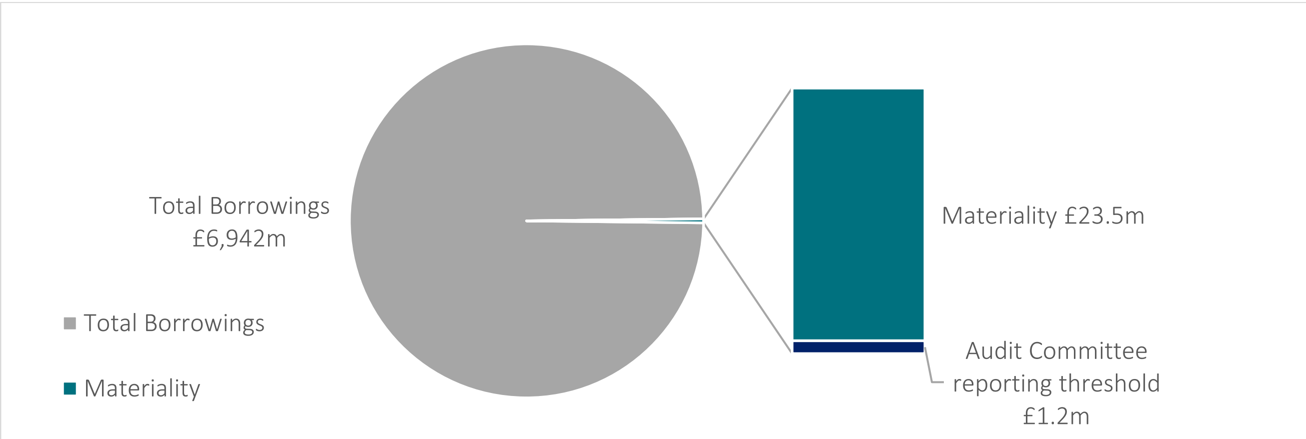
6. Our application of materiality

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	£23.5m (2022: £21.9m)
Basis for determining materiality	3% of borrowings, capped to the materiality of AWSL, (2022: 3% of borrowings, capped to the materiality of AWSL).
Rationale for the benchmark applied	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 AWSL materiality.



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 2023 audit (2022: 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 £1.2m (2022: £1.0m), 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 with 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.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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. 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 with consideration of group wide matters, including 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 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, reviewing internal audit reports and reviewing any correspondence with HMRC and Ofwat; 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 7 years, covering the years ending 31 March 2017 to 31 March 2023.

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.

Kate Hadley (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

07 June 2023

Anglian Water Services Financing Plc

Statement of comprehensive income

for the year ended 31 March 2023

Notes		**Year ended 31 March 2023 £m**	Year ended 31 March 2022 £m
	Revenue	-	-
	Total operating costs	-	-
	Operating result	-	-
4	Finance income	**766.0**	471.9
5	Finance costs, including fair value losses on derivative financial instruments	**(765.1)**	(471.5)
	Expected credit gain/(loss) on intercompany loan	**0.9**	(0.7)
	Net finance income/(costs)	**1.8**	(0.3)
	Profit/(loss) before tax from continuing operations	**1.8**	(0.3)
3	Tax	**-**	-
	Profit/(Loss) for the period and total comprehensive income	**1.8**	(0.3)

Anglian Water Services Financing

Balance sheet

(Registration number: 04330322)
as at 31 March 2023

Notes		Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
	Non-current assets		
7	Investments	**6,315.6**	6,019.9
10	Derivative financial instruments	**1,069.4**	1,220.8
		7,385.0	7,240.7
	Current assets		
8	Trade and other receivables	**43.6**	46.5
7	Investments	**607.9**	469.6
	Cash and cash equivalents	**6.7**	2.8
	Derivative financial instruments	**68.8**	18.5
		727.0	537.4
	Total assets	**8,112.0**	7,778.1
	Current liabilities		
9	Borrowings	**(608.0)**	(469.6)
10	Derivative financial instruments	**(68.8)**	(18.5)
		(676.8)	(488.1)
	Net current assets	**50.2**	49.3
	Non-current liabilities		
9	Borrowings	**(6,334.0)**	(6,039.2)
10	Derivative financial instruments	**(1,069.4)**	(1,220.8)
		(7,403.4)	(7,260.0)
	Total liabilities	**(8,080.2)**	(7,748.1)
	Net assets	**31.8**	30.0
	Capital and reserves		
	Retained earnings	**31.8**	30.0
	Total equity	**31.8**	30.0

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

Approved by the Board on 07 June 2023 and signed on its behalf by:

Peter Simpson
CEO

Steven Buck
CFO

Anglian Water Services Financing

Statement of changes in equity

for the year ended 31 March 2023

	Stated capital £m	Retained earnings £m	**Total equity £m**
At 1 April 2021	-	30.3	30.3
Profit for the period	-	(0.3)	(0.3)
Total comprehensive income	-	(0.3)	(0.3)
At 31 March 2022	-	30.0	30.0
Profit for the period	-	1.8	**1.8**
Total comprehensive income	-	1.8	**1.8**
At 31 March 2023	**-**	**31.8**	**31.8**

1. Accounting policies

a) 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 07 June 2023.

b) 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 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 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 16 of IAS 1, "Presentation of financial statements" (statement of compliance with all IFRS);
- Paragraph 10 (d) statement of cashflows;
- Paragraph 38 comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- Paragraph 38A requirement of minimum of two primary statements, including cashflow statements;
- Paragraph 111 cashflow statement information;
- IAS 7 "Statement of cashflows"

1. Accounting policies (continued)

b) Basis of preparation (continued)

- 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'.

Standards, amendments and interpretations effective or adopted

No new standards and amendments were deemed relevant to the company so have not been included.

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.

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.

1. Accounting policies (continued)

b) Basis of preparation (continued)

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.

1. Accounting policies (continued)

b) Basis of preparation (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.

Cash and cash equivalents

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

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

2. Auditor's remuneration

The remuneration for the audit of the company financial statements of £15,000 (2022: £15,000) is borne by Anglian Water Services Limited and not recharged to the company.

3. Particulars of employees and director's remuneration

The monthly average number of persons employed by the Company (including Directors) during the year was nil (2022: 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 (2022: none). The Directors are remunerated through another group company and no recharges are made.

4. Finance income

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Finance income		
Interest receivable from Anglian Water Services Limited	**765.1**	471.6
Management fees treated as interest receivable	**0.4**	0.3
Other interest income	**0.5**	-
	766.0	471.9

5. Finance costs

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Finance costs		
Interest expense on bank loans and overdrafts	**(203.7)**	(216.5)
Indexation of loan stock	**(561.4)**	(255.0)
Total Finance Costs	**(765.1)**	(471.5)
Expected credit gain/(loss) on intercompany loan	**0.9**	(0.7)
Finance Income	**766.0**	471.9
Net finance income/(costs)	**1.8**	(0.3)

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.

5. Finance costs (continued)

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

	Year ended 31 March 2023	Year ended 31 March 2022
	£m	£m
Tax on profit/(loss) on ordinary activities comprises:		
UK corporation tax - current period	**-**	-
Total tax charge on (loss)/profit on continuing operations	**-**	-

Tax on profit on continuing operations for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK of 19 per cent (2022: 19 per cent).
The differences are reconciled below:

	Year ended 31 March 2023	Year ended 31 March 2022
	£m	£m
Loss before tax from continuing operations	**1.8**	(0.3)
Loss before tax from continuing operations at the standard rate of corporation tax in the UK of 19% (2022: 19%)	**0.3**	(0.1)
Effects of recurring items:		
Items not deductible for tax purposes		
Expected credit loss on intercompany loan	**(0.2)**	0.1
	0.1	-
Effects of non-recurring items:		
Group relief not paid for	**(0.1)**	-
Tax charge/(credit) for the period	**-**	-

6. Taxation (continued)

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

It was legislated for in The Finance Bill 2021 to increase the main rate of UK corporation tax from 19 per cent to 25 per cent, effective April 2023.

As the company has no deferred tax balances this has had no impact.

7. Investments

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Investments - current & non-current		
Loan to parent undertaking[1]	**6,941.9**	6,508.8
Expected credit loss	**(18.4)**	(19.3)
Total	**6,923.5**[2]	6,489.5

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At 1 April	**6,489.5**	6,873.6
Increase in loans	**740.8**	100.5
Loans repaid	**(668.8)**	(656.4)
Movement on back to back arrangement with parent	**361.1**	172.5
Movement on expected credit loss	**0.9**	(0.7)
At 31 March	**6,923.5**	6,489.5

[1]The loan to AWSL mirrors the external loan and is on terms equal to that set out in note 9.

[2]£6,923.5 million made up of current: £607.9 million and non-current: £6,315.6 million.

8. Trade receivables

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Amounts owed by immediate parent undertaking	**43.5**	46.5
Total	**43.5**	46.5

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

9. Loans, other borrowings and other financial instruments

	2023 £m	2022 £m
£250 million 5.837% fixed rate 2022	**-**	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	**-**	-
£75 million 3.666% index-linked 2024	**149.7**	133.1
£200 million 3.07% index-linked 2032	**398.7**	354.5
£60 million 3.07% index-linked 2032	**112.1**	106.8
£402 million 2.4% index-linked 2035	**491.9**	672.9
£50 million 1.7% index-linked 2046	**89.2**	79.3
£50 million 1.7% index-linked 2046	**89.1**	79.6
£40 million 1.7146% indexation bond 2056	**72.1**	63.9
£50 million 1.6777% indexation bond 2056	**90.1**	79.9
£60 million 1.7903% indexation bond 2049	**107.8**	95.6
£100 million 1.3784% indexation bond 2057	**178.8**	159.6
£50 million 1.3825% indexation bond 2056	**89.4**	79.8
£100 million Class A wrapped floating rate bonds	**100.8**	100.2
£75 million 1.449% indexation bond 2062	**121.1**	111.5
£50 million 1.52% indexation bond 2055	**81.2**	74.5
£110 million Class A unwrapped floating rate bonds 2043	**110.5**	110.2
£25 million 6.875% private placements 2034	**25.4**	25.4
£130 million 2.262% indexation bond 2045	**214.8**	190.0
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]	**45.6**	50.4
EIB £75 million 0.79% index-linked term facility 2027[1]	**45.6**	50.4
£250 million 4.5% fixed rate 2027	**255.5**	255.5
£15 million 1.37% index-linked private placements 2022	**-**	19.9
£50 million 2.05% index-linked private placements 2033	**74.9**	66.3
£31.9 million 3.983% private placements 2022	**-**	32.5
£73.3 million 4.394% private placements 2028	**74.9**	74.9
£22.3 million 3.983% private placements 2022	**-**	22.8
US$47 million 5% private placements 2022	**-**	-
EIB £150 million 0% index-linked term facility 2028[2]	**110.6**	117.4
£200 million 4.5% fixed rate 2026	**200.9**	200.9
£35 million 1.141% index-linked bond 2042	**51.4**	45.4
US$170 million 3.84% private placements 2023	**140.2**	131.7
£93 million 3.537% private placements 2023	**94.5**	94.5
US$160 million 4.99% private placements 2023	**-**	-
EIB £65 million 0.41% index-linked term facility 2029	**55.9**	57.7
EIB Tranche 2 £125 million 0.1% 2029[3]	**114.9**	117.3
EIB Tranche 3 £60 million 0.01% 2030[4]	**59.1**	59.8
RCF £550 million	**-**	-
US$150 million 3.29% private placements 2026	**123.3**	115.8
£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 carried forward	**4,748.6**	5,068.4

9. Loans, other borrowings and other financial instruments (continued)

	2023 £m	2022 £m
Sub-total brought forward	**4,748.6**	5,068.4
£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	**43.2**	40.6
£85 million 2.88% fixed rate 2029	**85.4**	85.4
£65 million 2.87% fixed rate 2029	**65.9**	65.9
£65 million CPI 0.835% 2040	**76.2**	68.9
JPY 7 billion 0.855% fixed rate 2039	**42.8**	43.9
EDC £100 million 1.588% fixed rate 2028	**100.5**	100.5
£50 million 1.76% fixed rate 2035	**50.3**	50.3
JPY 7 billion 0.85% fixed rate 2040	**42.8**	43.9
JR £26.1 million CPI 0.01% 2035	**30.2**	27.9
BPPT £26.1 million CPI 0.01% 2035	**30.2**	27.9
£35 million 2.14% fixed rate 2036	**35.3**	35.3
£40 million 2.14% fixed rate 2036	**40.4**	40.4
US$35 million 1.16% fixed rate 2026	**28.4**	26.7
C$ 350 million 4.525% Maple 2032	**210.8**	-
£266 million 6.07% private placement 2037	**247.8**	-
£266 million 6.07% private placement 2037	**24.6**	-
£100 million CPIH index linked 3.017% 2040 loan	**103.6**	-
£75 million floating loan 2029	**76.2**	-
£75 million floating loan 2032	**75.6**	-
Liquidity facilities	**0.4**	-
Total loans and other borrowings	**6,942.0**	6,508.8
Included in:		
Current liabilities	**608.0**	469.6
Non-current liabilities	**6,334.0**	6,039.2

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.

9. 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 £363.0 million (2022: £170.2 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 2023 this charge applies to £6,845.0 million (2022: £6,456.4 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 2023 unamortised debt issue costs totalled £14.1 million (2022: £19.7 million).

Capital risk management

The prime responsibility of AWSFG's (the Group) treasury function is the efficient and effective management of financial resources within the Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. This involves focus on efficiency, quality and effective control to improve cash flow certainty and profitability. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures.
Recognising the level of gearing in the Group, and the long-term nature of the Group's asset base, the Group is primarily funded from the debt capital markets. It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets. The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings.

10. Derivative financial instruments

	2023 Assets £m	2023 Liabilities £m	2022 Assets £m	2022 Liabilities £m
Interest rate and cross currency interest rate swaps	**274.3**	**(274.3)**	252.8	(252.8)
RPI and CPI swaps	**863.9**	**(863.9)**	986.5	(986.5)
	1,138.2	**(1,138.2)**	1,239.3	(1,239.3)
Derivative financial instruments can be analysed as follows:				
Current	**68.8**	**(68.8)**	18.5	(18.5)
Non-current	**1,069.4**	**(1,069.4)**	1,220.8	(1,220.8)
	1,138.2	**(1,138.2)**	1,239.3	(1,239.3)

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 2023 (2022: £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 2023 was £3,924.4 million (2022: £3,735.3 million).

The notional foreign currency principal amount of the outstanding cross-currency interest rate swap contracts at 31 March 2023 was USD 408.0 million (2022: USD 408.0 million), JPY 14.0 billion (2022: JPY 14.0 billion) and CAD 350.0 million (2022: CAD 0.0 million).

At 31 March 2023, the fixed interest rates vary from 2.84 per cent to 4.75 per cent, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 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 other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

11. Called up share capital

The authorised share capital is 50,000 (2022: 50,000) ordinary shares of £1 each (2022: £1), of which 49,998 (2022: 49,998) have been issued, a quarter paid-up and two shares are fully paid-up, giving an issued share capital of £12,502 (2022: £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 2023 amounted to £nil million (2022: £5.2 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 2023 or 31 March 2022.

13. 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.