Registration number: 13390485

Aigrette Financing (Issuer) PLC

Annual Report and Financial Statements

for the Period from 12 May 2021 to 31 March 2022

Aigrette Financing (Issuer) PLC

Contents

Aigrette Financing (Issuer) PLC

Company Information

Directors

Mr Peter Simpson

Mr Steven Buck

Mr John Hirst

Company secretary

Mrs Claire Russell

Registered office

Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
PE29 6XU

Auditors

Deloitte LLP
London, United Kingdom

Aigrette Financing (Issuer) PLC

Strategic Report for the Period from 12 May 2021 to 31 March 2022

The directors present their strategic report for the period from 12 May 2021 to 31 March 2022.

Fair review of the Business
The company was incorporated on 12 May 2021, as part of the Anglian Water Group Limited and Anglian Water Services (AWS) capital restructure. AFIP forms parts of the Aigrette Financing Limited (AFL) Group (Group headed up by AFL).

In order to efficiently execute the refinancing of Anglian Water Services during the period, a new three-tier financing structure was set-up, and debt issued at the two tiers above Anglian Water Services. £650.5 million of new debt was issued by the company, and a large proportion of these proceeds, and the proceeds of the debt issued at the Osprey Financing group further, down the group structure, were injected as equity into Anglian Water Services to support its continuing investment grade credit rating. The impact of this was to significantly increase the debt drawn in the company between inception and year end from £0.0 million to £650.5 million. The new financing structure will permit further debt to be issued by the company in future years.

The Aigrette Financing Issuer PLC (AFIP) borrowing structure was established primarily to raise bank debt of £560m with the net proceeds being contributed as equity to reduce the gearing at AWS. Further debt may be raised through this company in due course.

An intercompany facility has been put in place between AFIP and Aigrette Financing Limited (AFL) under which the external funds are provided to AFL. The intention is that the intercompany debt is on the same terms and conditions as the external debt. A management fee will be paid by AFL to AFIP and included in both companies' P&L's and taxable profits. The company has performed in-line with expectations with interest being incurred on its long-term borrowings and earned on the intercompany loan.

The statement of comprehensive income on page 13 shows the Company's results for the period. For the period ended 31 March 2022 the Company made a loss of £2,014,000.

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 HoldCo 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 AFIP is the related net debt to capital ratio.

At 31 March 2022 Aigrette Financing Limited's net debt to capital value ratio was 83 per cent.

Aigrette Financing (Issuer) PLC

Strategic Report for the Period from 12 May 2021 to 31 March 2022

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.

Being one of the AFL Group's financing companies, 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 Anglian Water Group with whom there are intercompany relationships. As the Company does not operate separately to that of the AFL Group the Company's values and reputation are highly integrated with that of AFL and 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 of the AFL Group's operating performance.
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
For the wider group, we hold investor presentations 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 Report and the semi-annual report.

Key areas of engagement in 2021/22
Board members discuss key areas of Anglian Water Group risk with investors and banks to facilitate the continued funding of the business. Engagement with banks and investors 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 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

Risk management and internal control

The management of the business and execution of the Company's strategy are subject to several risks, the principal risks being management of liquidity and interest rate.

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 £18.2 million and had an undrawn committed revolving loan facility of £30.0 million 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 AFL investment programme. Other funding requirements are sourced either from debt markets or loans from its parent company Aigrette Financing Limited which itself is funded by dividends originating from Anglian Water Services Limited, Anglian Water's operating entity.

Interest rates

The Company's policy for the management of interest rate risk follows that of the Aigrette Financing Limited group policy. That is to achieve a balanced mix of funding at indexed (to RPI and CPI), fixed and floating rates of interest for the group. 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 Aigrette Financing Issuer Plc at all times and maintaining security of principal.

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.

The company's risks are managed as part of the Anglian Water Group risk management and internal control framework, the Board is responsible for the company's systems of internal control and risk management and considers this to be fundamental to the achievement of the company's strategic objectives. The Board's policy is to have systems in place that optimise the company's ability to manage risk in an effective and appropriate manner. Any areas of concern are reported to the next Board meeting and/or the Group's Audit Committee meeting as appropriate.

The Audit Committee has assisted the Board in formally reviewing the operation and effectiveness of the Anglian Water Group's system of internal controls and risk management on an annual basis.

Approved by the Board on 14 June 2022 and signed on its behalf by:

....

Mr Steven Buck

Director

Directors' Report for the Period from 12 May 2021 to 31 March 2022

The directors present their report and the financial statements for the period from 12 May 2021 to 31 March 2022.

Directors' of the company

The directors, who held office during the period, were as follows:

Mr Peter Simpson (appointed 12 May 2021)

Mr Steven Buck (appointed 12 May 2021)

Mr John Hirst (appointed 12 May 2021)

Future developments

No changes to the company's principal activity is anticipated.

Financial risk management

This is covered within the Strategic Report section.

Dividends

No dividend was paid during the period. The Directors are not recommending the payment of a final dividend.

Carbon reporting

The company has a very limited direct impact on the environment and is not a significant producer of greenhouse gas emissions. The company consumed less than 40,000 kilowatt hours of energy in the financial year and is therefore, exempt from the streamlined energy and carbon reporting disclosure requirements.

Going concern

Under the terms of the company's financing arrangements, its parent, Aigrette Financing Limited, guarantees unconditionally and irrevocably all the company's borrowings.

As the Company does not operate separately to the Anglain Water Group, 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. In line with the assessment at March 2021, the review included a range of downside outcomes as a result of the macro-economic environment.

The downside outcomes were assessed for liquidity and impacts on debt covenants that form a fundamental part of the single debt platform. 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.

Given the CMA Final Determination (FD) improving returns from the challenging Ofwat FD, together with improved headroom resulting from the recent refinancing, headroom to accommodate severe downside shocks has improved. In assessing Going Concern the Directors have considered a number of perspectives as follows:

- Liquidity – The Group holds sufficient liquidity to cover the going concern period.
- Profitability – The revenues of the Group are underpinned by the regulatory model and the business has a detailed plan in place to deliver in line with the CMA FD.
- Interest cover ratios – The Group has significant headroom against Default Events (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. We also have comfortable headroom against Trigger Events and whilst undesirable, a Trigger Event would not impact on the going concern assumption.
- Macro-economic factors – a base case has been projected into our forecasts in our analysis. We are also modelling worst case scenarios, which demonstrate that we do not hit Event of Default levels on our covenants.
- Long-term viability – the downside scenarios run show that the viability of the Group is strengthened as a result of the CMA FD and the successful implementation of our financial restructuring.

Based on the above, the Directors believe that the business has sufficient liquidity to meet its liabilities as they fall due and it is therefore appropriate for the accounts to be prepared on a going concern basis.

Important adjusting events after the financial period

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.

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. Both of these were in place throughout the financial year and up to the date of signing the financial statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Aigrette Financing (Issuer) PLC

Directors' Report for the Period from 12 May 2021 to 31 March 2022

Reappointment of auditors

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 14 June 2022 and signed on its behalf by:

....

Mr Steven Buck
Director

Aigrette Financing (Issuer) PLC

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Aigrette Financing (Issuer) PLC

Opinion
In our opinion the financial statements of Aigrette Financing (Issuer) PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the period 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

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

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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.

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.

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.

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.

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.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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

14 June 2022

Aigrette Financing (Issuer) PLC

Profit and Loss Account for the Period from 12 May 2021 to 31 March 2022

	Note	2022 £ 000
Turnover		-
Operating profit/(loss)		-
Interest receivable and similar income	3	16,697
Interest payable and similar expenses	4	(16,686)
Expected credit movement on intercompany loan		(2,023)
		(2,012)
Loss before tax		(2,012)
Tax on loss	7	(2)
Loss for the period		(2,014)

The above results were derived from continuing operations.

Aigrette Financing (Issuer) PLC

(Registration number: 13390485)
Balance Sheet as at 31 March 2022

	Note	31 March 2022 £ 000
Non-current assets		
Investments	8	648,477
Current assets		
Cash at bank and in hand	9	18,234
Total assets		666,711
Creditors: Amounts falling due within one year		
Trade and other payables	12	(18,173)
Income tax liability	7	(2)
Creditors: Amounts falling due within one year	12	(18,175)
Net current assets		59
Total assets less current liabilities		648,536
Creditors: Amounts falling due after more than one year	11	(650,500)
Net liabilities		(1,964)
Capital and reserves		
Called up share capital	10	50
Profit and loss account		(2,014)
Shareholders' deficit		(1,964)

Approved by the Board on 14 June 2022 and signed on its behalf by:

....
Mr Steven Buck
Director

The notes on pages 16 to 22 form an integral part of these financial statements.

Aigrette Financing (Issuer) PLC

Statement of Changes in Equity for the Period from 12 May 2021 to 31 March 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
Loss for the period	-	(2,014)	(2,014)
Total comprehensive income	-	(2,014)	(2,014)
New share capital subscribed	50	-	50
At 31 March 2022	50	(2,014)	(1,964)

The notes on pages 16 to 22 form an integral part of these financial statements.

1 General information

The address of its registered office is:
Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
PE29 6XU
United Kingdom

This is a private company limited by shares, registered in the United Kingdom.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below.

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. 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. The principal accounting policies applied in the preparation of these financial statements are set out below.

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

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:
- The following paragraphs of IAS1 "Presentation of Financial Statements"
- 10(d) (statement of cash flows);
- 16 (statement of compliance with IFRS);
- 38 (comparative information in respect of paragraph 79(a)(iv) of IAS1);
- 38A (requirement for minimum of two primary statements including cash flow statements); and
- 111 (cash flow statement information)
- - IAS 7 "Statement of cash flows"
- Paragraph 30-31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure information when an entity has not applied a new IFRS that has been issued but is not yet effective)

Summary of disclosure exemptions (continued)

- Paragraph 8(d) of FRS 101 the requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.

Adjusting events after the financial period

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.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 12 May 2021 have had a material effect on the financial statements.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Investments

Fixed asset investments

Investments represent loans to the immediate parent undertaking (AFL) and reflect the "back-to-back" arrangement with the Company. After initial recognition at fair value, financial investments are held at amortised cost. This is based on the business' practice of acquiring financial assets to collect their contractual cash flows and the simple nature of the investments made, which consist solely of principal payments and interest on the principal outstanding.

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

In applying this forward-looking approach, a distinction is made between:
- where credit risk is low or has not increased significantly since recognition ('Stage 1');
- where credit risk is not low or has increased significantly since initial recognition ('Stage 2'); and
- where the financial asset is credit impaired (Stage 3).

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

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

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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 reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Interest receivable and similar income

	2022 £ 000
Interest income on bank deposits	11
Interest on loans to immediate parent	16,686
	16,697

4 Interest payable and similar expenses

	2022 £ 000
Interest on other loans	16,686

5 Particulars of employees and directors' remuneration

The monthly average number of persons employed by the Company (including Directors) during the period was nil. Anglian Water Group 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. The Directors are remunerated through another group company and no recharges are made.

6 Auditors' remuneration

The remuneration for the audit of the company financial statements of £10,500 was borne by another group company with no recharge to the entity.

7 Income tax

Tax charged/(credited) in the profit and loss account

	2022 **£ 000**
Current taxation	
UK corporation tax	2

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (- the same as the standard rate of corporation tax in the UK) of 19% (- 0%).

The differences are reconciled below:

	2022 **£000**
Loss before tax	(2,012)
Corporation tax at standard rate	(382)
Decrease from effect of revenues exempt from taxation	384
Total tax charge	2

8 Investments

	£000
Cost	650,500
Provision	2,023
Carrying amount	648,477

Investments represent loans to the immediate parent undertaking (AFL) and reflect the "back-to-back" arrangement with the Company.

9 Cash at bank and at hand

	31 March 2022 **£000**
Cash at bank	18,234

10 Share capital

Allotted, called up and fully paid shares

	31 March 2022 No.	31 March 2022 £
Ordinary shares of £1 each	50,000	50,000

New shares allotted

During the period on incorporation of the company it issued 50,000 Ordinary Shares having an aggregate nominal value of £50,000 were allotted for an aggregate consideration of £50,000.

11 Loans and borrowings

	31 March 2022 £ 000
Non-current loans and borrowings	
Borrowings	650,500

Private Placement is denominated in £ with a nominal interest rate of 4.68%, and with the final instalment due on 8 November 2028. The carrying amount at period end is £145,000,000.

Private Placement is denominated in £ with a nominal interest rate of 4.82%, and with the final instalment due on 8 November 2030. The carrying amount at period end is £120,000,000.

Private placement is denominated in £ with a nominal interest rate of Sonia + 3.25%, and with the final instalment due on 9 December 2027. The carrying amount at period end is £95,000,000.

Private Placement is denominated in £ with a nominal interest rate of 4.92%, and with the final instalment due on 17 December 2030. The carrying amount at period end is £50,000,000.

Private Placement is denominated in £ with a nominal interest rate of Sonia + 3.83%, and with the final instalment due on 8 November 2030. The carrying amount at period end is £30,000,000.

Private Placement is denominated in £ with a nominal interest rate of 4.56%, and with the final instalment due on 8 November 2027. The carrying amount at period end is £10,500,000.

Term Loan is denominated in £ with a nominal interest rate of Sonia + 3.58%, and with the final instalment due on 16 June 2026. The carrying amount at period end is £200,000,000.

A security agreement dated 16 June 2021 between Aigrette Financing Limited, Aigrette Financing (Issuer) Plc and Deutsche Trustee Company Limited (as agent and trustee for itself and each of the Secured Parties) creates a fixed and floating charge over the assets of Aigrette Financing Limited and Aigrette Financing (Issuer) Plc. In addition, there is a mortgage over the issued share capital of Osprey Investco Limited and Aigrette Financing (Issuer) Plc. At 31 March 2022 this mortgage applies to £650.5 million of the debt listed above.

As part of the refinancing of the Anglian Water Group during the period, the Company issued £650.5 million of new debt. In support of this financing, a bridging facility of £360.0 million was arranged, which was drawn and repaid during the period.

12 Trade and other creditors

	31 March 2022 £ 000
Amounts due to related parties	9,084
Interest payable	9,089
	18,173

Amounts due to related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Interest payable is from borrowings as per note 11.

13 Parent and ultimate parent undertaking

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Anglian Water Group Limited, incorporated in Jersey.

The address of Anglian Water Group Limited is:

44 Esplanade, St Helier, Jersey, JE4 9WG.

The Directors consider Anglian Water Group Limited to be the ultimate parent undertaking and controlling party. Anglian Water Group Ltd is itself owned by a consortium of investors consisting of CPPIB (Hong Kong) Limited, First Sentier Investors, Infinity Investments S.A., Global Infra (HK) E. Limited and Camulodunum Investments Limited.

The parent of the smallest group in which these financial statements are consolidated is Aigrette Financing Limited (AFL), incorporated in the UK.

The address of Aigrette Financing Limited (AFL) is:

Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, PE29 6XU.