Osprey Acquisitions Limited

Anglian Water (Osprey) Financing Limited

Investor Report

For the year ended 31 March 2022

Prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise indicated

Investor Report

Contents

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Basis of Preparation

All financial information in this report is audited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Osprey Acquisitions Limited at 31 March 2022.

The information in this report is presented solely to comply with Schedule 8 of the Osprey Acquisitions Limited Common Terms Agreement (CTA).

Disclaimer

Any forward-looking statements made in this document represent management's judgment as to what may occur in the future. However, the company's actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors including some which will be outside the control of the company. Such factors could cause the company's actual results for current and future periods to differ materially from those expressed in any forward looking statements made in this document. Unless otherwise required by applicable law, accounting standard or regulation, Osprey Acquisitions Limited does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

General Overview and Business Update

1.0 Financial Performance for the year ended 31 March 2022

Summary Underlying Results for the Consolidated Osprey Acquisitions Limited group ("Osprey" or "MidCo"), which includes the results of Anglian Water Services Limited group ("Anglian Water" or "OpCo"), are summarised below:

	2022 Total £m	2021 Total £m Restated
Revenue	**1,429.1**	1,354.4
Other operating income	**12.3**	12.5
Operating costs	**(639.3)**	(630.4)
Charge for doubtful and bad debts	**(11.1)**	(31.1)
Depreciation and amortisation	**(348.6)**	(339.2)
Operating profit	**442.4**	366.2
Finance income	**1.6**	2.3
Finance costs [2]	**(484.5)**	(262.2)
Adjusted (loss)/profit before tax[1]	**(40.5)**	106.3
Finance costs – fair value losses on financial derivatives[2]	**(115.1)**	(23.2)
(Loss)/profit before tax on a statutory basis	**(155.6)**	83.1

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

[2] In order to show pre-tax performance based on management's view of an underlying basis, the fair value gains and losses on financial derivatives have been shown separately in the table because these are volatile non-cash movements that distort the actual underlying economic performance

Osprey's principal business is Anglian Water, the group's regulated water and sewerage company, which supplies water and water recycling services to almost seven million customers in the east of England and Hartlepool. The table below shows key performance indicators from the financial statements of Osprey, showing the split between Anglian Water and the remainder of Osprey, and these are discussed separately in the two sections below.

	2022				2021			
	Anglian Water £m	Osprey and subsidiaries excl. AWS £m	Inter-segment eliminations £m	**Total £m**	Anglian Water £m	Osprey and subsidiaries excl. AWS £m	Inter-Segment eliminations £m	**Total £m**
Revenue								
External	1,399.8	29.3	-	1,429.1	1,351.8	2.6	-	1,354.4
Inter-segment	-	0.1	(0.1)	**-**	-	0.5	(0.5)	**-**
	1,399.8	**29.4**	**(0.1)**	**1,429.1**	**1,351.8**	**3.1**	**(0.5)**	**1,354.4**
Segment result								
EBITDA	788.5	2.5	-	791.0	727.3	(21.9)	-	705.4
Depreciation and amortisation	(347.7)	(0.9)	-	(348.6)	(338.4)	(0.8)	-	(339.2)
	440.8	**1.6**	**-**	**442.4**	**388.9**	**(22.7)**	**-**	**366.2**
Cash flows								
Operating cash flow	749.9	5.3	-	755.2	632.8	(26.8)	-	606.0
Capital expenditure	(518.2)	(0.1)	-	(518.3)	(395.8)	(1.5)	-	(397.3)
Net debt excluding derivative financial instruments	**(5,621.3)**	**(1,061.8)**	**-**	**(6,683.1)**	**(6,649.8)**	**(1,271.4)**	**-**	**(7,921.2)**

1.1 Osprey Financial Performance (Excluding Anglian Water)

The Osprey Group above Anglian Water, and the Aigrette Group above Osprey, were introduced into the group structure during 2021 as part of a strategy to support the investment grade status of Anglian Water. This strategy entailed raising finance of £605.0 million at the Osprey Group level and £650.5 million at the Aigrette Group level and injecting £1,165.0 million of the proceeds into Anglian Water as equity to reduce gearing to a sustainable level below 70%.

A new financing platform was established at the Osprey Group and existing bondholders voted to become part of a new combined financing platform. As a part of the restructuring, Osprey Holdco Limited waived its existing inter-company loan of £728.9 million. As a result of the restructuring, and new financing platform, the credit rating of Osprey was raised to BBB- by Fitch and investment grade status achieved.

The increase in revenue and EBITDA has been driven by the sale of a number of properties to the wider AWG group. The properties were transferred at a fair value of £24.4 million. At the point of sale, the net book value was £12.3 million with prepayments written off of £2.8 million, generating a profit in the Osprey Group of £9.3 million.

This in combination with one off costs in the prior year not repeating, such as those relating to the referral of Ofwat's Final Determination to the Competition and Markets Authority, have increased EBITDA from a prior year loss of £21.9 million to positive £2.5 million. The improved operating cashflow represents the sales of the properties described offset by movements in working capital.

The reduction in net debt of £209.6 million represents the waiver of a loan from OAL's indirect parent undertaking, Osprey Holdco Limited ("OHL") of £728.9 million offset in part by additional debt raised in OAL's immediate subsidiary, Anglian Water (Osprey) Financing Plc of £595.5 million and movements in cash and existing debt.

Osprey increased its pre-restructuring level of outstanding external debt of £460.0 million to £1,055.0 million during the year. As part of the refinancing, bridging facilities and other loans were arranged, and which were subsequently refinanced through the issue of GBP bonds and term loans and US Private Placements.

1.2 Anglian Water Financial Performance

Summary Underlying Results for Anglian Water for the year ended 31 March 2022 are summarised below:

	2022 Total £m	2021 Total £m (restated)
Revenue (excl. grants and contributions)	**1,299.7**	1,276.2
Grants and contributions	**100.1**	75.6
Other operating income	**12.3**	12.5
Operating costs	**(612.5)**	(605.9)
Charge for bad and doubtful debts	**(11.1)**	(31.1)
EBITDA	**788.5**	727.3
Depreciation and amortisation	**(347.7)**	(338.4)
Operating profit	**440.8**	388.9
Finance income	**1.4**	2.0
Finance costs[2]	**(459.7)**	(252.2)
Adjusted (loss)/profit before tax[1]	**(17.5)**	138.7
Finance costs – fair value losses on financial derivatives[2]	**(115.1)**	(23.2)
(Loss)/profit before tax on a statutory basis	**(132.6)**	115.5
Tax	**(310.2)**	(19.5)
(Loss)/profit after tax	**(442.8)**	96.0

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[2] In order to show pre-tax performance based on management's view of an underlying basis, the fair value gains and losses on financial derivatives have been shown separately in the table because these are volatile non-cash movements that distort the actual underlying economic performance.

Revenue

Revenue, excluding grants and contributions, for the year was £1,299.7 million (2021: £1,276.2 million), an increase of £23.5 million (1.8 per cent) on last year. The increase in revenue is a result of the following:

- The price increase for customers following the regulatory pricing formula, a £36.4 million increase.
- The impact of the Covid-19 restrictions lifting, a net £36.4 million decrease. Household consumption down £49.3 million and non-household consumption up £12.9 million, as we trend back to pre-Covid-19 levels of consumption.
- £19.0 million which has been ring-fenced to fund the LITE tariff, which has supported customers through Covid-19 and is being retained to provide additional support through the cost-of-living crisis
- Other offsetting increases in revenue of £4.5 million including increases in customer numbers.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. Over the year these have increased by £24.5 million to £100.1 million. This reflects additional income from High Speed 2 (HS2, the planned high-speed rail connection between London and cities in the north of England) and a strong rebound in the housing market.

The money Anglian Water can raise from bills, along with how much it is allowed to invest in its service, is decided every five years through Ofwat's price-setting process and set out in Anglian Water's Final Determination (FD).

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities; this was consistent with prior years.

Operating costs (including charge for bad and doubtful debts)

Operating costs, including charges for bad and doubtful debts, decreased by £13.4 million (2.1 per cent) to £623.6 million. This decrease is explained in the table below:

	£m
Prior year	621.4
Prior year Software as a Service[1] restatement	15.6
Prior year restated	637.0
Funded by FD	
Inflation	22.8
Reduction in Software as a Service in the year	(6.0)
Capitalisation of replacement infrastructure assets	(16.8)
Weather related	
Additional tankering of sludge	2.0
Bad debt provision	
Improved collection	(11.9)
Release of excess Covid-19 provision	(8.1)
Other significant items	
Leakage performance strategy	8.5
Ongoing efficiency challenge	(3.9)
Total decrease	(13.4)
March 2022	623.6

[1] Software as a Service (SaaS) is centrally licensed subscription software

Prior year SaaS restatement

Our intangible asset accounting policy has been amended to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of SaaS costs, meaning certain costs that were previously capitalized have been expensed. This has resulted in a prior year increase to operating costs of £15.6m.

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These costs naturally fluctuate as systems implementations change year on year, incurring a cost in the current year of £9.6m, a £6.0m reduction on the previous year.

Inflation

The inflationary increases in our costs base which formed part of the Final Determination and are therefore funded through the inflationary increases in revenues.

Capitalisation of replacement infrastructure assets

In order to improve efficiency, there was a change in the way we deliver boundary box and external meter chamber replacement. As a result of the change in delivery, which has moved from individual jobs to a scheme of work, the cost of the scheme is above our de-minimus threshold for capitalisation, resulting in the costs being treated as capital expenditure rather than operational.

Additional tankering

The impacts of climate change are fundamental to our business and the past two years have seen a number of exceptional weather events. The extremely wet weather at the start of 2021 resulted in increased costs of tankering in the current year as we had to move extra sludge volumes around the region.

Bad debt provision

The decrease in bad debt is a result of strong cash collection in the year and the reassessment of provision in our debt over 48 months old (£6.0 million), as a result of continued positive collection in combination with a change to our write-off policy in April 2020. In addition, we estimate the impact of future macro-economic factors on our collection performance as required by IFRS 9. The improving unemployment forecasts offset in part by the projected cost of living crisis has resulted in the release of £6.6 million of bad debt provision. Set against last year's increase of £1.5 million, this amounts to a net £8.1 million reduction.

Leakage performance strategy

In addition to the above, we spent an additional £8.5 million in relation to the Leakage Recovery Project, which was part of the increased investment towards meeting leakage targets for the year and contributed to a 6.1 per cent reduction.

Ongoing efficiency challenge

Representing managements ongoing drive to ensure strong cost control and spend being delivered efficiently.

Energy

The market cost of power has fluctuated significantly in the year. The business hedges its costs by locking in wholesale electricity rates in advance, which has mitigated increasing electricity rates in the year, however we did see a modest increase in gas costs which were not economic to hedge but these were offset by a decrease in consumption and lower non-commodity prices. In the final few months of the year management spent considerable time reviewing the hedging strategy and will continue to do so over the coming year.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined as the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 8.4 per cent to £788.5 million, which is consistent with the effect of the increase in grants and contributions income and reduction in bad debt costs described above.

Depreciation and amortisation

Depreciation and amortisation is up 2.7 per cent to £347.7 million compared with last year, primarily as a result of higher fixed asset balances as Anglian Water constructs and commissions assets in line with its capital investment programme.

Operating profit

Operating profit has increased by 13.3 per cent to £440.8 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs and profit before tax

Adjusted finance costs (excluding fair value gains and losses on financial instruments) increased from £252.2 million in 2021 to £459.7 million in 2022. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £206.4 million to £255.0 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 1.2 per cent to 5.8 per cent and year-on-year average Consumer Price Index (CPI) from 0.6 per cent to 4.0 per cent. Anglian Water have both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV).

There was a fair value loss of £115.1 million on derivative financial instruments in 2022, compared with a loss of £23.2 million in 2021. The fair value losses in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the loss in 2022 were primarily due to increases in forward inflation expectations, partially offset by a rise in forward interest rates (decreasing the discounted present value of derivatives). During the year, forward inflation increased by circa 138 basis points and forward interest rates increased by 54 basis points across the curves.

Following the cessation of GBP LIBOR on 31 December 2021, GBP LIBOR was replaced by SONIA, which is now used in the valuation of the derivative portfolio. The switch from LIBOR to SONIA discounting resulted in a net decrease in the valuation of the derivative portfolio of £55.0 million. A proportion of this decrease, in relation to derivatives that are not in hedging relationships, is included in fair value losses in the current year.

Adjusted loss before tax (excluding fair value gains and losses on financial instruments) for the year was £17.5 million, compared with a £138.7 million profit in the prior year. This increase primarily reflects the impact of higher inflation on interest costs as noted above.

Taxation

The tax charge for the period comprises:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 (restated) £m
Current tax:		
In respect of the current period	**(13.6)**	(0.1)
Adjustments in respect of prior periods	**(5.1)**	(5.4)
Total current tax credit	**(18.7)**	(5.5)
Deferred tax:		
Origination and reversal of temporary differences	**(25.9)**	23.4
Adjustments in respect of previous periods	**1.2**	1.6
Increase in corporation tax rate	**353.6**	-
Total deferred tax charge	**328.9**	25.0
Total tax charge on loss on continuing operations	**310.2**	19.5

Anglian Water is one of the largest private investors in infrastructure in its region, having invested just over £1 billion in the last two years. The Government actively encourages infrastructure investment and grants Anglian Water capital allowances, which defer some corporation tax liabilities until a later period. Anglian Water customers directly benefit from the deferral as it helps to keep their bills lower.

Total tax paid or collected in the year to 31 March 2022, other than corporation tax, amounted to £231 million (2021: £255 million), of which £83 million was collected on behalf of the authorities for value added tax (VAT) and employee payroll taxes. All taxes are paid as they become due.

Current and deferred tax

The current tax credit for the year was £18.7 million (2021: £5.5million). The deferred tax charge has increased by £303.9 million from £25.0 million in 2021 to £328.9 million this year.

The current tax credit for both years reflects receipts from other Group companies for losses surrendered to those Group companies. The tax losses arise mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. In this year there is also a one-off current tax credit due a transitional adjustment on the treatment of software as a service (SaaS).

The primary reason for the increase in the deferred tax liability is the increase in corporation tax rate from 19 per cent to 25 per cent which is due to take effect from April 2023. As the deferred liability will not arise until after the new corporation tax rate is in force in April 2023, the liability is restated using the increased rate of 25 per cent. This results in an increase of £353.6 million.

In advance of the corporation tax rate rise, the Government has introduced capital allowance 'super deductions' which allow companies to accelerate their tax relief on capital expenditure. This has increased the amount of losses available to surrender to other group companies and therefore increased the current tax credit. It has also created tax losses to carry forward in the company which give rise to a deferred tax credit of £18.8 million (2021: £nil) to offset the deferred tax charge due to the rate rise.

Also reducing the deferred tax charge is an increased deferred tax credit of £21.9 million (2021: £4.4 million) relating to fair value losses. This increase in the overall deferred tax charge is a non-cash tax charge.

In addition, tax forms part of the revenue building block and therefore any future tax charges will be funded through revenues. Further, Ofwat introduced a tax true-up reconciliation in the current AMP to account for changes in tax rates

In addition to the £310.2 million tax charge on the income statement, there is a charge of £40.7 million (2021: credit of £27.1 million) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes, fair value gains on cash flow hedges and the change in corporation tax noted above.

Distributions available to the ultimate investors

A £96.3 million prior year final dividend was paid in the period (2021: £nil), reflecting the Company's dividend policy having regard to Anglian Water's purpose and duties under the company's Article of Association.

In line with the dividend policy described below, the Directors have proposed to pay a final dividend of £169.0 million; a deduction of £9.0 million has been made to reflect the anticipated ODI penalty in the period. This decision is in combination with an equity injection of £1,165.0 million in the period and results in a net equity injection for the AMP of £899.7 million. Through these capital injections the company continues to benefit from the strong support of shareholders. It is proposed that Anglian Water’s ultimate shareholders will, for the first time since 2017, receive a dividend: £91.8 million.

The Board has an approved dividend policy, under which dividend payments will be aligned to the performance of the business, taking into account commitments to customers and other stakeholders and ensuring that the company can finance its operations. Anglian Water aims to attract long-term shareholders who support its long-term ambitions. The support of our shareholders is critical to the success of our business and to securing the investment that Anglian Water needs. Therefore, our shareholders are entitled to an appropriate return on their investment. This is delivered partly through long-term capital growth and partly through dividends.

The company’s dividend policy is to identify the cash available for distribution, allowing for the business’s liquidity requirements in respect of funding its operations and the capital programme, and servicing its debt for the next 18 months. When considering a dividend, the Directors will consider the Business Plan, have regard to Anglian Water’s purpose and reflect their duties under the company’s Articles of Association.

An assessment will be completed by the Board to determine if the payment or part payment of the dividend reflects and/or would compromise the long-term social, financial and operational commitments made to our stakeholders. Following this assessment and depending on the actual performance of Anglian Water, the Board can decide to increase or decrease any dividend payment from the base position. In assessing the dividend payment, the Directors review the business performance forecasts (currently to the end of the AMP period of 31 March 2025) and give consideration to the potential impact of external factors in the economy and regulatory environment on the company's forecast cash flows.

The dividend policy is also based on ensuring that there is adequate headroom in relation to all of Anglian Water's obligations to lenders, including commitments to comply with certain financial covenants. In particular, Anglian Water has committed to lenders that it will only pay dividends when key financial ratios are satisfied. Additionally, the policy sets out to ensure that key credit rating agency credit metrics required to support the capital structure as determined by the Board can be satisfied.

In its Articles of Association, the company has committed to conduct its business and operations for the benefit of members as a whole, while delivering long-term value for its customers, the region and the communities it serves and seeking positive outcomes for the environment and society. In making decisions (including decisions in relation to dividend payments), Directors are required to act in the way that is considered most likely to promote the purpose of the company. In doing so, Directors must have regard (among other things) to the likely consequences of any decision in the long term, the interests of the company's employees, relationships with suppliers, customers and others, and the impact of the company's operations on the community and the environment.

The Board will therefore consider if the payment or part payment of the dividend reflects or would be consistent with the long-term social, financial and operational commitments made to stakeholders, including customers, employees and pension fund holders. In considering this issue, the Board will have regard to the suite of Performance Commitments that the company has made which include targets in relation to:

- Performance for customers (including, but not limited, to the customer measure of experience (CMeX) and the developer measure of experience (DMeX)).

- Operational commitments which are of importance to customers (including, but not limited to, commitments in relation to leakage, per capita consumption, water quality, interruptions to supply, and risk of low pressure).

- Wider social and environmental commitments (including, but not limited to, commitments in relation to vulnerable customers, sustainable abstraction, and community investment).

The overall amount of the company's ordinary dividends will not exceed the free cash flow (defined as operating cash flow less interest and capital maintenance payments) generated by Anglian Water, and in practice will be limited by its current and forecast financial covenants. Special dividends may also be paid in addition to ordinary dividends, but these too are limited by specific financial covenant constraints. This policy is consistent with Condition F of the Licence. The full dividend policy is available on the Anglian Water website.

Financial needs and resources

As part of the re-capitalisation of Anglian Water completed in July 2021, a principal aim of which was to protect the credit rating of Anglian Water, £1,165m was injected as equity into Anglian Water. Following this, in September 2021, a proportion of these proceeds were used to prepay $617.0 million of Anglian Water's Class B debt, comprising:

- $410m 5.18% Private Placement due December 2021;
- $160m 4.99% Private Placement due November 2023; and
- $47m 5% Private Placement due October 2022.

A make-whole payment of £14.5m was paid in respect of the early repayment. In addition, scheduled repayments were made in respect of the following debt instruments:

- $160m 4.52% Private Placement debt repaid in June 2021 and
- £33.5m of amortising payments in respect of EIB Index Linked debt repaid in August 2021 and a further £35.0 million repaid in February 2022.

A repayment of £25 million was also made in respect of the remaining outstanding drawings on the £550 million syndicated revolving credit facility, which, in addition to the £50 million bilateral revolving credit facility, had been fully drawn down in March 2020 to provide a short-term liquidity buffer to cover Covid-19 uncertainty and apart from the £25 million repaid this year, were fully repaid during the prior year.

During the year to 31 March 2022, Anglian Water also received £75 million of funds in respect of two forward-starting, fixed-rate notes with a coupon of 2.14% maturing in 2036 that were transacted in the prior year and £25.5 million from a US$35 million private placement swapped to sterling.

At 31 March 2022, Anglian Water had borrowings net of cash of £5,621.3million (£6,783.3 million including the fair valuation of derivatives), a decrease of £1,028.5 million (£707.5 million including the fair value of derivatives) over the prior year. The fair value of derivative financial liabilities was £1,162.0 million, excluding derivative financial assets of £73.4 million in respect of energy derivatives. Net borrowings of £5,621.3 million comprised fixed, index-linked and variable-rate debt of £6,456.2 million, leases of £35.8 million and cash and deposits of £870.7 million. The decrease in net borrowings primarily reflects the impact of the £1,165 million equity injection and the ongoing capital investment programme. Net debt to RCV at year end was 64.8%.

Interest and Inflation rates

The company’s treasury policy, as agreed by the Board, is to achieve a balanced mix of funding at inflation-linked, fixed and floating rates of interest. At the year end, including interest rate swaps, 68.9 per cent (2021: 62.7 per cent) of the company’s borrowings were at rates indexed to inflation, 25.1 per cent (2021: 32.1 per cent) were at fixed rates and 6.0 per cent (2021: 6.1 per cent) were at floating rates. At 31 March 2022, the proportion of inflation debt to regulated capital value was 51.4 per cent (2021: 53.4 per cent).

Liquidity and Cash Flows

As at March 2022 Anglian Water has access to £600.0 million of undrawn facilities (March 2021: £575 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £375.0 million of liquidity facilities (March 2021: £400.0 million), consisting of £254.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

The business generated cash from operations of £749.9 million in the year (2021: £632.8 million). The increase primarily reflects improvements in EBITDA described above, reduced pension scheme contributions in the current year, and the timing of supplier payments and VAT receipts.

Annual Performance Report

Under Condition F of its Licence, Anglian Water is obliged to provide the Water Services Regulation Authority, Ofwat, with additional accounting information to that contained in the statutory financial statements. This information is presented in the Annual Performance Report, a copy of which is available on the Anglian Water Services website: https://www.anglianwater.co.uk/about-us/our-reports.

2.0 Regulatory Update

This section provides details since the later of the Closing Date of the Osprey 2021 financing or the last Investment Report, of the following: (1) any material modifications or proposed material modifications to the terms of Anglian Water’s Instrument of Appointment and any new price controls that have been implemented or proposed; and (2) an overview of any material changes or proposed changes to the regulation and supervision of the water and sewerage industry, including those that may affect any member of the MidCo group.

PR24

In Autumn 2021 Ofwat published a suite of consultation documents, in which they set out in more detail their emerging proposals for the conduct of the price review. The suite covered a range of topics, including financial resilience, risk and return, assessing base costs, performance commitments and the regulation of bioresources. The documents included a number of proposals which companies generally opposed, including:

- licence modifications which could limit distributions and reduce cash lock up thresholds
- a cap on gearing
- new incentives around financial resilience
- adoption of notional risk ranges for the efficient notional company prepared by Ofwat
- changes to the notional structure
- financeability not being a constraint at PR24
- full transition to CPIH-indexation of the RCV
- the elimination of bespoke performance commitments
- changes to the nature of cost assessment and RCV protection in bioresources.

In a material change to methodology, Ofwat also set out new expectations of Long-Term Delivery Strategies (LTDS). Companies will need to demonstrate outcome performance and enhancement requirements to 2050 under their "core" strategy but also develop adaptive plans which show how expenditure requirements change in response to ‘trigger points’ under a range of common reference scenarios relating to changes in climate, demand, technology and environmental ambition. Plans for AMP8 will need to show consistency with the LTDS.

The next major milestone in the PR24 process will be the publication of Ofwat’s draft methodology statement in July 2022.

Environment Act

The Environment Act was passed in November 2021. The Act creates the UK’s new framework of environmental laws and protection following the departure of the UK from the European Union. It provides for the establishment of the Office of Environmental Protection (OEP), places a statutory requirement on the government to prepare and maintain an Environmental Improvement Plan (EIP) and provides the government with powers to set new long-term, binding targets, including for the four main areas of water, air quality, biodiversity, and waste reduction.

On water, the most significant requirement of the Act is for sewerage undertakers to “secure a progressive reduction in the adverse impact of discharges from [their] storm overflows." The Act also introduces legal requirements for water companies to:

- Publish near real-time information - within one hour - on the operation of storm overflows
- Monitor the water quality upstream and downstream of storm overflows and effluent discharge points
- Produce comprehensive statutory DWMPs, setting out how they will reduce storm overflows.

The Act requires government to publish a statutory plan for the purpose of reducing discharges from storm overflows of sewerage undertakers and for reducing their adverse impact.

At the end of March 2022, the government consulted on the targets it is minded to include in its Storm Overflow Discharge Reduction Plan. They are that -

- Water companies shall only be permitted to discharge from a storm overflow where they can demonstrate that there is no local adverse ecological impact. The headline target must be achieved for most (75%+) storm overflows discharging in or close to high priority sites by 2035, for all overflows discharging in or close to high priority sites by 2045 and for all remaining storm overflow sites by 2050.
- For storm overflows discharging into and near designated bathing waters, water companies must significantly reduce harmful pathogens to meet Environment Agency spill standards by 2035.
- Storm overflows must not discharge above an average of 10 rainfall events per year by 2050.

In response to public concerns about storm overflows, WaterUK launched a ten point action plan ("21st Century Rivers: from Recovery to Renewal")in October 2021. In March 2022 Anglian launched a 'Get River Positive' campaign in conjunction with Severn Trent Water. This included five commitments:

- Ensure storm overflows and sewage treatment works do not harm rivers
- Create more opportunities for everyone to enjoy our region's rivers
- Support others to improve and care for rivers
- Enhance our rivers and create new habitats so wildlife can thrive
- Be open and transparent about our performance and our plans

Innovation

In September 2021, Anglian Water was notified that both projects submitted to the Ofwat's Water Breakthrough Challenge had secured funding. The two projects will be led by Anglian Water with a consortium of partners including other UK water companies.

Safe Smart Systems won £7.5 million to use artificial intelligence and mathematical optimisation to improve long-term operational resilience in the face of climate change and rapid population growth. It will identify, predict, and manage vulnerabilities to reduce leakage, interruptions and pressure issues across the whole water cycle. Safe Smart Systems focuses on the first steps to achieve autonomous control in water systems across the UK.

Triple Carbon Reduction has been awarded £3.5 million to develop novel technologies to target a step change reduction in greenhouse gas emissions and electricity use in used water treatment and provide a new renewable energy source through green hydrogen production – 'triple carbon' synergy and contribution towards achieving net zero carbon emissions by 2030.

In March 2022, Anglian Water was notified that it had been successful in its bid for £0.3 million of Catalyst stream funding for a project to unlock bioresource market growth using a collaborative decision support tool. Anglian Water will work with four water companies to develop a collaborative strategic planning capability, underpinned by Business Modelling Associates' adaptive systems planning software. This will identify opportunities to trade bioresources across existing assets and determine the optimal blend of future inter-company investments, tackling common challenges and maximising environmental and customer value.

Anglian Water has also submitted a bid for c. £5m of funding from the second Water breakthrough challenge for Enabling Water Smart Communities. In April 2022, it was announced that Anglian had been successful in this bid. The project will see Anglian collaborate with partners including Thames Water, United Utilities, Arup, The Chartered Institute of Water and Environmental Management (CIWEM) and Universities of East Anglia and Manchester, as well as developers and housing associations, to deliver a project that will address the current barriers to Integrated Water Management (IWM).

Ofwat appointments

The Environment Secretary has selected Iain Coucher as the Government's preferred candidate to succeed Jonson Cox as the Chair of Ofwat, the independent economic regulator of water services in England and Wales. Iain has previously been the Chief Executive of the Atomic Weapons Establishment (AWE) and Network Rail, and a non-executive director for Cadent Gas plc and a Board Member for the Rail Safety and Standards Board. He is currently a senior adviser at HIG Capital, a leading global investment fund, as well as a Trustee of the British Trust for Ornithology (BTO) and Earthwatch (Europe).

Subject to the report of the Environment, Food and Rural Affairs Select Committee's (ESC) pre-appointment hearing and the final decision being made by the Secretary of State, Mr Coucher will take up the post on 1 July 2022. Mr Cox has agreed with the Environment Secretary to extend his tenure as Chair of Ofwat to 30 June 2022.

On 21 April 2022 Ofwat announced that David Black had been appointed as the permanent Chief Executive. Black has been at Ofwat since 2012 and held the role of acting Chief Executive since April 2021 following the resignation of Rachel Fletcher.

Final Defra Strategic Policy Statement

Defra published its final Strategic Policy Statement in February 2022. This statement is intended to provide the strategic direction for Ofwat at PR24.

This improves on the previous SPS with a greater focus on long-term value for money, protecting customers in vulnerable circumstances, resilience and delivering wider social and environmental value. The strategic priorities for Ofwat are:

- protect and enhance the environment
- deliver a resilient water sector
- serve and protect customers
- use markets to deliver for customers

In the statement, the government describes what it expects of the water industry. Ofwat should have regard to these expectations in carrying out its relevant functions. The SPS sets out that Ofwat is expected to:

- set out how activity across its forward work programme will deliver against the government's strategic priorities
- explain clearly how major decisions support delivery of our strategic priorities, for example, when establishing the methodology for price reviews or publishing draft and final determinations
- report on progress to its Board and through its annual report and accounts
- have an effective framework to hold companies to account within its statutory remit

3.0 Financing

During the year, Osprey raised £605.0 million of new debt and received a £596.5 million equity injection from the proceeds of debt issued by Aigrette Financing Issuer Plc. Osprey in turn injected £1,165.0 million into Anglian Water, allowing Anglian Water to reduce its leverage and maintain its credit ratings. Bridge facilities of £202.0 million were drawn and subsequently repaid from the issue of new term debt as follows:

- £300m 2% 7-year KPI linked bond listed on the London Stock Exchange
- £100m 2.37% 10-year US Private Placement
- £105m 7-year term loan
- £100m 5-year term loan

And supported for liquidity purposes by:

- £250m Revolving Credit facility maturing in 2026 (undrawn at year end).

On a consolidated basis and including the debt transactions undertaken by Anglian Water (see section 1.2 above), the net impact of these transactions was to increase CTA gross debt by £361.0 million from £7,261.8 million to £7,622.8 million. Cash increased by £652.4 million as a result of the £596.5 million proceeds of the equity injection from the Aigrette Group and other net flows resulting in a decrease in net debt of £291.2 million to £6,638.7 million.

Credit ratings as at 31/03/2022 are as follows:

Fitch Ratings (LTR):	BBB- (stable outlook) (upgraded from BB- on 13.07.21)
DBRS Morningstar:	Low BBB

4.0 Cash Management

Calculation of the Required Balance – Debt Service Reserve Account

Anglian Water (Osprey) Financing Plc is required to maintain, on any day, the aggregate of the next 6 months' interest and other finance charges (but excluding any indexation of principal) forecast to be due in the Debt Service Reserve Account ("DSRA"). On 31 March 2022 the balance of £21.6 million was available for interest and other finance charges which covers the £21.4 million forecast to be due for the 6-month period to 30 September 2022.

Osprey Acquisitions Ltd is required to transfer amounts to the Debt Service Reserve Account to maintain the Required Balance. For the period from the Closing Date to 31 March 2022 the amount paid into the Debt Service Reserve Account was £46.3 million.

Osprey Acquisitions Ltd may withdraw amounts from the Debt Service Reserve Account to maintain the Required Balance. For the period from the Closing Date to 31 March 2022 there were no amounts paid out of the Debt Service Reserve Account.

	31 Mar 2022 £m
Opening DSRA Balance (Closing Date)	0.4
Amounts paid in	46.3
Amounts paid out	0.0
Interest and other finance charges	(25.1)
Closing DSRA Balance	**21.6**

5.0 Pensions

From 1 April 2018 significant changes were made to the provision of pension benefits to employees in Anglian Water through the Anglian Water Group Pension Scheme (‘AWGPS’). All defined contribution and defined benefit sections of the Pension Scheme were closed to future accrual and additional member contributions. Defined Contribution pension arrangements are now in place to all employees through a Master Trust defined contribution pension plan.

At 31 March 2022, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £227.3 million, compared to a surplus of £10.0 million at 31 March 2021. This increase in surplus reflects an increase in the corporate bond rate used to discount the scheme’s liabilities. During the year a deficit reduction payment of £14.6 million was made by the company, compared with £36.5 million in the prior year.

Osprey also has pension obligations to former employees through the Morrison Pension & Life Assurance Plan (‘MPLAP’).

Valuations of the pension schemes are performed tri-annually. The last full valuations for the AWGPS and MPLAP Scheme were completed as at 31 March 2020.

6.0 Obligors

No changes to obligors occurred in the period.

7.0 Significant Board Changes

The Boards of Osprey Investco Limited ("**OIL**"), Osprey Acquisitions Limited ("**OAL**") and Anglian Water (Osprey) Financing Plc ("**AWOF**") (together "**MidCo**") comprise:

Dr John Hirst, CBE[1]	Independent Non-Executive Director (Chairman of the Anglian Water Group)
Steve Buck[2]	Executive Director (Chief Financial Officer of the Anglian Water Group)
Robert Napier, CBE[3]	Independent, Non-Executive Director (appointed 1 June 2021)
Peter Simpson[4]	Executive Director (Chief Executive Officer of the Anglian Water Group)

[1] Appointed to the Board of OIL on 10 May 2021
[2] Appointed to the Board of OIL on 6 May 2021
[3] Appointed to the Boards of OAL, OIL and AWOF on 1 June 2021
[4] Appointed to the Board of OIL on 6 May 2021

Ratios

1.0 Historical & Current Test Period

Osprey confirms that in respect of the twelve-month test period ended 31 March 2022, by reference to the most recent financial statements that it is obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

		Actual to 31 Mar 2022
a)	MidCo Interest Cover Ratio	**3.1:1**
b)	Adjusted MidCo Interest Cover Ratio	**1.5:1**
c)	Adjusted Average MidCo Interest Cover ratio	**1.5:1**
d)	OpCo RAR	**65%**
e)	MidCo RAR	**76%**

As this is the first report under the newly executed CTA at this level there are no prior period numbers to report.

2.0 Computations

Computations for the Ratios above in Schedule 1 are set out in Schedule 3 and 4 below. Osprey confirms that the Ratios have been calculated for the Relevant Periods for which they are required to be calculated under the Agreement and have not caused a Trigger Event to occur and have not caused Part 1 (Events of Default) of Paragraph 10 (Breach of Financial Covenants) of Schedule 4 (Events of Default) to be breached.

3.0 Interest Cover Ratios (ICR)

(a) MidCo Interest Cover Ratio is:

	Period to 31 Mar 22 £m
Consolidated EBITDA	786.1
Net Finance Charges	(250.1)
MidCo Interest Cover Ratio	**3.1**

(b) Adjusted MidCo Interest Cover Ratio is:

	Period to 31 Mar 22 £m
Operating Cash Flow	755.2
Tax	(0.5)
Net Cash Flow	754.7
Capital Maintenance Expenditure	(269.2)
Regulatory Depreciation	(413.4)
Net Cash Flow less greater of Depreciation or Capital Maintenance Expenditure	341.3
Net Interest	(226.5)
Adjusted MidCo Interest Cover Ratio	**1.5**

(c) Adjusted Average MidCo Interest Cover Ratio is:

	Period to 31 Mar 22 £m
Net Cash Flow less greater of Depreciation or Capital Maintenance Expenditure	
31 Mar 22	341.3
31 Mar 23	307.1
31 Mar 24	351.9
	1,000.3
Net Interest	
31 Mar 22	(226.5)
31 Mar 23	(231.9)
31 Mar 24	(219.7)
	(678.2)
Adjusted Average MidCo Interest Cover Ratio	**1.5**

4.0 Regulatory Asset Ratios (RAR)

(a) MidCo RAR as at the most recent Calculation Date:

	As at 31 Mar 22 £m
Tested Debt	(7,619.5)
Other Permitted Financial Indebtedness	(3.3)
Less cash balances and Authorised investments	984.1
Total MidCo Net Debt	(6,638.7)
Regulatory Asset Value (RAV)	8,791.6
Regulatory Asset Ratios:	
MidCo RAR	**76%**

(b) OpCo RAR as at the most recent Calculation Date:

	As at 31 Mar 22 £m
OpCo Senior Gross Debt	(6,564.5)
Less cash balances and Authorised investments	870.1
Total OpCo Senior Net Debt	(5,694.4)
Regulatory Asset Value (RAV)	8,791.6
Regulatory Asset Ratios:	
OpCo RAR	**65%**

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5.0 Osprey Acquisitions Limited Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2021	New Issues	Repayment	Indexation	**Closing Balance 31-Mar-22**
	£m	£m	£m	£m	**£m**
Finance Leases	7.7		(7.7)		**0.0**
Operating Leases (Vehicles)	2.8	3.8	(1.4)		**5.2**
6.875% Fixed 2023	200.0			0.0	**200.0**
6.625% Fixed 2029	200.0			0.0	**200.0**
A4 Notes - 5.837% Fixed 2022	250.0			0.0	**250.0**
A6 Notes - 3.07% ILLS 2032	337.1			15.5	**352.6**
A7 Notes - 3.07% ILLS 2032	101.7			3.7	**105.4**
A8 Notes - 6.293% Fixed 2030	246.0			0.0	**246.0**
A11 Notes - 3.666% ILLS 2024	126.4			5.8	**132.2**
A18 Notes - 2.4% ILLS 2035	624.0			41.8	**665.8**
A19 Notes - 1.7% ILLS 2046	75.6			3.5	**79.1**
A20 Notes - 1.7% ILLS 2046	75.6			3.8	**79.4**
A21 Notes - 1.7146% ILLS 2056	60.5			3.1	**63.6**
A22 Notes - 1.6777% ILLS 2056	75.6			3.9	**79.5**
A23 Notes - 1.7903% ILLS 2049	90.7			4.5	**95.2**
A24 Notes - 1.3825% ILLS 2056	75.6			4.0	**79.6**
A25 Notes - 1.3784% ILLS 2057	151.2			7.9	**159.1**
A26 Notes - SONIA Plus 0.6171%	100.0			0.0	**100.0**
A27 Notes - 1.449% ILLS 2062	108.7			2.4	**111.1**
A28 Notes - 1.52% ILLS 2055	72.5			1.7	**74.2**
A30 Notes - SONIA Plus 1.1221%	110.0			0.0	**110.0**
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	**25.0**
A35 Notes - £130M 2.262% IL Bond 2045	174.8			14.5	**189.3**
Index Linked Swaps	56.8			84.8	**141.6**
A36 Notes - US$160m 4.52% Private Placement 2021	99.1		(99.1)	0.0	**0.0**
B37 Notes - US$410m 5.18% Private Placement 2021	260.7		(260.7)	0.0	**0.0**
European Investment Bank £75m 0.53% index linked amortising term facility 2027	55.8		(9.7)	4.2	**50.4**
European Investment Bank £75m 0.79% index linked amortising term facility 2027	55.8		(9.7)	4.2	**50.4**
Sub Total	**3,819.9**	**3.8**	**(388.3)**	**209.3**	**3,644.7**

CTA Gross Debt	Closing Balance 31 Mar 2021 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 31-Mar-22 £m**
A38 Notes - £250m 4.5% 2027	250.0			0.0	**250.0**
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9			0.0	**31.9**
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3			0.0	**73.3**
A41 Notes - £50m 2.05% IL Private Placement 2033	61.0			5.1	**66.1**
A42 Notes - £15m 1.37% IL Private Placement 2022	18.3			1.5	**19.8**
B43 Notes - US$47m 5% Private Placement 2022	30.0		(30.0)	0.0	**0.0**
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3			0.0	**22.3**
European Investment Bank £150m 0% index linked amortising term facility 2028	126.5		(18.8)	9.7	**117.4**
B46 Notes - £200m 4.5% 2026	200.0			0.0	**200.0**
A47 Notes - £35m 1.141% IL Bond 2042	41.9			3.5	**45.3**
A48 Notes - US$170m 3.84% Private Placement 2023	110.5			0.0	**110.5**
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	**93.0**
B50 Notes - US$160m 4.99% Private Placement 2023	100.2		(100.2)	0.0	**0.0**
European Investment Bank £65m 0.41% index linked amortising term facility 2029	60.9		(8.0)	4.7	**57.6**
European Investment Bank £125m 0.1% index linked amortising term facility 2029	122.8		(15.1)	9.5	**117.3**
European Investment Bank £60m 0.01% index linked amortising term facility 2030	62.1		(7.2)	4.8	**59.8**
A51 Notes - £55m 2.93% Private Placement 2026	55.0			0.0	**55.0**
A52 Notes - $150m 3.29% Private Placement 2026	104.3			0.0	**104.3**
A53 Notes - £35m 1.35% Private Placement 2031	35.0			0.0	**35.0**
A54 Notes - £20m 2.93% Private placement 2026	20.0			0.0	**20.0**
B55 Notes - £200m 2.625% 2027	200.0			0.0	**200.0**
A56 Notes - £250m 1.625% Green Bond 2025	250.0			0.0	**250.0**
A57 Notes - £300m 2.75% Green Bond 2029	300.0			0.0	**300.0**
A58 Notes - £85m 2.880% Private Placement 2029	85.0			0.0	**85.0**
A59 Notes - £25m 3.00% Private Placement 2031	25.0			0.0	**25.0**
A60 Notes - US$53m 3.053% Private Placement 2029	40.1			0.0	**40.1**
A61 Notes - £65m 2.870% Private Placement 2029	65.0			0.0	**65.0**
A62 Notes - JPY7bn 0.855% 2039	50.9			0.0	**50.9**
£550m RCF 2024	25.0		(25.0)	0.0	**0.0**
£50m bilateral facility 2024	0.0			0.0	**0.0**
Export Development Canada £100m 1.588% term loan facility 2024	100.0			0.0	**100.0**
A88 Notes - £65m 0.835% IL Bond 2040	65.2			3.3	**68.6**
A64 Notes - £50m 1.760% 2035	50.0			0.0	**50.0**
A65 Notes - JPY7bn 0.85% 2040	50.4			0.0	**50.4**
Just Retirement £26.1m 0.010% term loan facility 2035	26.1			1.7	**27.9**
BP Pension Trustees £26.1m 0.010% term loan facility 2035	26.1			1.7	**27.9**
A66 Notes - £35m 2.14% 2036	0.0	35.0		0.0	**35.0**
A67 Notes - £40m 2.14% 2036	0.0	40.0		0.0	**40.0**
A68 Notes - US$35m 1.16% 2036	0.0	25.5		0.0	**25.5**
AWS Total Debt	**6,797.8**	**104.3**	**(592.6)**	**255.0**	**6,564.5**

CTA Gross Debt	Closing Balance 31 Mar 2021 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 31-Mar-22 £m**
OAL Debt:					
A2 Notes – 5.0% Fixed £210m 2023	210.0				**210.0**
A3 Notes – 4.0% Fixed £240m 2026	240.0				**240.0**
£250m RCF 2026	10.0		(10.0)		**0.0**
A4 Notes – 2.0% Fixed KPI Linked Bond £300m 2028	0.0	300.0			**300.0**
A5 Notes – 2.37% Fixed US Private Placement £23.4m 2031	0.0	23.4			**23.4**
A6 Notes - 2.37% Fixed US Private Placement £42.6m 2031	0.0	42.6			**42.6**
A7 Notes - 2.37% Fixed US Private Placement £34.0m 2031	0.0	34.0			**34.0**
A1 Notes – 2.2% £105m term loan facility 2028	0.0	105.0			**105.0**
A21 Notes - £450m Bridge Facility	0.0	152.0	(152.0)		**0.0**
A22 Notes - £100m 2.25% term loan facility 2026	0.0	100.0			**100.0**
A23 Notes - £50m 2.25% term loan facility 2026	0.0	50.0	(50.0)		**0.0**
Operating Leases	3.1		(1.2)		**1.9**
Other Permitted Financial Indebtedness	0.7	0.7			**1.4**
OAL Total Debt	**7,261.8**	**912.0**	**(805.8)**	**255.0**	**7,622.8**

6.0 *Osprey Acquisitions Limited Group – Profit & Loss Account*

	2022 Total £m	2021 Total £m Restated
Revenue	1,429.1	1,354.4
Other operating income	12.3	12.5
Operating costs	(639.3)	(630.5)
Impairment losses	(11.1)	(31.1)
Depreciation and amortisation	(348.6)	(339.2)
Operating profit	442.4	366.2
Finance income	1.6	2.3
Finance costs [1]	(484.5)	(262.2)
Underlying (loss)/profit before tax	**(40.5)**	106.3
Finance costs – fair value losses on financial derivatives	(115.1)	(23.2)
Statutory (loss)/profit before tax	**(155.6)**	83.1
Tax charge	**(292.6)**	(22.6)
(Loss)/profit after tax	**(448.2)**	60.5

[1] In order to show pre-tax performance on an underlying basis the fair value gains and losses on financial derivatives have been excluded from the underlying finance costs.

7.0 Osprey Acquisitions Limited Group– Balance Sheet

At 31 March 2022

			£m
Non-current assets			
Intangible assets (including goodwill)			663.8
Property, plant and equipment			10,304.4
Investment properties			0.3
Derivative financial instruments classified as current and non-current assets			114.3
Retirement benefit surpluses			269.1
Net current liabilities excluding cash and debt repayable in less than one year			(57.9)
Retirement benefit deficit			(41.8)
Derivative financial instruments classified as current and non-current liabilities			(1,202.9)
Creditors amounts falling due after more than one year excluding debt			(1,403.7)
Cash and cash equivalents		984.0	
Financing liabilities		(7,667.1)	
Net Debt (excluding derivatives)			(6,683.1)
Net assets			1,962.5
Capital and reserves	Share capital		876.2
	Share premium		596.5
	Retained earnings		469.1
	Hedging reserve		20.4
	Cost of hedging reserve		0.3
Capital and reserves			1,962.5

8.0 Osprey Acquisitions Limited Group– Calculation of Annual Finance Charge

Instrument	Interest Paid to 31 Mar 22 £m	Forecast Interest Payable to 31 Mar 23 £m
AWS Debt:		
Class A Debt		
AAA Wrapped Bonds	29.3	30.4
A-Bonds	134.7	136.4
Private Placements	20.0	28.1
Leases	0.5	0.0
Other	2.6	2.7
Class B Debt		
US Private Placements[1]	16.8	0.0
OAL Debt:	25.2	42.0
Annual Finance Charge	**229.1**	**239.6**

The Annual Finance Charge represents cash interest payable by Osprey Acquisitions Limited Group for the periods set out above.

[1] The Actual Interest Paid figure excludes a 'make-whole' payment of £14.5 million which was paid to allow the early repayment of three US Private Placement Class B debt items and termination amounts related to associated interest and currency swap derivatives.