Registration number: 07476767

Anglian Water (Osprey) Financing Plc

Annual Report and Financial Statements

for the Year Ended 31 March 2022

Anglian Water (Osprey) Financing Plc

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Anglian Water (Osprey) Financing Plc

Company Information

Directors

Mr P Simpson

Mr S J Buck

Mr John Hirst

Mr R S Napier

Company secretary

Mrs C T Russell

Registered office

Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU

Independent Auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Strategic Report for the Year Ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

Review of the business

The company's primary purpose is to issue and hold debt listed on the London Stock Exchange and other borrowings used to fund the Osprey Acquisitions Limited (OAL) Group (the 'Group' headed by OAL), and the wider Anglian Water Group. In the year ended 31 March 2022, the company issued £917.0 million of debt of which £312.0 million was raised and repaid within the same year. In total, £322.0 million of debt was repaid in the year. As at 31 March 2022, the company had £1,055.0 million of debt, passed through with its "back-to-back" arrangement to Osprey Acquisitions Limited. The company made a loss of £2,199,000 (2021: profit of £992,000) for the financial year. In addition, the unpaid element of the Share Capital was paid by the Parent amounting to £37,499.

In order to efficiently execute the refinancing of Anglian Water during the year, a new three-tier financing structure was set-up, and debt issued at the two tiers above Anglian Water. £605.0 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 Aigrette Financing group further up the group structure, were injected as equity into Anglian Water to support its continuing investment grade credit rating. The impact of this was to significantly increase the debt drawn in the company between last year end and this year end from £460.0 million to £1,055.0 million. The new financing structure will permit further debt to be issued by the company in future years.

The company's net liabilities at 31 March 2022 were £2,768,000 (2021: £606,000).

The directors expect that the present level of activity will be sustained for the foreseeable future.

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. Whilst this duty is not new, this year companies are required to report explicitly how the Board has had regard to the matters set out in section 172.

Being one of the OAL 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 group with whom there are intercompany relationships. There are no environmental impacts.

As the Company does not operate separately to the OAL Group the Company's values and reputation are highly integrated with that of Osprey Acquisitions Limited 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 OAL 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 Anglian Water 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. This year, the second of AMP7 (the Regulated Group company's Business Plan for 2020-2025), we have maintained a close dialogue and engagement with banks and investors, which also informs our approach to sustainable financing. Anglian Water is committed to financing capital investment sustainably, while for their part, banks and investors have a clear appetite to invest in purpose-led, sustainable businesses such as ours.

Principal decisions made by the Board

Approval of annual financial statements

The Board approves the annual financial statements. The Board is engaged on any key issues impacting the Company throughout the year and gives appropriate time and consideration to the approval. To give support to the Directors and enable them to discharge their duties, all new Directors receive a thorough induction programme on appointment which includes receiving a full background information pack, visits to operational sites and briefings from Executive Directors and senior managers.

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

Anglian Water (Osprey) Financing Plc

Strategic Report for the Year Ended 31 March 2022

Key performance indicators

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 MidCo 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 AWOF is the related net debt to capital ratio.

At 31 March 2022 OAL's net debt to capital value was 76 per cent (2021: 87 per cent, ratio has decreased following an equity injection of £1,165 million into Anglian Water Services in the year.

Principal risks and uncertainties

The principal risks to the company relate to the financial instruments that the company is party to, the risks and mitigations are detailed within the Directors' report.

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

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Mr S J Buck
Director

The directors present their report and the audited financial statements for the year ended 31 March 2022.

Directors of the company

The directors who held office during the year were, and up to the date of signing the financial statements unless otherwise stated, as follows:

Mr P Simpson

Mr S J Buck

Mr John Hirst

Mr R S Napier (appointed 1 June 2021)

Dividends

During the year the company made dividend payments of £Nil (2021: £Nil) per ordinary share amounting to £Nil (2021: £Nil).

Financial Risk Management

Objectives and policies

The company's principal financial instruments comprise external borrowings of listed bonds and intercompany loans receivable. The main purpose of these instruments is to raise and provide finance for the parent's operations. The company does not enter into any form of derivative financial instruments.

Financial risks faced by the company include funding, interest rate and contractual risks. The board regularly reviews these risks and has approved written policies covering treasury strategy and the use of financial instruments to manage risks.

A Finance, Treasury and Energy Policy Group (FTEPG) of the Anglian Water Group, comprising the CFO of Finance and Non-Regulated Business, the Group Treasurer, together with several other Directors and senior managers, meets monthly with the specific remit of reviewing treasury matters.

The company aims to meet its funding requirements primarily through public bond markets and bank loans. To ensure continued effectiveness and relevance, the board carries out a formal annual review of the treasury organisation and reporting.

Borrowings raised by the company are guaranteed by Osprey Acquisitions Limited and Osprey Investco Limited. The Anglian Water Group's treasury function monitors compliance against all financial obligations and it is the group’s policy to manage the balance sheet so as to ensure operation within covenant restrictions.

Interest risk and liquidity risk

Interest rate risk

The company has a “back-to-back” arrangement with Osprey Acquisitions Limited whereby all borrowings are replicated on identical terms. Any exposure to interest rate risk is passed onto Osprey Acquisitions Limited, hence, this arrangement eliminates interest rate risk and results in a net neutral impact on the profit and loss account.

Liquidity risk

The company’s objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments.

Risk management and internal control

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.

The company also has in place systems and procedures for exercising control and managing risk in respect of financial reporting and the preparation of financial statements.

These include:

- The formulation and deployment of Company accounting policies and procedures.
- An annual process where business heads confirm the adequacy of the internal controls for their area of responsibility through a formal Statement of Responsibility. The responses are reviewed by the Group's Audit Committee.
- Monthly operational review meetings, which include, as necessary, reviews of internal financial reporting issues and financial control monitoring.
- Ongoing training and development of appropriately qualified and experienced financial reporting personnel.

The company's systems and procedures are designed to identify, manage and, where practicable, reduce and mitigate the effects of the risk of failure to achieve business objectives. They are not designed to eliminate such risk, recognising that any system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirms that the systems and procedures providing an ongoing process for identifying and managing the principal risks and uncertainties faced by the Company have been in place for the year ended 31 March 2022 and up to the date of the approval of the Annual Report, which is in accordance with the guidance on internal control published in October 2005 (the Turnbull Guidance). For the 2021/22 financial year the Company's and Group's internal and financial controls included the following:

- An internal audit programme carried out by PwC. The internal auditors carry out a comprehensive review of internal controls and formally report their findings and recommendations to the Group's Audit Committee.
- Policies governing the maintenance of accounting records, transaction reporting and key financial control procedures.
- A formal controls questionnaire completed by the business twice each year and reviewed by Group Internal Audit (GIA), with the conclusions being highlighted to the Group's Audit Committee.
- A Risk and Compliance Monitoring Committee that has oversight of the risk management activity that takes place throughout the business. The Company maintains a risk register, managed by the Risk and Compliance Monitoring Committee, which is reviewed by the Anglian Water Group's Audit Committee at each Committee meeting. Risks are assessed by reference to impact and likelihood of crystallisation. This process is continuous and has been in place for the year under review. The process is regularly reviewed by the Board in accordance with relevant guidance.

No additional risk management and internal controls are in place for the company aside from those stated above.

Future developments

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

Post Balance sheet events

There have been no events between the balance sheet date, and the date on which the financial statements were approved by the Board, which require adjustment to the financial statements or any additional disclosures.

Anglian Water (Osprey) Financing Plc

Directors' Report for the Year Ended 31 March 2022

Going concern
Under the terms of the company's financing arrangements, its parent, Osprey Acquisitions Limited (OAL) guarantees unconditionally and irrevocably all the company's borrowings. As the company does not operate separately to the OAL group (the Group headed by Osprey Acquisitions Limited), the directors have undertaken a detailed review of the ability of the OAL 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 OAL Group compared against the cash and facilities available to the OAL 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.

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.

The Directors believe, after due and careful enquiry, that the Company has sufficient resources to continue in operational existence for at least one year after the financial statements were authorised for issue. Therefore, it is considered to be appropriate to adopt the going concern basis in preparing the 2022 financial statements.

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 of the persons who is a director at the date of approval of this report confirms that:
• so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
• the director has taken all the steps that he/she ought to have to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Reappointment of auditor
The auditor Deloitte LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

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

• select suitable accounting policies and then apply them consistently;
• make judgements and accounting estimates that are reasonable and prudent; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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Mr S J Buck
Director

Independent Auditor's Report to the Members of Anglian Water (Osprey) Financing Plc

1. Opinion

In our opinion the financial statements of Anglian Water (Osprey) Financing 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 year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 15.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year and the prior year was management override of controls.
Materiality	The materiality that we used in the current year was £24.2m (2021: £13.8m) which was determined on the basis of 3% of borrowings capped to 90% of the materiality of Osprey Acquisitions Limited ("OAL") which is the parent undertaking of the company, as the audit of the consolidated financial statements of OAL was completed concurrently with the company financial statements. (2021: 3% of borrowings, capped to the materiality of OAL).
Scoping	Audit work to respond to the risks of material misstatement as performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the assumptions used in establishing the liquidity position throughout the going concern period, with reference to forecast income and expenses;
- Evaluating the financing requirements, including the maturity profile of existing finance;
- Assessing the relationship with other companies of the Anglian Water Group and their ability to settle amounts due to the Company; and
- Evaluating the disclosures included within the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Management override of controls

Key audit matter description	Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although management is responsible for safeguarding the assets of the business, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records. The key area of potential risk identified related to recording fictitious journal entries.
How the scope of our audit responded to the key audit matter	In response to this matter, we have performed the following procedures: • obtained an understanding of, and tested, relevant controls over the financial reporting process; • tested the appropriateness of journal entries recorded in the general ledger in the preparation of the financial statements; and • made enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.
Key observations	Based on the work performed, we found no matters that were reportable to those charged with governance.

6. Our application of materiality

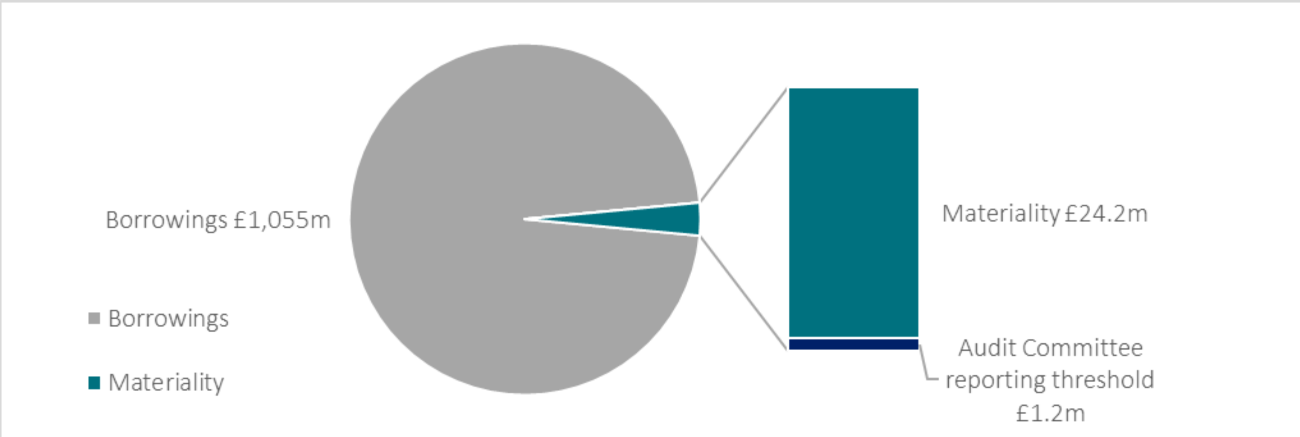
6.1. Materiality

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

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

Materiality	£24.2m (2021: £13.8m)
Basis for determining materiality	3% of borrowings, capped to 90% of the materiality of OAL as the audit of the consolidated financial statements of OAL was completed concurrently with the company financial statements. (2021: 3% of borrowings, capped to the materiality of OAL).

Rationale for the benchmark applied	The primary purpose of the company is to raise funding from external sources and provide funding to OAL. We have therefore used total borrowings as the most appropriate benchmark. The applied materiality is capped at 90% of OAL materiality. Materiality has increased in the year given the increase in company borrowings.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- our consideration of the company's control environment;
- the limited number of changes to the business and the limited turnover of management and key accounting personnel during the year; and
- the history of a low number of corrected and uncorrected misstatements identified in previous periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.2m (2021: £0.69m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

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

7.2. Our consideration of the control environment

The company's accounting records are contained within the group's accounting system. Our work in relation to the group's internal control environment involved testing of the group's key reporting system. With the involvement of our IT specialists, we obtained an understanding of, and tested, relevant General Information Technology Controls (GITCs) within the group's key reporting system, including the access controls, change management controls and controls around segregation of duties.

We obtained an understanding of the relevant controls within the borrowings business process, which are supported by the group's key reporting system.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists with consideration of group wide matters, including IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified management override of controls as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing any correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 1 September 2016 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 March 2017 to 31 March 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Hadley (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

14 June 2022

Anglian Water (Osprey) Financing Plc

Profit and Loss Account for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Other operating income		53	100
Operating profit		53	100
Interest receivable	5	32,087	22,615
Interest payable and similar expenses	6	(32,067)	(22,615)
Expected credit movement on intercompany loan		(2,258)	911
Net finance cost		(2,238)	911
(Loss)/profit before tax		(2,185)	1,011
Tax on (loss)/profit	8	(14)	(19)
(Loss)/profit for the financial year		(2,199)	992

The above results were derived from continuing operations.

Anglian Water (Osprey) Financing Plc

(Registration number: 07476767)
Balance Sheet as at 31 March 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Investments	9	1,051,729	458,986
Current assets			
Other receivables	10	-	5,225
Cash and cash equivalents	11	21,580	426
		21,580	5,651
Total assets		1,073,309	464,637
Creditors: Amounts falling due within one year			
Other payables	14	(21,063)	(5,224)
Loans and borrowings	13	-	(10,000)
Income tax liability		(14)	(19)
Creditors: Amounts falling due within one year		(21,077)	(15,243)
Net current assets/(liabilities)		503	(9,592)
Total assets less current liabilities		1,052,232	449,394
Creditors: Amounts falling due after more than one year			
Loans and borrowings	13	(1,055,000)	(450,000)
Net liabilities		(2,768)	(606)
Capital and reserves			
Called up share capital	12	50	13
Profit and loss account		(2,818)	(619)
Total Shareholders' deficit		(2,768)	(606)

The financial statements on pages 18 to 29 were approved by the Board on .14 June 2022..... and signed on its behalf by:

....

Mr S J Buck

Director

Anglian Water (Osprey) Financing Plc

Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	13	(619)	(606)
Loss for the year	-	(2,199)	(2,199)
Total comprehensive loss	-	(2,199)	(2,199)
Other ordinary share capital movements (see Note 12. During the year the parent paid the un-paid portion of the 49,999 shares that were quarter paid in the prior year)	37	-	37
At 31 March 2022	50	(2,818)	(2,768)

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	13	(1,611)	(1,598)
Profit for the year	-	992	992
Total comprehensive loss	-	992	992
At 31 March 2021	13	(619)	(606)

1 General information

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

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

2 Accounting policies

Basis of preparation

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

The company is a qualifying entity for the purposes of FRS 101. Note 15 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related Regulations.

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 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 in accordance with the historical cost convention and have been prepared on the going concern basis, further detail in the Director's report. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The company's functional currency is Great British Pounds (GBP) which is the currency of the primary economic environment in which the company operates.

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)
- 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.

effective for the first time from 1 April 2021 have had a material effect on the financial statements.

Standards, amendments and interpretations effective or adopted

The following standards and amendments are effective in the group’s consolidated financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS 7 ‘Interest rate benchmark reform’;

Other standards and amendments were deemed not relevant to the company so have not been included.

IFRS 9, IAS 39 and IFRS 7 ‘Interest rate benchmark reform’

In the prior year, the OAL Group adopted Phase 1 of the Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the OAL Group adopted Phase 2 of the Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

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.

Fixed asset investments

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

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

In applying this forward-looking approach, a distinction is made between:

- where credit risk is low or has not increased significantly since recognition ('Stage 1');
- where credit risk is not low or has increased significantly since initial recognition ('Stage 2'); and
- where the financial asset is credit impaired (Stage 3).

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

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

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments with original maturities of three months or less.

Other receivables

Other debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of other debtors is established in line with expected credit loss model under IFRS 9.

Other payables

Other 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 profit and loss account 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.

Capital risk management

The prime responsibility of the treasury function is the efficient and effective management of financial resources within the OAL Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. This involves focus on efficiency, quality and effective control to improve cash flow certainty and profitability. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures.

Recognising the level of gearing in the OAL Group, and the long-term nature of the Group’s asset base, the Group is primarily funded from the debt capital markets. It is the Group’s policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets. The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings.

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.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

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

3 Critical accounting judgements and key sources of estimation uncertainty

There are no key accounting judgements or critical sources of estimation.

4 Operating profit

Other operating income relates to management fees charged to other group companies. The auditor's remuneration of £2,000 (2021 - £2,000) for audit services is borne by another group undertaking with no recharge to the Company.

5 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Other finance income	20	-
Interest on loans to immediate parent	32,067	22,615
	32,087	22,615

6 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest on other loans	32,067	22,615

7 Directors' remuneration and employee information

None of the directors received any emoluments for their services to the company in this or the preceding year.

There were no employees of the company in this or the preceding year.

8 Tax on loss

Tax charged in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	14	19

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%). In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25% and this would take effect from 1 April 2023. The expected impact of this change is not deemed to be material.

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(2,185)	1,011
Corporation tax at standard rate	(415)	192
Increase/(decrease) from effect of income not taxable / (expenses not deductible) in determining taxable profit/(tax loss)	429	(173)
Total tax charge	14	19

9 Investments held as fixed assets

Investments represent loans to the immediate parent undertaking, Osprey Acquisitions Limited, and reflect the "back-to-back" arrangements with external finance providers. These loans mirror the external loans and are on terms equal to those set out in Note 13.

Amounts receivable from group companies are measured at amortised cost.

	£ 000
Cost	
At 1 April 2021	460,000
Additions	917,000
Repayments	(322,000)
At 31 March 2022	1,055,000
Provision for impairment	
At 1 April 2021	1,014
Impairment in financial year	2,257
At 31 March 2022	3,271
Net Book Value	
At 31 March 2021	458,986
At 31 March 2022	1,051,729

10 Other receivables

	2022 £ 000	2021 £ 000
Receivables from parent undertaking	-	5,225

Amounts owed by group undertakings represent interest outstanding on back-to-back loans and the loan due to be repaid within 12 months.

11 Cash at bank and in hand

	2022 £ 000	2021 £ 000
Cash and cash equivalents		
Cash at bank	21,580	426

12 Called up share capital

Allotted, called up and paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	50,000	50,000	12,501

Authorised and issued 50,000 shares which are now fully paid at £1 per share.

The company has one class of ordinary shares which carries no right to fixed income.

During the year the parent paid the unpaid portion of the 49,999 shares that were quarter paid in the prior year.

13 Loans and borrowings

	2022 £ 000	2021 £ 000
Current loans and borrowings		
Other borrowings	-	10,000

	2022 £ 000	2021 £ 000
Non-current loans and borrowings		
Other borrowings	1,055,000	450,000

Current other borrowings represent amounts drawn under the syndicated revolving credit facility. At 31 March 2022, there were no drawings outstanding (2021: £10.0 million).

Non-current other borrowings comprise the following:

Loans and other borrowings

Bond is denominated in GBP with a nominal interest rate of 5.00%, and with the final instalment due on 30 April 2023. The carrying amount at year end is £210,000,000 (2021 - £210,000,000).

Bond is denominated in GBP with a nominal interest rate of 4.00%, and with the final instalment due on 8 March 2026. The carrying amount at year end is £240,000,000 (2021 - £240,000,000).

Bond is denominated in GBP with a nominal interest rate of 2.00%, and with the final instalment due on 31 July 2028. The carrying amount at year end is £300,000,000 (2021 - £Nil).

Private Placement is denominated in GBP with a nominal interest rate of 2.37%, and with the final instalment due on 12 October 3031. The carrying amount at year end is £100,000,000 (2021 - £Nil).

Term loan is denominated in GBP with a nominal interest rate of 2.20%, and with the final instalment due on 15 December 2028. The carrying amount at year end is £105,000,000 (2021 - £Nil).

Term loan is denominated in GBP with a nominal interest rate of Sonia + 2.85%, and with the final instalment due on 16 June 2026. The carrying amount at year end is £100,000,000 (2021 - £Nil).

A security agreement dated 16 June 2021 between Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited, Osprey Investco Limited 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 Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and Osprey Investco Limited. In addition, there is a mortgage over the issued share capital of Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and AWG Parent Co Limited. At 31 March 2022 this mortgage applies to £1,055.0 million of the debt listed above.

As part of the refinancing of the Anglian Water Group during the year, the Company issued £605.0 million of new debt. In support of this financing, a bridging facility of £450.0 million was arranged, under which £152.0 million was drawn and repaid during the year. In addition, the existing £250.0 million revolving credit facility was amended into a £400.0 million facility, £250.0 million of which continues to be a revolving credit facility and which was undrawn at year-end, and £150.0 million of term loans, of which £100.0 million was drawn at the year-end and £50.0 million was drawn, repaid and subsequently cancelled during the period.

In accordance with IFRS 9, 'Financial instruments', Anglian Water (Osprey) Financing Plc has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no amounts recorded in the profit and loss account for gains and losses on embedded derivatives in the year ended 31 March 2022 (2021: £nil).

Borrowing facilities

The company has a £250.0 million syndicated revolving credit facility, of which £Nil (2021: £10.0 million) was drawn at year end.

14 Other payables

	2022 £ 000	2021 £ 000
Amounts due to related parties	9,033	-
Accrued Interest on external loan payable	12,030	5,224
Other payables	21,063	5,224

15 Parent and ultimate parent undertaking

The company's immediate parent undertaking is Osprey Acquisitions Limited, a company registered in England.

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

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

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