

Registration number: 07476767

Anglian Water (Osprey) Financing Plc

Annual Report and Financial Statements

for the Year Ended 31 March 2019

Anglian Water (Osprey) Financing Plc

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Anglian Water (Osprey) Financing Plc

Company Information

Directors Mr S R J Longhurst
Mr P Simpson
Mr S Billingham

Company secretary Mrs C T Russell

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

Independent Auditors Deloitte LLP
Statutory Auditor
London, United Kingdom

Anglian Water (Osprey) Financing Plc

Strategic Report for the Year Ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Review of the business

The company's primary purpose is to issue and hold debt listed on the London Stock Exchange and other borrowing used to fund the wider Anglian Water Group. The company made a profit for the financial year of £411,000 (2018: £81,000).

The company's net liabilities at 31 March 2019 were £848,000 (2018: asset £163,000).

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

Given the nature of this business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development or performance of the business.

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 25/6/19 and signed on its behalf by:

.....
Mr S R J Longhurst
Director

Anglian Water (Osprey) Financing Plc

Directors' Report for the Year Ended 31 March 2019

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 S R J Longhurst

Mr P Simpson

Mr S Billingham

Dividends

During the year the company made dividend payments of Nil (2018: Nil) per ordinary share amounting to £Nil (2018: £Nil).

Financial instruments

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 Managing Director 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. 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.

Anglian Water (Osprey) Financing Plc

Directors' Report for the Year Ended 31 March 2019

Risk management and internal control

The Company's risks are managed as part of the 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 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.
- Policies governing the maintenance of accounting records, transaction reporting and key financial control procedures.
- 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 Group have been in place for the year ended 31 March 2019 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 2018/19 financial year the Group's internal and financial controls included the following:

- An internal audit programme, outsourced to 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.
- 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.
- 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 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.
- 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.

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.

Anglian Water (Osprey) Financing Plc

Directors' Report for the Year Ended 31 March 2019

Going concern

The adoption of IFRS 9 has prescribed an impairment of the investment balance (as noted in note 8), resulting in a net liability position for the entity at year-end. However, as noted in note 12 the investment balance is due to a back-to-back arrangement for the loans made to the company and there are fixed and floating charges in place on the company's assets and also Osprey Acquisitions Limited who are the counter-party for the investment balance.

The directors have considered the cash flow forecast to the end of June 2020, and are satisfied that the company, taking into account reasonably possible changes in trading performance and the current funds available, is able to operate for at least 12 months from the signing of the Annual report.

Directors' liabilities

The company maintains director's 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 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 auditors

The auditors Deloitte LLP are 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

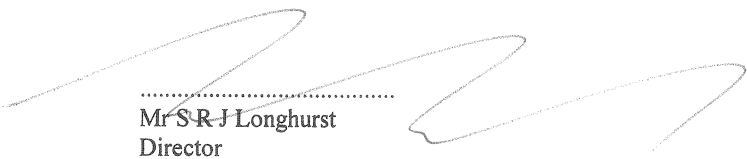
Anglian Water (Osprey) Financing Plc

Directors' Report for the Year Ended 31 March 2019

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 25/6/19 and signed on its behalf by:

.....
Mr S R J Longhurst
Director



Anglian Water (Osprey) Financing Plc

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

Report on the audit of the financial statements

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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

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

Basis for opinion

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



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

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

Anglian Water (Osprey) Financing Plc

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

Summary of our audit approach

Key audit matters	<p>The key audit matter that we identified in the current year is management override of controls.</p> <p>Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	<p>The materiality that we used in the current year was £13.5m, which was determined on the basis of 3% of total borrowings.</p>
Scoping	<p>Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
Significant changes in our approach	<p>There have been no significant changes to our audit approach.</p>

Anglian Water (Osprey) Financing Plc

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

Conclusions relating to going concern

We are required by the ISAs (UK) to report in respect of the the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.





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.

Anglian Water (Osprey) Financing Plc

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

Management override of controls 	
<p>Key audit matter description</p> 	<p>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.</p> <p>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.</p> <p>In particular the risk of management override of control arises in the extraction of the company's accounting records from the wider group's general ledger.</p> <p>Further details on the companies policies and procedures in relation to risk management and internal control are included within the directors' report on page [3] of the financial statements.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We substantively tested the extraction of the company's accounting records from the wider group's general ledger, and assessed the appropriateness of the adjustments made to record the company's financial statements on a stand-alone basis.</p> <p>We also assessed the design and implementation of the company's controls over the preparation of its financial statements.</p> <p>Additionally, we focus on the financial reporting process and adjustments being made to the financial statements.</p>
<p>Key observations</p> 	<p>Based on the work done, we found no matters that were reportable to those charged with governance.</p>

Anglian Water (Osprey) Financing Plc

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

Our application of 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	£13.5m (2018: £13.0m)
Basis for determining materiality	Approximately 3% of total borrowings (2018: 3% of total borrowings)
Rationale for the benchmark applied	The primary purpose of the company is to raise funding from external sources and provide funding to the Anglian Water Group Limited group. We have therefore used total borrowings as the benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.675m (2018: £0.6m), 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.

An overview of the scope of our audit

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.

Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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.

Anglian Water (Osprey) Financing Plc

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which our audit was considered capable of detecting irregularities, including fraud are set out below.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the extraction of the company's accounting records from the wider group's general ledger.
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation. In addition, compliance with terms of the company's operating licence and the regulatory solvency requirements are fundamental to the company's ability to continue as a going concern.

Anglian Water (Osprey) Financing Plc

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

Audit response to risks identified

As a result of performing the above, we identified management override of controls in the extraction of the company's accounting records as a key audit matter. 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.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing 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

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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.

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.

Anglian Water (Osprey) Financing Plc

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

Other matters

Auditor tenure

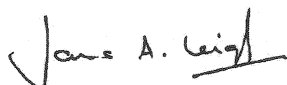
Following the recommendation of the audit committee, we were appointed by the company on 1 September 2016 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 31 March 2017 to 31 March 2019.

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).

Use of our report

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



.....
James Leigh (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

London, United Kingdom

Date: 25 June 2019
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Anglian Water (Osprey) Financing Plc

Profit and Loss Account for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Other operating income		<u>100</u>	<u>100</u>
Operating profit		<u>100</u>	<u>100</u>
Interest receivable		21,323	27,440
Interest payable and similar charges	5	(21,323)	(27,440)
Expected credit movement on intercompany loan		<u>330</u>	<u>-</u>
Net finance income		<u>330</u>	<u>-</u>
Profit before tax		430	100
Tax on profit on ordinary activities	7	<u>(19)</u>	<u>(19)</u>
Profit for the financial year		<u><u>411</u></u>	<u><u>81</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above and therefore no separate statement of comprehensive income has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent.

Anglian Water (Osprey) Financing Plc

**(Registration number: 07476767)
Balance Sheet as at 31 March 2019**

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	8	448,908	450,000
Current assets			
Other receivables	9	5,045	5,045
Cash and cash equivalents	10	263	182
		<u>5,308</u>	<u>5,227</u>
Creditors: Amounts falling due within one year			
Trade and other payables	13	(5,045)	(5,045)
Income tax liability		<u>(19)</u>	<u>(19)</u>
Creditors: Amounts falling due within one year		<u>(5,064)</u>	<u>(5,064)</u>
Net current assets		244	163
Creditors: Amounts falling due after more than one year			
Loans and borrowings	12	<u>(450,000)</u>	<u>(450,000)</u>
Net (liabilities)/assets		<u>(848)</u>	<u>163</u>
Capital and reserves			
Called up share capital	11	13	13
Profit and loss account		<u>(861)</u>	<u>150</u>
Total Shareholders' (deficit)/funds		<u>(848)</u>	<u>163</u>

The financial statements on pages 15 to 24 were approved by the Board on 25/6/19 and signed on its behalf by:

.....
Mr S R J Longhurst
Director

Anglian Water (Osprey) Financing Plc

Statement of Changes in Equity for the Year Ended 31 March 2019

	Called up Share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 April 2018	13	150	163
Change in accounting policy - IFRS 9	-	(1,422)	(1,422)
At 1 April 2018 (restated)	13	(1,272)	(1,259)
Profit for the financial year	-	411	411
Total comprehensive income	-	411	411
At 31 March 2019	13	(861)	(848)

	Called up Share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 April 2017	13	69	82
Profit for the financial year	-	81	81
Total comprehensive income	-	81	81
At 31 March 2018	13	150	163

The notes on pages 18 to 24 form an integral part of these financial statements.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

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 EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 14 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted 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. 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.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

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 IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38 (comparative information in respect of paragraph 79(a)(iv) of IAS 1);
 - 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 of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements of IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group.

Changes resulting from adoption of IFRS 9

IFRS 9 Financial Instruments became mandatorily effective on 1 January 2018. The company has applied IFRS 9 for the first time in this accounting period which has resulted in changes to the accounting policies. The nature and effect of these changes are described below.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting. The adoption of IFRS 9 has resulted in changes to the accounting policies and adjustments to the amounts recognised in financial instruments, and was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses by replacing IAS 39's incurred loss model with an expected credit loss model.

The new model applies to all debt instruments not held at fair value through profit or loss and contract assets, and requires the company to account for expected credit losses and any changes at each reporting date to reflect changes in credit risk since initial recognition.

In accordance with IFRS 9 paragraph 5.5 'Recognition of expected credit losses', as at 1 April 2018 the company has recorded an expected credit loss in relation to the intercompany loan between Osprey Acquisitions Limited (OAL) and Anglian Water (Osprey) Financing Plc of £1.4 million. The amount has been recorded as a cumulative adjustment to reserves at 1 April 2018 with the subsequent change in the impairment recorded in the income statement during the period.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

The expected credit loss is calculated based on the credit spread of OAL of 24.00 (1 April 2018: 31.255), however, as the only business of the entity is to raise funds for Osprey Acquisitions Limited, any losses due to a credit event in OAL would be passed through to the external debt holders and as such the expected credit loss provision reflects a mismatch in accounting treatment between assets and liabilities and not a true economic exposure for the entity.

New standards, amendments and interpretations

Aside from the impact of IFRS 9 discussed above, there are no new or amended standards adopted by the company in the year which have had a material impact on the company. IFRS 15 - Revenue from Contracts with Customers was also adopted during the financial year but had not impact on the accounts of the company.

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 held as fixed assets are stated at cost less any provision for impairment. Impairments on financial assets are calculated in accordance with IFRS 9 as detailed above.

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.

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.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

Share capital

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

3 Operating profit

Other operating income relates to management fees charged to other group companies. The auditor's remuneration of £2,000 (2018 - £2,000) for audit services is borne by another group undertaking with no recharge to the Company.

4 Other interest receivable and similar income

	2019	2018
	£ 000	£ 000
Interest on loans to immediate parent	<u>21,323</u>	<u>27,440</u>

5 Interest payable and similar charges

	2019	2018
	£ 000	£ 000
Interest on other loans	<u>21,323</u>	<u>27,440</u>

6 Directors' remuneration and employee information

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

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

7 Tax on profit on ordinary activities

Tax charged in the profit and loss account

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	<u>19</u>	<u>19</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

	2019	2018
	£ 000	£ 000
Profit before tax	<u>430</u>	<u>100</u>
Corporation tax at standard rate	82	19
Decrease from effect of expenses not deductible in determining tax loss	<u>(63)</u>	<u>-</u>
Total tax charge	<u>19</u>	<u>19</u>

The notes on pages 18 to 24 form an integral part of these financial statements.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

8 Investments held as fixed assets

Cost	£ 000
At 1 April 2018	450,000
At 31 March 2019	450,000
Provision	
At 1 April 2018	-
Impact of adopting IFRS 9	1,422
At 1 April 2018 (revised)	1,422
Provision movement in year	(330)
At 31 March 2019	1,092
Net Book Value	
At 1 April 2018	(448,578)
At 31 March 2019	(448,908)

Investments represent loans to the immediate parent undertaking, Osprey Acquisitions Limited, and reflect the "back-to-back" arrangements with the company and Osprey Acquisitions Limited, there are two loans, the first with a principal amount of £210,000,000 and an interest rate of 5% and maturity date of 30 April 2023, the second with a principal amount of £240,000,000 and interest rate of 4% and maturity date of 8 March 2026.

Amounts receivable from group companies are classified as loans and receivables and are measured at amortised cost.

9 Other receivables

	2019 £ 000	2018 £ 000
Receivables from parent undertaking	5,045	5,045

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

10 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	263	182

11 Called up share capital

	2019		2018	
	No.	£	No.	£
Alloted, called up and part paid shares				
Ordinary shares of £1 each	50,000	12,501	50,000	12,501

The notes on pages 18 to 24 form an integral part of these financial statements.

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

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

12 Loans and borrowings

	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Other borrowings	<u>450,000</u>	<u>450,000</u>

Other borrowings comprise of two listed bonds, the first with a principal amount of £210,000,000 and an interest rate of 5% and maturity date of 30 April 2023, the second with a principal amount of £240,000,000 and interest rate of 4% and maturity date of 8 March 2026.

A security agreement dated 31 January 2011 between Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and Deutsche Trustee Company Limited (as agent and trustee for itself and each of the Finance Parties to the Guaranteed Secured Medium term Note Programme) creates a fixed and floating charge over the assets of Anglian Water (Osprey) Financing Plc and Osprey Acquisitions Limited. In addition there is a fixed charge over the issued share capital of Anglian Water (Osprey) Financing Plc and AWG Parent Co Limited. At 31 March 2019 this charge applies to £450.0 million of the debt listed above.

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 2019 (2018: £nil).

Borrowing facilities

The company has negotiated a £125m revolving credit facility, which is undrawn, provided by Royal Bank of Scotland Plc and syndicated to certain other banks, this facility has an expiry date of March 2020.

13 Trade and other payables

	2019 £ 000	2018 £ 000
Accrued interest on external loan payable	<u>5,045</u>	<u>5,045</u>

Anglian Water (Osprey) Financing Plc

Notes to the Financial Statements for the Year Ended 31 March 2019

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

Anglian Water Group Limited 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 the Canada Pension Plan Investment Board, Colonial First State Global Asset Management, IFM Investors, Infinity Investments SA and Camulodunum Investments Limited.