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Registration number: 07476767

# Anglian Water (Osprey) Financing Plc

Annual Report and Financial Statements

for the Year Ended 31 March 2020



# **Anglian Water (Osprey) Financing Plc**

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## **Anglian Water (Osprey) Financing Plc**

### **Company Information**

<b>Directors</b>	Mr P Simpson Mr S J Buck
<b>Company secretary</b>	Mrs C T Russell
<b>Registered office</b>	Lancaster House Lancaster Way Ermine Business Park Huntingdon Cambridgeshire PE29 6XU
<b>Independent Auditor</b>	Deloitte LLP Statutory Auditor London, United Kingdom

## **Anglian Water (Osprey) Financing Plc**

### **Strategic Report for the Year Ended 31 March 2020**

The directors present their strategic report for the year ended 31 March 2020.

#### **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, there were no repayments or additional borrowings in the financial year. The company made a loss for the financial year of £750,000 (2019: profit £411,000).

The company's net liabilities at 31 March 2020 were £1,598,000 (2019: £848,000).

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

The impact of Covid-19 on the financing of Anglian Water (Osprey) Financing is primarily an increase in volatility and uncertainty but the debt instruments carry a fixed coupon and are lent on back-to-back terms to its parent so Covid-19 should not adversely impact the company.

#### **Section 172 Statement**

Section 172 of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Whilst this duty is not new, this year companies are required to report explicitly how the Board has had regard to the matters set out in section 172.

Being one of the 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.

The funding advanced by investors and banks is crucial to the delivery of the parent company's aims and therefore the way the company engages with lenders and rating agencies has an impact on the wider group.

We hold investor events at least twice a year to coincide with preliminary and interim company results, and periodically hold additional events and site visits for investors. In addition, Peter Simpson, Steve Buck and the Company's Treasurer hold regular face-to-face meetings and telephone conferences with banks and investors. We also engage with banks and investors through written reports, including the Annual Report and Consolidated Financial Statements of the group, and by publishing interim and preliminary company results at half year and year end.

Board members discuss key areas of group risk such as Covid-19 with investors and banks to facilitate the continued funding of the business.

#### **Key performance indicators**

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.

## **Anglian Water (Osprey) Financing Plc**

### **Strategic Report for the Year Ended 31 March 2020**

#### **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 10 July 2020.. and signed on its behalf by:



Mr S J Buck  
Director

## **Anglian Water (Osprey) Financing Plc**

### **Directors' Report for the Year Ended 31 March 2020**

The directors present their report and the audited financial statements for the year ended 31 March 2020.

#### **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 (resigned 31 July 2019)

Mr P Simpson

Mr S Billingham (resigned 31 March 2020)

Mr S J Buck (appointed 1 August 2019)

#### **Dividends**

During the year the company made dividend payments of £Nil (2019: £Nil) per ordinary share amounting to £Nil (2019: £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 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 2020**

#### **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.
- 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 Group have been in place for the year ended 31 March 2020 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 2019/20 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.
- 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 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.

## **Anglian Water (Osprey) Financing Plc**

### **Directors' Report for the Year Ended 31 March 2020**

#### **Going concern**

Under the terms of the Company's financing arrangements, its parent, Osprey Acquisitions Limited, guarantees unconditionally and irrevocably all the Company's borrowings. As the Company does not operate separately to the OAL borrower Group, the Directors have undertaken a detailed review to assess the liquidity requirements of the Group compared to the cash and facilities available to the Group. The review included a range of downside scenarios as a result of Covid-19 and the final determination of PR19 received from Ofwat and subsequently referred to the Competition and Markets Authority.

Whilst certain worst case scenarios indicate the potential for a Trigger Event in respect of the financing arrangements, the Directors do not consider this possibility to constitute material uncertainty related to going concern. This is because a Trigger Event is an early warning event designed to reinforce credit worthiness and to protect the Company and its finance creditors from an Event of Default occurring. It does not enable creditors to destabilise the Company through enforcing their security.

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 2020 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 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.



## **Anglian Water (Osprey) Financing Plc**

### **Directors' Report for the Year Ended 31 March 2020**

#### **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.

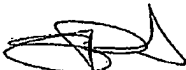
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including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

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 10 July 2020.. and signed on its behalf by:



.....  
Mr S J Buck  
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

##### 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 2020 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 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).

##### 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. 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.

##### 3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was management override of controls.
Materiality	The materiality that we used in the current year was £13.5m which was determined on the basis of 3% of total borrowings.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach.

## Anglian Water (Osprey) Financing Plc

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

#### 4. Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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.

#### 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 included 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; and
- tested the appropriateness of journal entries recorded in the general ledger made in the preparation of the financial statements by making enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and tested the journal entries throughout the period.

**Key observations**

Based on the work performed, we found no matters that were reportable to those charged with governance.

## Anglian Water (Osprey) Financing Plc

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

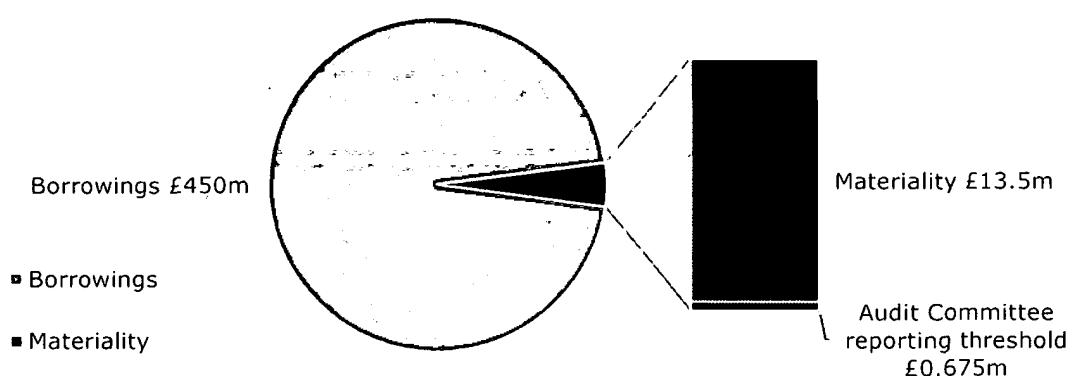
## 6. Our application of materiality

### 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:

<b>Materiality</b>	£13.5m (2019: £13.5m)
<b>Basis for determining materiality</b>	3% of borrowings (2019: 3% of borrowings)
<b>Rationale for the benchmark applied</b>	The primary purpose of the company is to raise funding from external sources and provide funding to Anglian Water Group Limited. We have therefore used total borrowings as the benchmark.



### 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 2020 audit (2019: 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 £675,000 (2019: £675,000), 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.

## Anglian Water (Osprey) Financing Plc

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

#### 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 Anglian Water Group's ("the group") 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 and tested the relevant controls within the borrowings and derivatives business processes, which are supported by the Group's key reporting system.

In response to the outbreak of Covid-19 and the changes in working practices which came into effect at the end of March 2020, we performed additional procedures on a number of controls within these business processes to determine whether individual controls had been affected by working practice changes.

#### 8. Other information

The directors are responsible for the 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.

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.
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## **Anglian Water (Osprey) Financing Plc**

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

#### **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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations 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](http://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**

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.

##### **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;

## Anglian Water (Osprey) Financing Plc

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

- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, financial instruments, pensions and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

#### 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.

Our procedures to respond to risks identified included the following:

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

## **Anglian Water (Osprey) Financing Plc**

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

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**

### **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 four years, covering the years ending 31 March 2017 to 31 March 2020.

### **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).

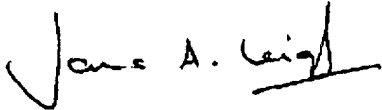


## **Anglian Water (Osprey) Financing Plc**

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

#### **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.



James Leigh (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

10 July 2020

## Anglian Water (Osprey) Financing Plc

### Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Other operating income		<u>100</u>	<u>100</u>
Operating profit		<u>100</u>	<u>100</u>
Interest receivable	4	21,969	21,323
Interest payable and similar charges	5	(21,967)	(21,323)
Expected credit movement on intercompany loan		<u>(833)</u>	<u>330</u>
Net finance (cost) / income		<u>(831)</u>	<u>330</u>
(Loss)/profit before tax		(731)	430
Tax on (loss)/profit on ordinary activities	7	<u>(19)</u>	<u>(19)</u>
(Loss)/profit for the financial year		<u><u>(750)</u></u>	<u><u>411</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.

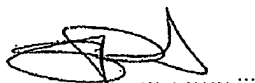
There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent.

# Anglian Water (Osprey) Financing Plc

(Registration number: 07476767)  
Balance Sheet as at 31 March 2020

	Note	2020 £ 000	(As restated) 2019 £ 000
<b>Fixed assets</b>			
Investments	8	448,075	448,908
<b>Current assets</b>			
Other receivables	9	5,232	5,045
Cash and cash equivalents	10	345	263
		<u>5,577</u>	<u>5,308</u>
Total assets		453,652	454,216
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	13	(5,231)	(5,045)
Income tax liability		<u>(19)</u>	<u>(19)</u>
Creditors: Amounts falling due within one year		<u>(5,250)</u>	<u>(5,064)</u>
Net current assets		<u>327</u>	<u>244</u>
Total assets less current liabilities		448,402	449,152
<b>Creditors: Amounts falling due after more than one year</b>			
Loans and borrowings	12	<u>(450,000)</u>	<u>(450,000)</u>
Net liabilities		<u>(1,598)</u>	<u>(848)</u>
<b>Capital and reserves</b>			
Called up share capital	11	13	13
Profit and loss account		<u>(1,611)</u>	<u>(861)</u>
Total Shareholders' deficit		<u>(1,598)</u>	<u>(848)</u>

The financial statements on pages 16 to 24 were approved by the Board on 10 July 2020.. 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 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2019	13	(861)	(848)
Loss for the year	-	(750)	(750)
Total comprehensive loss	-	(750)	(750)
At 31 March 2020	13	(1,611)	(1,598)
	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	13	150	163
Change in accounting policy	-	(1,422)	(1,422)
At 1 April 2018 (As restated)	13	(1,272)	(1,259)
Profit for the year	-	411	411
Total comprehensive income	-	411	411
At 31 March 2019	13	(861)	(848)

The notes on pages 19 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 2020**

#### **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, 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.

## **Anglian Water (Osprey) Financing Plc**

### **Notes to the Financial Statements for the Year Ended 31 March 2020**

#### **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)
  
- The requirements of IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.

#### **New standards, amendments and interpretations**

IFRS 16 - Leases was adopted during the financial year but had no 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.

#### **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 2020

#### 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 (2019 - £2,000) for audit services is borne by another group undertaking with no recharge to the Company.

#### 4 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest on loans to immediate parent	<u>21,969</u>	<u>21,323</u>

#### 5 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest on other loans	<u>21,967</u>	<u>21,323</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

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	<u>19</u>	<u>19</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%). The corporation tax rate was expected to reduce from 19% to 17% effective from 1 April 2020 however, this reduction in the corporation tax rate was reversed in March 2020.

## Anglian Water (Osprey) Financing Plc

### Notes to the Financial Statements for the Year Ended 31 March 2020

	2020 £ 000	2019 £ 000
(Loss)/profit before tax	<u>(731)</u>	<u>430</u>
Corporation tax at standard rate	(139)	82
Increase/(decrease) from effect of income not taxable / (expenses not deductible) in determining taxable profit/(tax loss)	<u>158</u>	<u>(63)</u>
Total tax charge	<u>19</u>	<u>19</u>

#### 8 Investments held as fixed assets

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.

<b>Cost</b>	<b>£ 000</b>
At 1 April 2019	450,000
At 31 March 2020	450,000
<b>Provision</b>	
At 1 April 2019	1,092
Movement in financial year	833
At 31 March 2020	1,925
<b>Net Book Value</b>	
At 31 March 2019	448,908
At 31 March 2020	448,075

#### 9 Other receivables

	2020 £ 000	2019 £ 000
Receivables from parent undertaking	<u>5,232</u>	<u>5,045</u>

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 at bank and in hand

	2020 £ 000	2019 £ 000
Cash at bank	<u>345</u>	<u>263</u>

The notes on pages 19 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 2020

#### 11 Called up share capital

##### Allotted, called up and part paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	12,501	50,000	12,501

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

#### 12 Loans and borrowings

	2020	2019
	£ 000	£ 000
<b>Non-current loans and borrowings</b>		
Other borrowings	450,000	450,000

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 2020 (2019: £nil).

#### Borrowing facilities

The company has entered into a new £250m syndicated revolving credit facility in the year replacing the £125m facility that expired in the year. This facility remains undrawn at the year-end.

#### 13 Trade and other payables

	2020	2019
	£ 000	£ 000
Accrued interest on external loan payable	5,231	5,045

The notes on pages 19 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 2020**

#### **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 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 the Canada Pension Plan Investment Board, First Sentier Investors previously known as Colonial First State Global Asset Management, IFM Investors, Infinity Investments SA and Camulodunum Investments Limited.