

Osprey Acquisitions Limited

Anglian Water (Osprey) Financing Limited

Investor Report

For the year ended 31 March 2026

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

# Investor Report

## Contents

<b>General Overview and Business Update</b> .....	4
1.0 <i>Financial Performance for the year ended 31 March 2026</i> .....	4
1.1 <i>Osprey Financial Performance (Excluding Anglian Water)</i> .....	6
1.2 <i>Anglian Water Financial Performance</i> .....	6
2.0 <i>Regulatory Update</i> .....	19
3.0 <i>Financing</i> .....	26
4.0 <i>Cash Management</i> .....	27
5.0 <i>Pensions</i> .....	28
6.0 <i>Obligors</i> .....	29
7.0 <i>Significant Board Changes</i> .....	30
<b>Ratios</b> .....	31
1.0 <i>Historical &amp; Current Test Period</i> .....	31
2.0 <i>Computations</i> .....	32
3.0 <i>Interest Cover Ratios (ICR)</i> .....	33
4.0 <i>Regulatory Asset Ratios (RAR)</i> .....	35
5.0 <i>Osprey Acquisitions Limited Group – Movements in Debt Balances</i> .....	37
6.0 <i>Osprey Acquisitions Limited Group – Profit &amp; Loss Account</i> .....	40
7.0 <i>Osprey Acquisitions Limited Group– Balance Sheet</i> .....	41
8.0 <i>Osprey Acquisitions Limited Group– Calculation of Annual Finance Charge</i> .....	42

## ***Basis of Preparation***

All financial information in this report is audited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Osprey Acquisitions Limited at 31 March 2026.

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

## **Disclaimer**

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

# General Overview and Business Update

## 1.0 Financial Performance for the year ended 31 March 2026

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

	<b>2026</b>	2025
	<b>Total</b>	Total
	<b>£m</b>	£m
<b>Revenue</b>	<b>2,106.5</b>	<b>1,762.3</b>
<b>Other operating income</b>	<b>11.5</b>	<b>16.8</b>
Operating costs	<b>(989.4)</b>	<b>(841.5)</b>
Charge for doubtful and bad debts	<b>(54.3)</b>	<b>(36.2)</b>
Depreciation and amortisation	<b>(467.6)</b>	<b>(423.5)</b>
<b>Operating profit</b>	<b>606.7</b>	<b>477.9</b>
Finance income	<b>69.7</b>	<b>62.0</b>
Finance costs <sup>2</sup>	<b>(519.8)</b>	<b>(466.6)</b>
<b>Adjusted profit / (loss) before tax<sup>1</sup></b>	<b>156.6</b>	<b>73.3</b>
Finance costs – fair value gains/(losses) on financial derivatives <sup>2</sup>	<b>(96.2)</b>	<b>62.9</b>
<b>Profit before tax on a statutory basis</b>	<b>60.4</b>	<b>136.2</b>
<b>Tax charge</b>	<b>(13.8)</b>	<b>(47.3)</b>
<b>Profit after tax on a statutory basis</b>	<b>46.6</b>	<b>88.9</b>

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

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

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

	2026				2025			
	Anglian Water £m	Osprey and subsidiaries excl. AWS £m	Inter-segment elimination £m	Total £m	Anglian Water £m	Osprey and subsidiaries excl. AWS £m	Inter-Segment elimination £m	Total £m
<b>Revenue</b>								
External	2,103.1	3.6	(0.2)	<b>2,106.5</b>	1,749.3	25.4	(12.4)	1,762.3
	<b>2,103.1</b>	<b>3.6</b>	<b>(0.2)</b>	<b>2,106.5</b>	1,749.3	25.4	(12.4)	1,762.3
<b>Segment result</b>								
EBITDA	1,103.8	(29.5)	-	<b>1,074.3</b>	920.0	(18.6)	-	901.4
Depreciation and amortisation	(467.6)	-	-	<b>(467.6)</b>	(423.5)	-	-	(423.5)
	<b>636.2</b>	<b>(29.5)</b>	-	<b>606.7</b>	496.5	(18.6)	-	477.9
<b>Cash flows</b>								
Operating cash flow	1,014.0	(29.7)	-	<b>984.3</b>	811.3	(11.6)	-	799.7
Capital expenditure	(1,135.0)	(0.2)	-	<b>(1,135.2)</b>	(1,068.2)	(0.7)	-	(1,068.9)
Net debt excluding derivative financial instruments	(8,293.1)	(936.4)	-	<b>(9,229.5)</b>	(7,721.1)	(1,059.7)	-	(8,780.8)

## 1.1 Osprey Financial Performance (Excluding Anglian Water)

The Osprey Group above Anglian Water, and the Aigrette Group above Osprey, were introduced into the group structure during 2021 as part of a strategy to support the investment grade status of Anglian Water.

## 1.2 Anglian Water Financial Performance

Summary Underlying Results for the Anglian Water Services Limited group ("Anglian Water") are summarised below:

	<b>Year ended 31 Mar 2026 Total £m</b>	<b>Year ended 31 Mar 2025 Total £m</b>
<b>Revenue (excl. grants and contributions)</b>	1,982.0	1,660.1
<b>Grants and contributions</b>	121.1	89.2
<b>Other operating income</b>	11.5	16.8
Operating costs	(1,010.8)	(846.1)
Depreciation and amortisation	(467.5)	(423.5)
<b>Operating profit</b>	<b>636.3</b>	<b>496.5</b>
Finance income	37.0	48.2
Finance costs	(452.4)	(418.6)
<b>Underlying loss before tax</b>	<b>220.9</b>	<b>126.1</b>
<b>Finance costs – fair value profit on financial derivatives</b>	<b>(96.2)</b>	<b>62.9</b>
<b>Profit before tax on a statutory basis</b>	<b>127.4</b>	<b>189.0</b>

<b>Tax charge</b>	<b>(27.5)</b>	<b>(52.6)</b>
<b>Profit after tax</b>	<b>97.2</b>	<b>136.4</b>
<b>Revenue</b>		

Revenue, excluding grants and contributions, for the year was £1,982.0 million (2025: £1,660.1 million), or an increase of £321.9 million (19.4%). The net increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, resulting in a £309.3 million increase. This is reflected in an average increase of 18.4% in dual-service bills.
- A net increase in demand of £20.7 million. Household consumption is up £17.6 million and non-household up £3.1 million, when compared with the prior year due to the hot-dry summer of 2025. Other movements in revenue of £8.1 million.

### **Grants and contributions**

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for work on existing infrastructure needed to accommodate development. Increased new property development activity, to which grants and contributions revenue is directly linked, has resulted in revenue rising by £31.9 million to £121.1 million in 2025/26.

### **Other operating income**

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

### Operating costs (including loss allowance for expected credit losses)

Anglian Water Services operating costs including charges for bad and doubtful debt increased by £164.7 million (19.5%) to £1,010.8 million. These movements are explained in the table below:

	£m
<b>March 2025</b>	846.1
Inflation	30.9
<b>Investment in Operational Performance</b>	
Improvements to environmental compliance	52.1
Community Fund	5.8
<b>External/Government changes</b>	
Increase in National Insurance rates	1.8
Bad Debt	17.0
Regulatory Fees	4.3
<b>Extreme Weather</b>	6.8
<b>Other</b>	
Increase in operating expenditure impact of capital programme	22.0
Increase in prosecution provision	5.4

SAP Migration Costs	6.8
Cost of business restructuring	6.0
Other cost increases	5.7
<b>March 2026</b>	1,010.8

## **Inflation**

The inflationary increases in our cost base formed part of the Final Determination and are therefore, whilst subject to a timing delay, funded through the inflationary increases in revenues.

### Investment in Operational Performance

In 2025/26 we saw a significant increase in investment in improving our environmental performance. This additional investment was spent on managing increased sludge volumes which are generated from new Water Industry National Environment Programme (WINEP) phosphorus removal assets, reducing sludge volumes on site which risk site compliance and proactive interventions to prevent blockages which can lead to pollution events.

As part of the Ofwat Flow redress package, Anglian Water committed to a £5.8 million Community Fund, which will be spent on supporting locals communities in delivering flooding and pollutions mitigations.

### **External government charges**

From April 2025, the government announced an increase to employers National Insurance contributions from 13.8% up to 15%. The total increase in employer National Insurance is £3.4m, of which £1.8m has been recognised within operating expenditure. The remaining increase principally relates to employee costs directly attributable to capital

projects and is therefore capitalised in accordance with the Group's accounting policies rather than recognised within operating expenditure.

The 2025/26 financial year saw a 20% increase in revenues, as set out in the PR24 final determination, which resulted in a corresponding 20% increase in the absolute level of bad debt charge. In addition, the bad debt charge as a percentage of revenue increased during the year due to DEFRA mandated changes to GSS regulation, which required the temporary suspension of credit sharing and collection activities for some customers. In addition, external political factors increased our bad debt provision, including expected rises in inflation and lower forecast household disposable income following the outbreak of the war in Iran, which are expected to adversely affect customers' ability to pay in the future.

We saw increases in discharge permits / Water Industry levies and regulatory fees, over and above inflation, from the Environment Agency and Ofwat respectively.

### **Weather related**

Our region experienced one of our driest summers on record resulting in soil moisture deficit throughout the region, high volumes of burst pipes and leakage across our water distribution network, and very high consumption through customer demand. In order to minimise disruption to customers and the environment, there was a significant increase in spend — particularly on burst main repairs and costs of water production.

### **Other significant items**

Anglian Water provides for prosecution risks when informed of an intent to prosecute by the EA. Following increases in enforcement resources at the EA, we have received an increased volume of intentions to prosecute and therefore increased our provision on the balance sheet.

Anglian Water went live with the first release of its phased transition to SAP S4 Hana. Whilst primarily a capital funded project, costs associated with data migration activities are accounted for as operating costs.

During the year Anglian Water re-shaped the organisation, to more effectively support the increased capital delivery programme through the remainder of AMP8 and into AMP9, and drive efficiency in our corporate functions. Total cost of delivering the restructuring in the year was £6m.

Anglian Water went live with the first release of its phased transition to SAP S4 Hana. Whilst primarily a capital funded project, costs associated with data migration activities are accounted for as operating costs.

During the year Anglian Water re-shaped the organisation, to more effectively support the increased capital delivery programme through the remainder of AMP8 and into AMP9, and drive efficiency in our corporate functions. Total cost of delivering the restructuring in the year was £6m.

### **EBITDA**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 29 and is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 20.0% to £1,103.8 million, which is consistent with the effect of the increases described above.

### **Depreciation and amortisation**

Depreciation and amortisation is up 10.4% to £467.5 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with our capital investment programme.

### **Operating profit**

Operating profit has increased by 28.2% to £636.3 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

## **Financing costs and profit before tax**

Adjusted net finance costs (excluding fair value gains on financial instruments) were £45.0 million higher than the prior year at £415.4 million. This is primarily a result of the non-cash impact of higher inflation on index-linked debt which increased by £34.3 million to £231.4 million combined with lower interest income.

Fair value losses in the period, which are unrealised, non-cash items, are the result of increases in derivative liability positions, primarily driven by increases in inflation expectations and partially offset by higher discounting due to forecast increases in interest rates. Fair valuation movements on derivative valuations can be volatile depending on the market rates observed at the time of reporting and do not have a crystallised economic impact to the business until the time of actual cash flow fixing.

The business is funded based on its embedded cost of debt and relative performance against the iBoxx index. As a result, these non-cash fair value gains and losses do not impact the immediate commercial performance of the business, Ofwat obligations or shareholder distributions during AMP8.

## ``Taxation

``The tax charge for the period comprises:

	Year Ended 31 March 2026 £m	Year Ended 31 March 2025 £m
<b>Current tax:</b>		
In respect of the current period	-	(47.8)
Adjustments in respect of prior periods	95.3	25.6
<b>Total current tax charge/(credit)</b>	<b>95.3</b>	<b>(22.2)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	35.2	96.7
Adjustments in respect of previous periods	(100.0)	(21.9)
<b>Total deferred tax (credit)/charge</b>	<b>(67.8)</b>	<b>74.8</b>
<b>Total tax charge on profit on continuing operations</b>	<b>27.5</b>	<b>52.6</b>

Compared to the same period in the previous year, the total tax charge has decreased by £25.1 million. This is mainly because of the reduction in profit before tax.

In addition to the £27.5 million tax charge on the income statement, there is a credit of £0.6 million (2025: charge of £16.7 million) in the statement of other comprehensive income, in relation to tax on actuarial gains/losses on pension schemes and fair value gains/losses on cash flow hedges.

There is no current tax credit in the current year as the company is carrying forward its losses to be used in a future year. In the prior year, the current tax credit reflects receipts from other group companies in respect of losses surrendered to those companies. The tax losses arise primarily because capital allowances claimed exceed the depreciation charged in the accounts, together with certain income that is not taxable and the availability of tax relief on pension contributions paid during the year. These items are partially offset by disallowable expenditure and interest.

The deferred tax charge for both years reflects capital allowances claimed in excess of the depreciation charge, a charge on the fair value gains on derivatives, offset by a credit on losses carried forward to future years.

The current and deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations. In both the current and prior years, decisions were made not to surrender losses from the company to another group company under the group relief provisions of part 5 of the Corporation Taxes Act 2010, and to reverse the current tax credits recognised in previous years. The credit recognised in the year ended 31 March 2023 is reversed in the prior year and the credits recognised in the two years ended 31 March 2024 and 2025 were reversed in the current year. This gives rise to a current tax charge and a deferred tax credit, although in the prior year the amounts were different due to the different rates for current tax and deferred tax in that year.

## Cash flow on a statutory basis

# Anglian Water Services

## Cash flow on a statutory basis



### Year ended 31 March 2026

	2026	2025
	£m	£m
<b>Cash generated from operations</b>	<b>1,014.0</b>	<b>811.3</b>
Net interest paid, including issue costs paid	(344.2)	(261.4)
Decrease/(increase) in short-term deposits	230.0	100.0
Repayment of amounts borrowed	(744.9)	(349.3)
Settlement of principal on derivatives	(96.0)	(17.9)
Interest element of finance lease rental payments	(0.9)	(1.0)
Increase in amounts borrowed	920.0	950.0
Capital element of finance lease rental payments	(6.0)	(6.4)
Proceeds from issue of share capital	170.0	-
Dividends paid	(75.0)	(88.6)
<b>Net cash from/(used in) financing activities</b>	<b>53.0</b>	<b>325.4</b>
Purchase of fixed assets net of disposal proceeds	(916.7)	(958.6)
Purchase of intangible assets	(218.2)	(109.6)
Interest received on deposits	31.8	46.1
<b>Net cash used in investing activities</b>	<b>(1,103.1)</b>	<b>(1,022.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(36.1)</b>	<b>114.6</b>
Cash and cash equivalents at the beginning of the period	589.0	474.4
<b>Cash and cash equivalents at the end of the period</b>	<b>552.9</b>	<b>589.0</b>

## **Delivery of our AMP8 capital investment programme**

This year was the first year in the five-year AM8 investment programme, our largest ever. Delivery against this investment programme has started strong with gross annual capital expenditure across the appointed business increasing from £1,081 million in 2024/25, to £1,136 million in 2025/26 (£438 million on capital maintenance, £698 million on capital enhancement). This level of expenditure is notable given that investment in the first year of an AMP is typically lower as projects get started. By comparison, expenditure in year 1 of AMP 7 saw spend of £448 million, less than half of the current year.

This has resulted in a £830 million increase in property, plant and equipment and intangible assets, net of depreciation.

## **Financial needs and resources**

At 31 March 2026, Anglian Water had borrowings net of cash of £8,293.1 million (excluding the fair value of derivative financial instruments), an increase of £572.0 million from 31 March 2025. The increase in net borrowings primarily reflects accretion on index-linked debt and capital expenditure.

During the period, there were new issuances of £420 million 5.375% fixed rate 2033, £300 million 6.25% fixed rate 2041 and £200 million bond tap on 5.875% fixed rate 2031. The funds were partially used to repay £250 million 1.625% fixed rate 2025, £200 million 4.50% fixed rate 2026, £200 million 6.625% fixed rate 2029 and £94.9 million amortising debt repayments.

## **Liquidity**

The Group's objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing

requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters, to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis.

The business generates operating cash flows to finance the day-to-day operations of the Group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long-term viability of the Group.

The Group has borrowing facilities of £1,540.0 million (2025: £1,382.5 million).

### **Interest rates**

The company's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At 31 March 2026, taking into account interest rate swaps, 65.1% (March 2025: 55.8%) of the company's borrowings were at rates indexed to inflation, 23.3% (March 2025: 31.9%) were at fixed rates and 11.6% (March 2025: 12.3%) were at floating rates. At 31 March 2026, the proportion of inflation debt to regulated capital value was 49.4% (March 2025: 44.8%).

### **Pension funding**

At 31 March 2026, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £93.1 million, compared to £89.3 million at 31 March 2025. This increase in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis partially offset by a decrease in our assets which are hedging gilt based liabilities.

## **Annual Performance Report**

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

## **2.0 Regulatory Update**

### **PR24**

In December 2024 Ofwat published its Final Determination (FD) of price controls for the period 2025-30 (AMP8). The determination provided for total expenditure of £10,971 million, two percent less than Anglian requested in its final business plan, and assumed a weighted average cost of capital of 4.03%. It included a set of challenging performance commitments to regulate company performance and a suite of binding Price Control Deliverables (PCDs), which serve to return money to customers in the event that funded obligations are not fulfilled.

After careful consideration, the Anglian Water Board concluded that the FD failed to achieve an appropriate balance of risk and return and – alongside five other companies - asked Ofwat to refer its FD to the Competition and Markets Authority (CMA) for a re-determination.

The CMA has now published its Final Redetermination (CMA FD) for the five disputing companies who sought to challenge Ofwat's Final Determination (Ofwat FD). The CMA FD is a materially better outcome than the Ofwat FD, resulting in favourable positions across a range of components of the price control including a net increase in totex, a material reduction in our AMP8 ODI risk position and an increase of 23bps on the overall cost of capital. Many of the arguments which have had the largest impact on the CMA FD have been led and executed as part of the Anglian case.

Despite not forming a legal precedent and material changes expected as part of the ongoing wider regulatory reform of the sector, the CMA FD forms a useful reset of several material components of the price review which will increase value relative to the Ofwat FD in several areas and present a positive direction to influence further reform.

### **Cost change**

At the time we submitted our Business Plan in 2023, the PR24 process and Final Determination could not capture all the dynamic challenges that our sector and our region face. Since then, a new Government has taken office with vastly greater growth ambitions, while the Independent Water Commission and Water White Paper have signalled,

amongst wider reforms, the need for a step change in asset health. The growth funded in our AMP8 plan no longer reflects the full scale of the pressures we are facing, nor the level of upgrades and expansion required to serve a growing economy.

In recognition of the changing expectations of the sector, Ofwat have introduced an adjustment mechanism ('cost change') for price controls that would make it easier for companies to access additional revenue in-period, if necessary. Companies will be able to submit claims in 2026, 2027 and 2028. The cost change process applies to critical cost areas, and will minimise delays in delivery for these critical areas. These cost areas are:

- cyber security,
- additional schemes to ensure the safety of drinking water with respect to 'forever chemicals' (PFAS),
- asset health,
- growth,
- large gated schemes, and
- development costs for major projects.

The company is currently working on a claim that will be submitted in the 2026 submission window. This reflects the final outcome of the CMA. Ofwat will reach a final decision in December 2026.

### **Water sector reform**

The Independent Water Commission (IWC), chaired by Sir Jon Cunliffe, was established in Oct 2024 to review the water sector. It was welcomed by the Anglian Water Board, recognises that current regulation is not working as effectively as it needs to, and that five key outcomes are needed to return the sector to a viable and sustainable footing:

1. Stable and balanced regulation to secure essential investment.
2. Proportionate, coherent legislative and regulatory framework.
3. Coherent vision supported by effective strategic planning.

4. Long-term focus to build resilience.
5. A regulatory model that supports infrastructure delivery.

The IWC published its final report into the water sector in July 2025, setting out a package of 88 recommendations to reform water system governance. The vast majority of the recommendations were welcomed by the company as a credible set of reforms to deliver the positive change needed in the sector. This included key reforms such as:

- The establishment of a single integrated regulator and the introduction of a supervisory approach,
- A better approach to strategic guidance from government, including a National Water Strategy and reformed approach to Strategic Priorities Statements (SPS, issued to inform price review)
- A reformed approach to planning, including regional systems approach, and the rationalisation of water company strategic planning frameworks,
- An enhanced focus on resilience, including asset health.

Since the publication of the IWC's final report, Defra has been working with the regulators, water companies, and other organisations to establish what the IWC's recommendations might mean in practice. The company has engaged fully and constructively with Defra throughout the process, and has also published a suite of [thought leadership papers](#) setting the key features of a regulatory system needed to attract essential investment.

The government's response to the IWC's final report was published in January 2026 in the Water White paper, accepting the majority of the IWC's recommendations. We are now waiting for the Transition Plan and interim guidance to regulators, due May 2026.

### **Asset health**

The industry has long argued that Ofwat's cost assessment methodology does not provide the levels of investment required to prevent asset deterioration. In response, Ofwat's PR24 final determination included sector-wide allowances for targeted investment in water mains renewal. Ofwat also set out a plan ('Roadmap') for gaining greater insight into the condition of a wider range of assets ahead of the next price review in 2029. The project will assess whether there

are any sector-wide asset condition issues that can be addressed at or ahead of the next price control period. The Company welcomes this initiative and is engaging fully with it.

More recently the company has worked with Water UK and other water companies to convene an [Asset Health Summit](#) at the Institute of Civil Engineers. Following the summit the company will work with others to commence the next phase of research, focussing on how the approach to setting capital maintenance allowances could work. Ofwat have agreed to sit on the steering group for this work, and we hope it will ultimately inform the development of the PR29 methodology.

### **Flow Investigation**

In 2021, Ofwat and the Environment Agency launched joint investigations into how all water and wastewater companies manage flows at sewage treatment works.

### **Ofwat findings and minded-to decision**

In December 2024, Ofwat issued its provisional view following the investigation that commenced in 2021. Ofwat stated that it was minded to impose a financial penalty of £65 million (7.5% of water recycling turnover). However, after consideration of further evidence submitted by Anglian Water, Ofwat revised the proposed penalty to 6.5% (£57.1 million).

Ofwat concluded that Anglian Water had breached:

- Regulation 4(4), Regulation 4(2) and Schedule 2 of the Urban Waste Water Treatment Regulations (UWWTR)
- Section 94 of the Water Industry Act 1991
- Licence Condition P12

## **Undertakings in lieu of penalty**

In September 2025, following consideration of Anglian Water's representations and responses to public consultation, Ofwat accepted undertakings in lieu of the financial penalty it would otherwise have imposed.

Under these arrangements, the proposed penalty of £57.1 million was not imposed. Anglian Water committed to a shareholder-funded redress package valued at £62.8 million. The undertakings focused on improving compliance, environmental outcomes and flow management.

## **Current position and next steps**

In March 2026, Anglian Water submitted: i) its Excess Flow Management Plan, and ii) its long-term Flow Compliance Plan, to Ofwat for agreement and a response is currently awaited.

Following Ofwat's agreement, a customer-friendly version of the plans will be published on the company's website, and Anglian Water will report progress to Ofwat on a six-monthly basis.

## **Sector comparators**

Ofwat has taken a consistent approach across the sector, consulting on and accepting undertakings in lieu of penalties for other companies:

- Northumbrian Water (August 2024)
  - Proposed undertakings valued at £15.7 million.
  - Ofwat stated that, had a penalty been imposed, it would have been 5% of relevant turnover (£17 million).
  
- Yorkshire Water (August 2024)
  - Proposed undertakings valued at £40 million.
  - Ofwat stated that a financial penalty would have been 7% of relevant turnover (£47.2 million).
  - The redress package included:

1. £36.6 million to address storm overflows in environmentally sensitive areas.
  2. £3.4 million to the Great Yorkshire Rivers Partnership.
- South West Water (July 2025)
    - Proposed undertakings valued at £24 million.
    - Ofwat stated that a penalty would have been 6.5% of relevant turnover (£19 million).
    - The redress package comprised:
      1. £20 million additional AMP8 investment to reduce discharges at specific storm overflows.
      2. £2 million to support household and non-household customers in addressing sewer misuse and misconnections.
      3. £2 million through a Nature Recovery Fund to support delivery of measurable environmental improvements.

## **2024-25 Monitoring Financial Resilience**

In November 2025, Ofwat published its Monitoring Financial Resilience (MFR) report for 2024-25, covering the final year of AMP7. The report assesses companies' ability to finance operations and investment, using updated financial resilience categories and enhanced scrutiny of dividends, gearing and executive pay decisions

Anglian Water is assessed by Ofwat as being in the Elevated Concern category, subject to enhanced monitoring. This places Anglian among a group of companies that Ofwat considers to have some concerns or potential concerns with the company's long-term financial resilience that may require action to address.

## **2024-25 categories**

- Standard (Routine monitoring)  
Dŵr Cymru, Hafren Dyfrdwy, Severn Trent, South Staffs, South West, United Utilities
- Elevated Concern (Enhanced monitoring)  
Anglian, Affinity, Northumbrian, Portsmouth, Wessex, Yorkshire

- Action Required (Active engagement / turnaround)  
Thames, Southern, South East
- Ofwat notes that while several companies strengthened their financial positions during AMP7, sector-wide gearing remains high, and further equity will be required across AMP8 to support resilience and delivery of investment plans.

### **Financial resilience and capital structures**

Ofwat highlights continuing pressure from high gearing levels across the sector, with 70% remaining a key threshold of concern. The regulator expects companies to demonstrate credible plans to stabilise balance sheets as AMP8 investment ramps up.

### **Dividends and executive remuneration**

In parallel with the MFR report, Ofwat has significantly tightened expectations around dividend justification and executive pay. For 2024-25, new performance-related pay rules resulted in bonuses being prohibited at several companies, including Anglian, where conditions triggering the ban were met. Ofwat has stressed the need for clear alignment between financial decisions, customer outcomes and environmental performance.

### **Regulatory tone**

Ofwat recognises that nearly £5bn of equity was injected into regulated companies during AMP7, with additional funding committed in 2024-25. However, it concludes that financial resilience across the sector remains fragile, and that sustained improvement will be required to support long-term delivery and public confidence

### **3.0 Financing**

During the year, Osprey raised aa £550 million 6.75% fixed rate 2031 debt and a £350 million 6.375% fixed rate 2033 debt.

Osprey also repaid a £240 million 4.0% fixed rate debt and a £30 million floating rate debt.

As at year end, £nil million (2025: £32.0 million) of the £250.0 million Revolving Credit Facility was drawn.

On a consolidated basis, Osprey increases the CTA gross debt of Anglian Water by £1,635.0 million to £10,913.4 million. The consolidated cash balance was £1,539.2 million, as at year end, giving an Osprey CTA net debt of £9,378.8 million.

Credit ratings as at 31/03/2026 are as follows:

Fitch Ratings:                      BBB- (negative outlook)

## 4.0 Cash Management

### Calculation of the Required Balance – Debt Service Reserve Account

Anglian Water (Osprey) Financing Plc is required to maintain, on any day, the aggregate of the next 6 months' interest and other finance charges (but excluding any indexation of principal) forecast to be due in the Debt Service Reserve Account ("DSRA"). On 31 March 2026 the balance of £71.6 million was available for interest and other finance charges which covers the £68.1 million forecast to be due for the 6 month period to 30 September 2026.

Osprey Acquisitions Ltd is required to transfer amounts to the Debt Service Reserve Account to maintain the Required Balance. For the period from 1 April 2025 to 31 March 2026 the amount paid into the Debt Service Reserve Account was £387.0 million.

Osprey Acquisitions Ltd may withdraw amounts from the Debt Service Reserve Account to maintain the Required Balance. For the period from 1 April 2025 to 31 March 2026 there were no amounts paid out of the Debt Service Reserve Account.

The following table sets out the sources and uses of cash in the Anglian Water (Osprey) Financing Plc bank account which also holds the required DSRA balance.

	31 Mar 2026 £m
Opening DSRA Balance (1 April 2025)	29.5
Amounts paid in	387.0
Amounts paid out	(900.0)
Debt repaid	(302.0)
Debt borrowed	900.0
Interest and other finance charges	(42.9)
<b>Closing DSRA Balance</b>	<b>71.6</b>

## **5.0 Pensions**

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

At 31 March 2026, the closed defined benefit scheme, excluding the unfunded pension liability, had an IAS 19 accounting pension surplus (before deferred tax) of £120.3 million, compared to a surplus of £118.0 million at 31 March 2025. This increase in surplus reflects higher discount rates from Corporate Bond on the Liabilities and interest earned on the surplus over the period. During the year no deficit reduction payments were made by the company.

Osprey also has pension obligations to former employees through the Morrison Pension & Life Assurance Plan ('MPLAP'). During 2022/23, a buy-in of the MPLAP scheme was completed with Legal & General. The process to move the scheme to buy-out remains ongoing.

Valuations of the pension schemes are performed tri-annually. The last full valuations for the AWGPS and MPLAP Scheme were completed as at 31 March 2023.

## **6.0 Obligors**

No changes to obligors occurred in the period.

## 7.0 Significant Board Changes

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

Dr Ros Rivaz  
Michael Bradley  
Paul Whittaker  
Mark Thurston

Independent Non-Executive Director (Chair of the Anglian Water Group)  
Executive Director (Chief Financial Officer of the Anglian Water Group)  
Independent Non-Executive Director  
Executive Director (Chief Executive Officer of the Anglian Water Group)

# Ratios

## 1.0 Historical & Current Test Period

Osprey confirms that in respect of the twelve-month test period ended 31 March 2026, by reference to the most recent financial statements that it is obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

	<b>Actual to 31 Mar 2026</b>	Actual to 31 Mar 2025
a) MidCo Interest Cover Ratio	<b>3.1:1</b>	3.0:1
b) Adjusted MidCo Interest Cover Ratio	<b>1.6:1</b>	1.4:1
c) Adjusted Average MidCo Interest Cover ratio	<b>1.7:1</b>	1.5:1
d) OpCo RAR	<b>69.7%</b>	71.2%
e) MidCo RAR	<b>76.7%</b>	79.9%

## **2.0 Computations**

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

### 3.0 Interest Cover Ratios (ICR)

(a) MidCo Interest Cover Ratio is:

	<b>Period to 31 Mar 26 £m</b>	<b>Period to 31 Mar 25 £m</b>
Consolidated EBITDA	1,066.5	897.5
Net Finance Charges	(344.6)	(295.8)
<b>MidCo Interest Cover Ratio</b>	<b>3.1</b>	<b>3.0</b>

(b) Adjusted MidCo Interest Cover Ratio is:

	<b>Period to 31 Mar 26 £m</b>	<b>Period to 31 Mar 24 £m</b>
Operating Cash Flow	985.6	801.1
Tax	(0.0)	(0.0)
Net Cash Flow	985.6	801.1
Capital Maintenance Expenditure	(437.7)	(424.0)
Regulatory Depreciation	(502.9)	(501.5)
<b>Net Cash Flow less greater of Depreciation or Capital Maintenance Expenditure</b>	<b>482.7</b>	<b>299.6</b>
<b>Net Interest</b>	<b>(299.6)</b>	<b>(219.8)</b>

<b>Adjusted MidCo Interest Cover Ratio</b>	<b>1.6</b>	<b>1.4</b>
--	------------	------------

(c) Adjusted Average MidCo Interest Cover Ratio is:

	<b>Period to 31 Mar 26 £m</b>	<b>Period to 31 Mar 25 £m</b>
<b>Net Cash Flow less greater of Depreciation or Capital Maintenance Expenditure</b>		
31 Mar 26	482.7	299.6
31 Mar 27	541.0	399.6
31 Mar 28	699.5	624.4
	<b>1,723.1</b>	<b>1,323.7</b>
<b>Net Interest</b>		
31 Mar 26	(299.6)	(219.8)
31 Mar 27	(338.7)	(327.0)
31 Mar 28	(386.2)	(347.3)
	<b>(1,024.5)</b>	<b>(894.1)</b>
<b>Adjusted Average MidCo Interest Cover Ratio</b>	<b>1.7</b>	<b>1.5</b>

## 4.0 Regulatory Asset Ratios (RAR)

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

	<b>As at 31 Mar 26 £m</b>	<b>As at 31 Mar 25 £m</b>
Tested Debt	(10,918.0)	(10,043.7)
Other Permitted Financial Indebtedness	(1.0)	(1.5)
Less cash balances and Authorised investments	1,534.0	1,076.0
<b>Total MidCo Net Debt</b>	<b><u>(9,385.0)</u></b>	<b><u>(8,969.2)</u></b>
<b>Regulatory Asset Value (RAV)</b>	<b>12,242.6</b>	<b>11,219.8</b>
Regulatory Asset Ratios:		
<b>MidCo RAR</b>	<b>76.7%</b>	<b>79.9%</b>

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

	<b>As at 31 Mar 26 £m</b>	<b>As at 31 Mar 25 £m</b>
OpCo Senior Gross Debt	(9,283.0)	(9,006.7)
Less cash balances and Authorised investments	748.5	1,012.6
<b>Total OpCo Senior Net Debt</b>	<b><u>(8,534.4)</u></b>	<b><u>(7,994.1)</u></b>
<b>Regulatory Asset Value (RAV)</b>	<b>12,242.6</b>	<b>10,219.8</b>
Regulatory Asset Ratios:		
<b>OpCo RAR</b>	<b>69.7%</b>	<b>71.2%</b>

## 5.0 Osprey Acquisitions Limited Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance	New Issues	Repayment	Indexation	Other	Closing Balance
	31 Mar 2025					31 Mar 2026
	£m	£m	£m	£m	£m	£m
£200 million 6.625% fixed rate 2029	200.0		(200.0)	0.0		0.0
£200 million wrapped 3.07% RPI index-linked 2032	446.9			18.3		465.2
£60 million wrapped 3.07% RPI index-linked 2032	120.2			4.7		124.9
£246 million 6.293% fixed rate 2030	246.0			0.0		246.0
£402 million 2.4% RPI index-linked 2035	563.9			31.7		595.6
£50 million 17% RPI index-linked 2046 - 1	100.2			4.1		104.3
£50 million 17% RPI index-linked 2046 - 2	99.8			3.7		103.5
£40 million 17.164% RPI index-linked 2056	80.3			3.2		83.5
£50 million 16.777% RPI index-linked 2056	100.4			4.0		104.4
£60 million 1.7903% RPI index-linked 2049	120.4			4.9		125.2
£50 million 1.3825% RPI index-linked 2056	99.9			3.7		103.6
£100 million 1.3784% RPI index-linked 2057	199.8			7.4		207.2
£100 million wrapped floating rate 2057	100.0			0.0		100.0
£75 million 1.449% RPI index-linked 2062	141.8			5.2		147.0
£50 million 15.2% RPI index-linked 2055	94.6			3.4		98.1
£110 million floating rate 2043	110.0			0.0		110.0
£25 million 6.875% fixed rate 2034	25.0			0.0		25.0
£130 million 2.262% RPI index-linked 2045	233.3			8.5		241.8
£250 million 4.5% fixed rate 2027	250.0			0.0		250.0
£73.3 million 4.394% fixed rate 2028	73.3			0.0		73.3
£50 million 2.05% RPI index-linked 2033	81.4			3.0		84.4
£200 million 4.5% fixed rate 2026	200.0		(200.0)	0.0		0.0
£35 million 1.141% RPI index-linked 2042	55.9			2.0		57.9
£55 million 2.93% fixed rate fixed rate 2026	55.0			0.0		55.0
US\$ 150 million 3.29% fixed rate 2026	104.3			0.0		104.3
£35 million floating rate fixed rate 2031	35.0			0.0		35.0
£20 million 2.93% fixed rate 2026	20.0			0.0		20.0
£200 million 2.6225% fixed rate 2027	200.0			0.0		200.0
£250 million 1.625% fixed rate 2025	250.0		(250.0)	0.0		0.0
£300 million 2.75% fixed rate 2029	300.0			0.0		300.0
£85 million 2.88% fixed rate 2029	85.0			0.0		85.0
£25 million 3.0% fixed rate 2031	25.0			0.0		25.0
US\$ 53 million 4.27% fixed rate 2029	40.1			0.0		40.1
<b>Sub Total</b>	<b>4,857.4</b>	<b>0.0</b>	<b>(650.0)</b>	<b>107.9</b>	<b>0.0</b>	<b>4,315.3</b>

Cont'd	Closing Balance	New Issues	Repayment	Indexation	Other	Closing Balance
	31 Mar 2025					31 Mar 2026
	£m	£m	£m	£m	£m	£m
£65 million 2.87% fixed rate 2029	65.0			0.0		65.0
JPY 7 billion 0.855% fixed rate 2039	50.9			0.0		50.9
£65 million amortising 0.835% CPI index-linked 2040	80.9		(5.1)	2.5		78.4
£50 million 1.76% fixed rate 2035	50.0			0.0		50.0
JPY 7 billion 0.85% fixed rate 2040	50.4			0.0		50.4
£35 million 2.14% fixed rate 2036	35.0			0.0		35.0
£40 million 2.14% fixed rate 2036	40.0			0.0		40.0
US\$35 million 1.16% fixed rate 2026	25.5			0.0		25.5
C\$ 350 million 4.525% fixed rate 2032	224.8			0.0		224.8
£242 million 6.07% fixed rate 2037	242.0			0.0		242.0
£24 million 6.07% fixed rate 2037	24.0			0.0		24.0
£300 million 5.875% fixed rate 2031	300.0	200.0		0.0		500.0
£560 million 6.0% fixed rate 2039	560.0			0.0		560.0
JPY 8.5 billion 1.917% fixed rate 2034	44.5			0.0		44.5
£575 million 5.75% fixed rate 2044	575.0			0.0		575.0
£100 million 2.427% CPI index-linked 2040	103.0			3.6		106.6
£700 million 6.25% fixed rate 2044	700.0			0.0		700.0
£50 million 6.05% fixed rate 2039	50.0			0.0		50.0
£420 million 5.375% fixed rate 2033	0.0	420.0		0.0		420.0
£300 million 6.25% fixed rate 2041	0.0	300.0		0.0		300.0
Operating Leases (Vehicles)	6.9			0.0	(2.3)	4.6
Index Linked Swaps	300.2		(96.0)	10.0	(32.0)	273.2
£75 million EIB amortising 0.53% RPI index-linked 2027	24.8		(12.7)	0.8		12.9
£75 million EIB amortising 0.79% RPI index-linked 2027	24.8		(12.7)	0.8		12.9
£150 million EIB amortising 0% RPI index-linked 2028	72.3		(24.7)	2.3		50.0
£65 million EIB amortising 0.41% RPI index-linked 2029	40.5		(10.4)	1.5		31.6
£125 million EIB amortising 0.1% RPI index-linked 2029	86.6		(19.8)	3.2		70.0
£60 million EIB amortising 0.01% RPI index-linked 2030	46.0		(9.5)	1.7		38.2
£26.1 million 0.01% CPI index-linked 2035 - 1	32.7		0.0	1.0		33.7
£26.1 million 0.01% CPI index-linked 2035 - 2	32.7		0.0	1.0		33.7
£100 million amortising 3.017% CPI IH index-linked 2040	110.8		0.0	4.1		115.0
£75 million floating rate 2029	75.0		0.0	0.0		75.0
£75 million floating rate 2032	75.0		0.0	0.0		75.0
<b>Total</b>	<b>9,006.7</b>	<b>920.0</b>	<b>(840.9)</b>	<b>231.4</b>	<b>(34.3)</b>	<b>9,283.0</b>

Cont'd	Closing Balance	New Issues	Repayment	Indexation	Other	Closing Balance
CTA Gross Debt	31 Mar 2025					31 March 2026
	£m	£m	£m	£m	£m	£m
<b>OAL Debt:</b>						
£240 million 4.0% fixed rate bond 2026	240.0		(240.0)			0.0
£300 million 2.0% fixed rate bond 2028	300.0					300.0
£100 million 2.37% private placements 2031	42.6					42.6
£100 million 2.37% private placements 2031	23.4					23.4
£100 million 2.37% private placements 2031	34.0					34.0
£100 million 6.96% private placement 2033	40.0					40.0
£100 million 6.96% private placement 2033	35.0					35.0
£100 million 6.96% private placement 2033	25.0					25.0
£550 million 6.75% fixed rate bond 2031	0.0	550.0				550.0
£350 million 6,375% fixed rate bond 2033	0.0	350.0				350.0
£105 million 2.2% private placements 2028	105.0					105.0
£100 million floating term facility 2027	100.0					100.0
RCF Facilities OAL	32.0		(32.0)			0.0
£30 million floating bank term loan 2027	30.0		(30.0)			0.0
£30 million floating bank term loan 2027 - 2	30.0					30.0
<b>OAL Total Debt</b>	<b>10,043.7</b>	<b>1,820.0</b>	<b>(1,142.9)</b>	<b>231.4</b>	<b>(34.3)</b>	<b>10,918.0</b>

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

	2026 Total £m	2025 Total £m
<b>Revenue</b>	<b>2,106.5</b>	<b>1,762.3</b>
<b>Other operating income</b>	<b>11.5</b>	<b>16.8</b>
Operating costs	<b>(989.4)</b>	<b>(841.5)</b>
Charge for doubtful and bad debts	<b>(54.3)</b>	<b>(36.2)</b>
Depreciation and amortisation	<b>(467.6)</b>	<b>(423.5)</b>
<b>Operating profit</b>	<b>606.7</b>	<b>477.9</b>
Finance income	<b>69.7</b>	<b>124.9</b>
Finance costs	<b>(519.8)</b>	<b>(466.6)</b>
<b>Adjusted profit/(loss) before tax</b>	<b>156.6</b>	<b>136.2</b>
Finance costs – fair value gains on financial derivatives	<b>(96.2)</b>	<b>62.9</b>
<b>Profit before tax on a statutory basis</b>	<b>60.4</b>	<b>199.1</b>

## 7.0 Osprey Acquisitions Limited Group– Balance Sheet

At 31 March 2025

	£m
<u>Non-current assets</u>	
Intangible assets (including goodwill)	940.7
Property, plant and equipment	12,767.8
Investment properties	0.2
Other investments	0.1
Derivative financial instruments classified as current and non-current assets	111.1
Retirement benefit surpluses	120.8
Net current assets/(liabilities) excluding cash and debt receivable/(repayable) in less than one year	41.7
Retirement benefit deficit	(25.2)
Derivative financial instruments classified as current and non-current liabilities	(834.9)
Creditors amounts falling due after more than one year excluding debt	(1,532.2)
Cash and cash equivalents	1,543.5
Financing liabilities	(10,773.0)
	<u>          )</u>
Net Debt (excluding derivatives)	(9,229.5)
<b>Net assets</b>	<u><u>2,360.6</u></u>
Capital and reserves	
Share capital	876.2
Share premium	896.5
Retained earnings	543.4
Hedging reserve	48.6
Cost of hedging reserve	(4.1)
<b>Capital and reserves</b>	<u><u>2,360.6</u></u>

## 8.0 Osprey Acquisitions Limited Group– Calculation of Annual Finance Charge

Instrument	Interest Paid to 31 Mar 26 £m	Actual Interest Paid to 31 Mar 25 £m
<b>AWS Debt:</b>		
Class A Debt		
AAA Wrapped Bonds	24.9	25.0
Other Class A Debt	287.4	208.8
<b>OAL Debt:</b>	38.8	42.2
<b>Annual Finance Charge</b>	<b>351.1</b>	<b>276.0</b>

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