Osprey Acquisitions Limited

Annual report and consolidated financial statements

for the year ended 31 March 2026

Company number: 05915896

Osprey Acquisitions Limited

Directors’ report

for the year ended 31 March 2026

The Directors present their report and the audited consolidated financial statements of Osprey Acquisitions Limited (the ‘company’) for the year ended 31 March 2026.

Principal activities, business review and future developments

The principal activities of the Company and its subsidiaries (together ‘the Group’) during the year were water supply, treatment and distribution; sewage collection and treatment; and retail services to water and water recycling customers. The Group’s principal business is Anglian Water Services Limited (‘Anglian Water’). The directors expect the Group’s activities as detailed in the Strategic Report to continue for the foreseeable future without material change. The information that is required to be disclosed in the Strategic Report, including the Company’s financial risk management objectives, is set out on pages 7 to 113.

Group results and returns to shareholders

The income statement on page 114 shows the Group’s results for the year. A Dividend of £20.0 million (£0.02 per share) (2025: £41.0 million (£0.05 per share)) was paid during the year.

Directors

The Directors who held office during the year and to the date of this report, unless otherwise stated, are set out below.

Michael Bradley
Ros Rivaz
Mark Thurston
Paul Whittaker

Celia Gough served as Company Secretary from 20th November 2025 following the resignation of Claire Russell on 19th November 2025.

Directors' indemnities

During the 2025/26 financial year and up until the date of the signing of the financial statements, the Group has maintained 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.

Shareholders

The sole shareholder of the company is Osprey Investco Limited.

Governance Code

In January 2019, Ofwat published revised Board, Leadership, Transparency and Governance Principles (BLTG Principles). These revised BLTG Principles removed the requirement for a Holding Company Governance Code, which had been in place since 2014.

In January 2024, the Financial Reporting Council (FRC) published the UK Corporate Governance Code 2024 (the 2024 UK Code), which applies to financial years beginning on or after 1 January 2025. As a result, the Anglian Water Services Corporate Governance Code 2025 (the 2025 Code) was approved by the Board of Anglian Water and came into effect on 1 April 2025. As with prior corporate governance codes, the 2025 Code incorporates most of the provisions of the 2024 UK Code along with Ofwat's BLTG Principles and supporting provisions. Only the parts of the 2024 UK Code that cannot sensibly be applied to a company in private ownership have been omitted. Provision 4.6, in relation to risk management and the internal control landscape, came into effect on 1 April 2026 (in line with Provision 29 of the 2024 UK Code) and compliance against this particular provision will be reported in the 2027 Corporate Governance report. As the Group's principal operating subsidiary, Anglian Water is the only company in the Group to which the 2025 Code applies.

The 2025 Code and the previous Corporate Governance Codes applied by Anglian Water can be found at anglianwater.co.uk/governance.

Information on Anglian Water's compliance against the 2025 Code during the financial year can be found in its Annual Integrated Report.

Political donations and expenditure

No political donations or expenditure were made during the year (2025: £nil).

Research, innovation and development

In 2025, the Company maintained its commitment to innovation through collaborative academic and market-focused research and development. Its research and development projects have significantly supported the Company's 'Always Exploring' value, by creating tools and spaces that foster an innovation climate and leadership culture. Our advanced portfolio of research and development includes projects in key areas, such as: biosolids and the circular economy; process emissions; water treatment resilience; green hydrogen; and climate change adaptation, digital and AI or pollutions reduction through nature-based solutions. Through our collaborations with top universities, industry memberships and other water sector partners, we have strengthened our research capabilities and delivered outcomes that advance our Company, broader water industry knowledge and that provide cross-sector pollination opportunities.

Financial instruments disclosures

Details are included on pages 7-12 of the Strategic Report and in note 19 of the financial statements.

Employees
Employees are kept informed of changes in the business and general financial and economic factors influencing the Company. This is achieved through a systematic approach to employee communication, which includes regular briefings, presentations and electronic newsletters and emails. Weekly Newstream bulletins provide employees with a round-up of important news across the Company. The Company's intranet is also an extensive source of information. The Company's regular virtual all staff meetings are a chance for employees to hear directly from members of the Executive Committee and senior leaders about the business; receive progress updates; and ask any questions. The sessions take place regularly throughout the year and are recorded, so employees can watch them at a later date.

Employees with disabilities
As a Disability Confident Employer (Level 2), Anglian Water are dedicated to creating a welcoming and inclusive workplace for colleagues with disabilities. Our ongoing efforts have raised our Business Disability Forum Disability Smart score year on year, from 45% in 2022 to 81% in 2025. Being a Disability Confident Employer has helped give us direction and guidance in ensuring we are inclusive to candidates, customers and colleagues with disabilities.

Anglian Water uses an inclusive hiring approach by:

- Providing interview questions to the majority of candidates in advance to support their interview preparation, This helps those who may suffer from anxiety due to mental health conditions or neurodiversity.
- Fully embedded neurodiversity e-learning for team members and managers, with a prompt for managers to refresh their training before interviewing to enhance the interview and general knowledge of neurodiversity.
- Ongoing work with our internal Ability Network to gain deeper insights on building trust with internal or external disabled candidates.

Our use of the Disability Confident scheme has been reflected in Company policies; our Supporting Attendance Policy and Procedure covers disability, reasonable adjustments, return to work and sickness and absence. This policy is briefed to all managers and the Employee Relations and Occupational Health teams, to support employees and managers where needed.

Internally, we have a disability working group for people with disabilities or physical or mental health conditions. This is a work focused group, which brings together key stakeholders and representatives from the business to support with the creation and implementation of new services within Anglian Water, as well as piloting new innovations and giving feedback.

In addition, we have an Employee Resource Group – Ability Network, for colleagues with disabilities, neurodiversities and medical conditions, as well as colleagues who are parents and carers to these groups, to provide a supportive space for sharing experiences, offering advice and providing support. Our Ability Network now has over 150 members. Members of the community have worked with our inclusion and facilities management teams to improve accessibility for disabled colleagues in our offices. This includes extending evacuation chair training so more colleagues are equipped to support people with mobility issues in an emergency, installing automatic doors, building new ramps and improving signage on disabled bays.

Stakeholder engagement

Details of how Directors across the Group have engaged with customers, suppliers, and other stakeholders including those representing communities and the environment, can be found in the section 172 statement on pages 28-35.

Emissions

Information relating to carbon emissions can be found on pages 64-86.

Health and safety

Information relating to health and safety can be found on page 37-38.

Likely Future Developments

Information regarding the likely future developments of the Company, including the principal trends and factors affecting its future performance, is set out within the Strategic Report on pages 7 to 113. The Directors consider that this information forms part of this Directors' Report and is incorporated herein by reference.

Events occurring after the reporting period

Details of events occurring after the reporting period are included in note 30 of the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and consolidated 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 elected to prepare the Group and parent company financial statements (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The financial statements also comply with the International Financial Reporting Standards as issued by the IASB. 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern;

Statement of Directors' responsibilities (continued)
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 Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Directors section on page 1 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted for use within the United Kingdom, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company; and
- the Directors' Report and Strategic Report contained in the Annual Report include a fair review of the development and performance of the business and the position of the Group and the company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Statement of Directors' disclosure of information to the Auditor
In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
b) he/she 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 Auditor is aware of that information.

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

Auditor
The Auditor, Deloitte LLP, have indicated their willingness to continue in office and are deemed to be reappointed.

Going concern

The Directors believe, after due and careful enquiry, that the Group has sufficient resources to continue in operational existence for the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis in preparing the 2026 financial statements. Further details of this review can be found in note 1.

By order of the Board

Celia Gough
Company Secretary
24 June 2026

Registered Office: Lancaster House, Lancaster Way,
Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU
Registered in England and Wales No. 05915896

The Directors present the strategic report of the Osprey Acquisitions Limited Group ("the Group") for the year ended 31 March 2026. This strategic report should be read in conjunction with the strategic report of Anglian Water Services Limited, which does not form part of this report, which can be found at https://www.anglianwater.co.uk/about-us/our-reports/ and provides a more detailed insight into the regulated business.

Group overview

Osprey Acquisitions Limited's principal business is Anglian Water Services Limited ('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.

Financial and Operational Highlights

Chief Executive Officer, Mark Thurston, commented:

"This year has been one of reset, mobilisation and renewed focus for Anglian Water, as we started delivering the most ambitious investment programme in our history and strengthened the business for the years ahead. This programme reflects our long-term responsibility to provide resilient water and wastewater services that support communities, protect the environment and enable sustainable growth across our region, and ultimately deliver on our Purpose.

"We are operating in a period of significant change for our sector, shaped by climate change, population growth and rising expectations from customers, regulators and society. In response, we have sharpened our operational discipline, strengthened accountability and focused on building the capabilities and partnerships required to deliver at a new scale.

"Against this backdrop, the business delivered a strong financial performance. Revenue increased by 20% to £2.1 billion, in line with the PR24 Final Determination, with EBITDA rising 19% to £1.1 billion and operating profit increasing by 27% to £606.7 million. This is enabling us to deliver a step change in investment for customers and the environment, underpinned by robust operating cash flows of £984.2 million.

"We have made a strong start to AMP8, investing £1.1 billion in capital delivery (£1.08 billion in 2024/25) as more than 1,100 new programmes and projects were mobilised during the first year. While this first year typically reflects mobilisation rather than peak construction, it represents a solid foundation and positions us well to accelerate delivery in the years ahead.

"Importantly, our capital investment during the year exceeded both operating cash flow and operating profit, underlining our commitment to reinvest more than we earn to deliver long-term benefits. This programme is further supported by £500 million of equity that has been paid into the group by shareholders since September 2025, demonstrating continued confidence and ensuring we can deliver the scale of improvements for our customers and the environment.

"Alongside this investment, we are beginning to see tangible signs of improvement in our operational performance. A renewed focus on operational resilience and environmental compliance supported a reduction in total pollution incidents, continued improvements in storm overflow performance, and record bathing water quality across the region. Our work has resulted in a significant year on year improvement in our ODI penalty position, (£10.5 million in 2025/26 vs £41.5 million in 2024/25) despite the strengthening of the incentive framework. While some areas of performance remain below the standards we and our customers expect, addressing these remains a clear priority, and our continued investment and focus are aimed at delivering sustained improvement over time.

"Supporting customers and communities remains central to our approach, particularly as we invest at scale. During the year, we delivered more than £94 million of targeted financial support and continued to expand tailored assistance for those who need it most. We were also proud to become the first utility company to achieve 'Mental Health Accessible' accreditation by the Money and Mental Health Policy Institute.

"Looking ahead, we are investing to secure resilient water supplies, protect and enhance the environment, and support sustainable growth across one of the UK's fastest growing regions. Our infrastructure programme is strengthening long-term resilience while also supporting economic growth through skilled employment, regional supply chains and the critical infrastructure required to unlock new homes, industry and investment across the region."

Results presentation and Q&A

Join us for a presentation of our full-year results:

- 14:00 (UK time), Tuesday 10 June – https://re-url.uk/WHPL

Financial highlights

	2026	**2025**	**Change**	**Change**
	£m	**£m**	**£m**	**%**
Revenue	**2,106.5**	1,762.3	344.2	19.5
EBITDA*	**1,074.3**	901.4	172.9	19.2
Operating profit	**606.7**	477.9	128.8	27.0
Capital investment*	**1,135.6**	1,080.6	55.0	5.1
Operating cash flow	**984.2**	799.7	184.5	23.1
Net debt before derivatives*	**9,229.5**	8,780.8	448.7	5.1

*Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable to other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements and have been consistently applied within each year presented in these financial statements. EBITDA and Net debt excluding derivatives are alternative performance measure as defined in note 29.

Revenue up 19.5%

- The two key drivers of the revenue increase of £344 million were annual price increases as set out in the Final Determination (£310 million) and consumption being up year on year as a result of the extended periods of hotter than average temperatures in 2025 (£21 million), the remainder coming from a number of other movements.

EBITDA up 19.2%

- Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by £173 million with revenue increases partially offset by increased operating costs, primarily related to environmental compliance.

Operating profit up 27.0%

- Operating profit increased by £129 million reflecting strong EBITDA, partially offset by higher depreciation as we continue to invest heavily in our infrastructure.

Capital investment up 5.1%

- Up by £55 million thanks to continued strong delivery into year one of the AMP with gross capital expenditure increasing from £1,081 million to £1,136 million. Capital investment during the period was equivalent to 187% of operating profit and 115% of operating cash flow, highlighting the extent of reinvestment being made to enhance services and infrastructure.
- Capital expenditure is typically lower in the first year of an AMP as companies begin to mobilise the programme. Compared to year 1 of AMP7, expenditure has more than doubled from £448 million. This strong start means we are on track to deliver in line with the Board approved AMP8 plan.

Operating cash flow up 23.1%

- Up £185 million combining our positive EBITDA with a prior year contribution not repeated in the current year.

Net debt before derivatives up 5.1%

- Net debt has increased by £449 million partly as a result of our continuing investment in our capital programme and the accretion of our index-linked debt.
- In line with our de-gearing plan, gearing has reduced from 71.2% to 69.7% as a result of strong growth in RCV and £170 million equity injection from the wider group.

Dividend

- A dividend of £20 million was paid in December 2025 following the decision to defer the 2024/25 dividend. In line with our dividend policy, the Directors have proposed a dividend for 2025/26 of £42 million to be paid in June 2026.

Outcome Delivery Incentive (ODI) Penalty

- At the end of the first year of AMP8, we are in a net penalty position of £11.5 million[1], with £52.86 million in reward and £63.36 million in penalties.
- Our year-end ODI position represents a marked improvement on the prior year, (net penalty of £41.5 million in 2024/25 (22/23 prices)) with rewards achieved across several areas including storm overflows, sewer flooding, unplanned outages, bathing water quality, biodiversity, customer experience and business demand.
- While this demonstrates clear progress that the work we are undertaking is driving our performance in the right direction, we are not yet in an overall reward position. We remain committed to delivering further performance improvements and consistent outcomes for customers and the environment.
- The Outcome Adjustment Mechanism (OAM) in place for AMP8 has the potential to change the final ODI position either positively or negatively. Any OAM adjustment will only be known when all companies have reported their regulatory returns in July 2026.

[1]Correct at time of publication, subject to change. Final ODI position will be available after Ofwat undertakes the in-period determination at the end of the calendar year.

Reconciliation of operating profit to statutory profit before tax

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Operating profit	**606.7**	477.9
Interest excluding indexation	**(288.4)**	(269.5)
Indexation on debt	**(231.4)**	(197.1)
Finance income	**69.7**	62.0
Adjusted profit before tax	**156.6**	73.3
Fair value (losses)/gains on derivatives	**(96.2)**	62.9
Statutory profit before tax	**60.4**	136.2

Treasury management

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the Group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the Group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;
- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources; and
- monitor counterparty credit exposures.

The Group's Board, through the Finance, Treasury and Energy Policy Group, regularly reviews treasury policy, organisation and reporting to ensure continued effectiveness and relevance. More information on treasury management can be found in note 19 of the consolidated financial statements.

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. In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient, to enable it to be able to access the necessary debt and equity to deliver its business plan - both over the current 5 year regulatory period but also into the future taking consideration the long term planning cycle to be able to maintain a strong investment grade credit rating throughout. This is in part why we have asked Ofwat to refer the PR24 Final Determination to the CMA as we do not believe this financeability requirement has been met for the notional company.

Anglian Water Services has undrawn borrowing facilities of £1,540.0 million (2025: £1,382.5 million). In June 2025 the Group entered into a 3 year facility totalling £1,100.0 million.

Osprey Acquisitions Limited Group's undrawn borrowing facilities, additionally, consists of a syndicated £250 million revolving loan facility for general corporate requirements provided by National Westminster Bank Plc and syndicated to certain other banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £40.0 million with HSBC Bank Plc for general corporate purposes.

See note 16 for other movements in net debt. The maturity profile of the Group's borrowings is set out in note 19 of the consolidated financial statements.

Capital structure

The Group's capital structure is largely driven by the requirements of Anglian Water's capital expenditure programme and the need to support Anglian Water's investment grade credit status, which is met by a combination of cash flow and debt issuance at the two levels of the Group structure with covenant tests at the Anglian Water and Osprey Acquisitions Limited. At 31 March 2026 Anglian Water's and Osprey Acquisitions' net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 70 per cent (2025: 71 per cent) and 77 per cent (2025: 80 per cent) respectively.

Borrowing covenants

The financing within Anglian Water is secured under a Common Terms Agreement with investors. All other group borrowings are raised or guaranteed by the Company, Anglian Water (Osprey) Financing Plc, AWG Parent Co Limited, AWG Group Limited and, in certain instances, subsidiary companies.

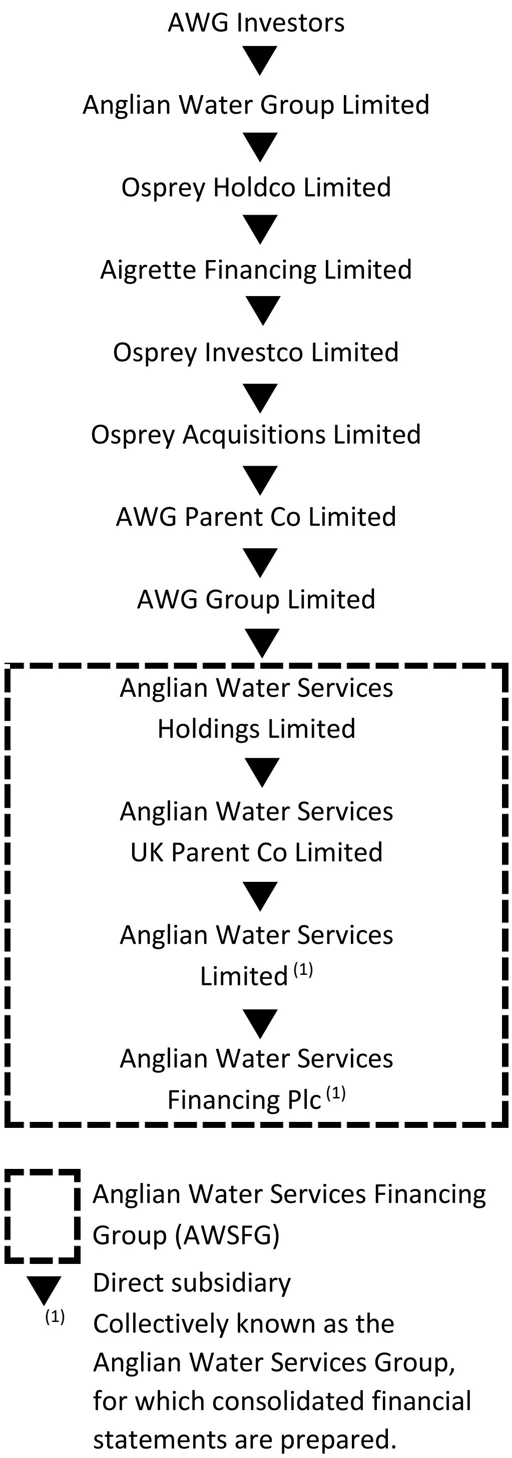
The central Treasury function is responsible for monitoring ongoing compliance with the Group's financial covenants, which principally relate to Anglian Water's and Osprey Acquisition's ratio of net debt to Regulatory Capital Value and interest coverage. At 31 March 2026, all group companies were compliant with all covenants.

Interest rates

The Group'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, 55.2% (March 2025: 49.9%) of the company's borrowings were at rates indexed to inflation, 33.5% (March 2025: 37.2%) were at fixed rates and 11.3% (March 2025: 12.9%) were at floating rates. At 31 March 2026, the proportion of inflation debt to regulated capital value was 49.4% (March 2025: 44.8%).

Ownership and company structure

Anglian Water Services Limited (AWS) is the principal subsidiary of Anglian Water Group Limited (AWG). The AWG Board consists of six investor representatives, the Chief Executive Officer, the Chief Financial Officer and an independent Non-Executive Chair.



Overview of our corporate structure

Osprey Acquisition Limited is a private company, limited by shares.

AWG is owned by a consortium of committed, long-term investors with extensive infrastructure experience, representing millions of individual pension holders. Details of the consortium, along with details of beneficial ownership of AWG (by investor type), are shown in the following diagram.

This long-term shareholder support is critical to maintaining an investable business, enabling the significant, sustained investment needed to deliver for customers, communities and the environment, while providing investors with a fair return.

In May 2025, AWG's shareholders committed to making a £500 million equity injection into the group, pro rata to their current shareholdings. The shareholder equity commitment forms part of the group's plans to strengthen the capital structure ahead of anticipated regulatory reforms and reflects the group's desire to maintain strong investment grade credit ratings.

When AWG was acquired by investors in 2006, it became the ultimate parent company of the Group. It is a Jersey-registered company, but UK tax resident, liable for tax in the UK. All companies in the AWG holding structure are UK tax resident and liable for tax in the UK.

Osprey Holdco Limited has issued debt that is held by our shareholders, in proportion to their respective shareholdings. They are entitled to receive an interest payment on the debt annually.

The Group's financing strategy has reduced Anglian Water Services (AWS) gearing, to enhance and protect its solid investment-grade credit ratings. This enables AWS to borrow at lower rates, to support the investments our customers have asked us to make.

Anglian Water Group companies

Aigrette Financing Limited, Osprey Investco Limited, Osprey Acquisitions Limited and their UK financing subsidiaries have borrowed funds externally to increase the Group's equity investment in AWS.

In March 2026, Osprey Acquisitions Ltd injected a further £170 million of equity into AWS to enhance its liquidity and facilitate its de-gearing.

AWG Parent Co Limited and AWG Group Limited are holding companies that were set up when AWG was a listed group. Both companies are wholly owned subsidiaries, are registered in the UK and are UK tax resident.

Anglian Water Services Financing Group companies

Anglian Water Services Holdings Limited was put in place in 2002, when AWS' covenanted and ring-fenced debt structure was established. This group of companies (referred to as the Anglian Water Services Financing Group, or AWSFG) protects customers and our bond holders from the risk associated with other non-regulated AWG companies, outside of the ring-fencing.

This makes us an attractive investment prospect for bond holders, which means we've been able to keep financing costs lower, ultimately benefiting our customers in the form of lower bills.

Anglian Water Services UK Parent Co Limited is a second-holding company in the ring-fenced structure, also providing protection for customers and investors from the risks of other non-regulated group companies. All companies within the AWSFG are UK-registered and UK tax resident companies.

AWS is the regulated entity trading as Anglian Water, managing our water and water recycling network and serving around 7 million customers. It is the part of the business that most people think of as 'Anglian Water'.

The group's equity injections into AWS have enabled AWS to reduce its gearing, and we remain on track against target.

Anglian Water Services Financing Plc is the financing company that raises money on behalf of AWS. Funds raised by this company underpin our investment in the region's water and water recycling services.

Details of the consortium of investors that owns AWG are shown below:

- Canada Pension Plan Investment Board (CPP Investments™) (ownership: 32.9%) is a professional investment management organisation that invests the excess funds of the Canada Pension Plan (CPP), in order to build a diversified portfolio of assets and help ensure the future pensions of more than 22 million Canadians. CPP Investments invests in public equities, private equities, real estate, inflation-linked bonds, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Mumbai, New York and São Paulo, CPP Investments is governed and managed independently of the CPP and at arm's length from the government. As of 31 December 2025, CPP funds totalled c$780.7 billion.
- IFM Global Infrastructure Fund (ownership: 19.8%) is a fund advised by IFM Investors. IFM Investors is a global institutional fund manager owned by 16 profit-to-member Australian pension funds, specialising in infrastructure, debt and equity investments. IFM invests on behalf of approximately 160 million pensioners from around the world. This includes millions of UK pensioners, who invest in Anglian Water Group via the IFM Global Infrastructure Fund.
- Camulodunum Investments (ownership: 15.0%) is a joint investment vehicle for Dalmore Capital and GLIL Infrastructure. Dalmore Capital is a standalone fund manager (part of the Royal London Group) with a focus on long-term, core infrastructure investments and sources capital from UK and overseas institutional investors. Dalmore Capital has interests in over 130 infrastructure assets and has assets under management of over £5.7 billion. GLIL Infrastructure is a partnership of UK pension funds. It manages £4.1 billion of committed capital, with more than £3.3 billion (as of 31 December 2025) deployed into a growing portfolio of infrastructure assets spanning renewable energy, utilities, ports, logistics, trains, hospitals and schools.
- Igneo Infrastructure Partners (ownership: 15.6%) is an unlisted infrastructure asset management business and is part of the First Sentier Group, a global asset management business. First Sentier Group has US$137.3 billion in assets under management (as at 31 December 2025), on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisors and their clients worldwide.
- Platinum Globe A 2013 RSC Limited (ownership: 16.7%) is directly and entirely held by the Abu Dhabi Investment Authority (ADIA) and focused on infrastructure investments.

Beneficial ownership by investor type:

- Pensions (CPP Investments, GLIL Infrastructure, Igneo Infrastructure Partners Investors and IFM Investors): 75.8%
- Asset manager (Dalmore Capital): 7.5%
- Sovereign wealth fund (Platinum Globe A 2013 RSC Limited): 16.7%

Our business model

At Anglian Water, we operate critical national infrastructure in one of the fastest-growing regions in the UK. We are responsible for delivering safe, clean water, returning it safely to the environment, and protecting and enhancing the natural systems our region depends on. We create value by delivering safe, reliable water, while supporting economic growth, enabling economic development and strengthening resilience in communities. As a business, we operate in five-year regulatory cycles, securing funding through a combination of customer bills and external investment. Our investment plan for AMP8 reflects the realities of ageing infrastructure, population growth and climate change. Our Purpose and strategic priorities guide the investments we prioritise and how we deliver sustainable value over the short, medium and long term.

Our Purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

Anglian Water's Strategic Priorities:

- A high performing organisation that attracts investment and creates lasting value.
- Embedded in our communities, and valued by our customers.
- Enabling sustainable growth and resilience in an environmentally significant region.
- Our people and partners are proud to deliver excellence and be Safer Every Day.
- Trusted by government and regulators to meet our commitments.

At a time where the water sector's regulatory framework continues to develop, this year we refreshed our strategy. Our strategy looks ahead to 2055 and sets out the actions we are taking in both the short and long term to build a resilient, future-ready water company. It shapes how we invest in our assets, develop our people and partners, alongside embracing digital and new ways of working.

Underpinned by our values. Together we:

- Do the right thing;
- Build trust; and
- Are always exploring.

Our commitment to safety:

- Safer Every Day.

Our strategy informs how we create value for stakeholders:

- Customers;
- Communities;
- Our people;
- Our partners;
- Investors;
- Regulators and Government; and
- Environment.

Financial performance

The financial results have been prepared in accordance with International Financial Reporting Standards (IFRS). Alterative performance measures (APMs) used in this report have been defined in note 29 to the financial statements.

Segmental reporting

The key performance indicators of the Group's individual businesses are discussed in the "Anglian Water and Head Office and Other" sections below. This strategic report should be read in conjunction with the strategic report of Anglian Water Services Limited, which does not from part of this report, which can be found at https://www.anglianwater.co.uk/about-us/our-reports/ and provides a more detailed insight into the regulated business.

EBITDA is defined in note 29 as the profit from continuing operations before interest, tax, depreciation and amortisation. The segment result comprises operating profit. In addition, compliance with the Group's borrowing covenants is an additional key performance indicator for the Group.

For the year ended 31 March 2026

	Anglian Water £m	Head Office and Other £m	Inter-Segment Eliminations £m	**Total £m**
Revenue				
External	2,103.1	3.4	-	**2,106.5**
Inter-segment	-	0.2	(0.2)	**-**
	2,103.1	**3.6**	**(0.2)**	**2,106.5**
Segment result				
EBITDA	1,103.8	(29.5)	-	**1,074.3**
Depreciation and amortisation	(467.6)	-	-	**(467.6)**
	636.2	**(29.5)**	**-**	**606.7**
Cash flows				
Operating cash flow	1,014.0	(29.8)	-	**984.2**
Capital expenditure	(1,135.0)	(0.2)	-	**(1,135.2)**
Net debt excluding derivative financial instruments	(8,293.1)	(936.4)	-	**(9,229.5)**

For the year ended 31 March 2025

	Anglian Water £m	Head Office and Other £m	Inter-Segment Eliminations £m	**Total £m**
Revenue				
External	1,749.3	13.0	-	1,762.3
Inter-segment	-	12.4	(12.4)	-
	1,749.3	25.4	(12.4)	1,762.3
Segment result				
EBITDA	920.0	(18.6)	-	901.4
Depreciation and amortisation	(423.5)	-	-	(423.5)
	496.5	(18.6)	-	477.9
Cash flows				
Operating cash flow	811.3	(11.6)	-	799.7
Capital expenditure	(1,068.2)	(0.7)	-	(1,068.9)
Net debt excluding derivative financial instruments	(7,721.1)	(1,059.7)	-	(8,780.8)

ANGLIAN WATER FINANCIAL RESULTS

Pages 19 to 27 below set out the financial performance of Anglian Water, the principal business in the Group, followed by that of Head Office and Other on page 27.

Anglian Water's financial results are summarised in the table below:

	2026 Total £m	2025 Total £m
Revenue (excluding grants and contributions)	**1,982.0**	1,660.1
Grants and contributions	**121.1**	89.2
Other operating income	**11.5**	16.8
Operating costs	**(956.6)**	(809.8)
Loss allowance for expected credit loss	**(54.2)**	(36.3)
EBITDA[1]	**1,103.8**	920.0
Depreciation and amortisation	**(467.5)**	(423.5)
Operating profit	**636.3**	496.5
Interest (excluding indexation)	**(221.0)**	(221.5)
Indexation charge	**(231.4)**	(197.1)
Finance income	**37.0**	48.2
Adjusted profit before tax[1]	**220.9**	126.1
Fair value (losses)/gains on derivatives[2]	**(96.2)**	62.9
Profit before tax on a statutory basis	**124.7**	189.0
Tax	**(27.5)**	(52.6)
Profit after tax	**97.2**	136.4

[1] As defined in note 29, 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, and have been consistently applied within each year presented in these financial statements.

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

ANGLIAN WATER FINANCIAL RESULTS (continued)

Revenue

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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

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
March 2025	846.1
Inflation	30.9
Investment in Operational Performance	
Improvements to environmental compliance	52.1
Community Fund	5.8
External/Government changes	
Increase in National Insurance rates	1.8
Bad Debt	17.0
Regulatory Fees	4.3
Extreme Weather	6.8
Other	
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	5.8
March 2026	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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

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.

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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

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
Current tax:		
In respect of the current period	**-**	(47.8)
Adjustments in respect of prior periods	**95.3**	25.6
Total current tax charge/(credit)	**95.3**	(22.2)
Deferred tax:		
Origination and reversal of temporary differences	**32.2**	96.7
Adjustments in respect of previous periods	**(100.0)**	(21.9)
Total deferred tax (credit)/charge	**(67.8)**	74.8
Total tax charge on profit on continuing operations	**27.5**	52.6

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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

Taxation (continued)
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.

ANGLIAN WATER FINANCIAL RESULTS (continued)

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 AMP7 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%).

ANGLIAN WATER FINANCIAL RESULTS (continued)

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.

HEAD OFFICE AND OTHER FINANCIAL RESULTS

The decrease in operating profit, EBITDA and operating cash flow outside of Anglian Water has been driven by an increase in Head Office costs year on year, primarily due to project costs in relation to Corporate Finance work.

SECTION 172 STATEMENT

The Company has elected to disclose a section 172 statement on a voluntary basis, outlining how the directors promote the successes of the Company.

As Anglian Water Services Limited accounts form the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR). As such, all references below refer to Anglian Water Services Limited.

In July 2019, with the approval of the Anglian Water Services Limited Board and shareholders, we became the first major utility company to enshrine our Purpose into how the business operates, by amending our Articles of Association. This amendment means that the Company has enshrined, for the long-term, the principles set out in section 172 of the Companies Act 2006 — making us accountable for delivering on our long-standing commitment to working in the public interest.

Section 172(2) states that, where the purposes of a company consist of purposes other than, or in addition to, benefiting the company's shareholders, the section 172 duties will take effect, as if the reference to promoting the success of the company for the benefit of shareholders were a reference to achieving those alternative purposes. The purpose of the Company (our Purpose) is to conduct its business and operations for the benefit of members, while delivering long-term value for its customers, the region and the communities it serves, seeking positive outcomes for the environment and society. It follows that the directors of the Company have a duty to act in a way that can be considered as most likely to promote our Purpose.

The following disclosures demonstrate how the Anglian Water Services Limited Board has regard to the matters set out in section 172(1) (a) to (f) and includes cross-references to other sections of the report for further information.

S.172(1)(a) The likely consequences of any decision in the long term

Anglian Water's long-term strategy has been driven by our 25-year Strategic Direction Statement (SDS). Since the SDS was first published in 2007 it has been refreshed, with Anglian Water Services Limited Board support, in both 2017 and 2023 covering the period to 2050. During the financial year, the Anglian Water Services Limited Board continued to develop and refine the Company's long-term strategy, leading to the creation of the Enterprise Strategy, which sets out Anglian Water's long-term direction through to 2055. Further details on the Enterprise Strategy can be found in the case study on page 30. The five key strategic priorities set out in our Enterprise Strategy are also shown in our business model on page 16.

S.172(1)(a) The likely consequences of any decision in the long term (continued)

Our Long-Term Delivery Strategy (LTDS) was published in 2023 and looks ahead to 2050. It shows how we will deliver our purpose and ambition, and the 'core pathway' of investments and interventions required. It draws on information from our other long-term plans such as the Water Resources Management Plan (WRMP) and the Drainage and Wastewater Management Plan (DWMP). In March 2026, following Anglian Water Services Limited Board approval, we submitted our long-term Flow Compliance Plan to Ofwat, which contains our long-term plan for flow compliance. The plan outlines how the Company will ensure all of its Water Recycling Centres and network assets are designed, built, operated and maintained so they have sufficient capacity under normal operating conditions and can manage flows effectively and remain compliant with relevant legal requirements. The Anglian Water Services Limited Board has been closely engaged with each of these strategic plans and has provided assurance to Ofwat where required.

Much of the Anglian Water Services Limited Board's focus over the year has been on the final report of the Independent Water Commission, led by Sir Jon Cunliffe, and the subsequent Water White Paper, which was published by Defra in January 2026. Such was the importance of this matter; the Board held a number of standalone sessions over the year to consider both Sir Jon's recommendations and the White Paper.

During the year, the Anglian Water Services Limited Board was engaged in the development of the Leakage Improvement Plan. In response to the unprecedented period of hot weather and drought experienced in year one of the AMP, which significantly impacted leakage performance, a leakage review was undertaken. This led to the development of a Leakage Improvement Plan that was subsequently reviewed and supported by the Anglian Water Services Limited Board.

The Anglian Water Services Limited Board receives regular updates regarding water resources. The WRMP ensures we have a long-term plan to be resilient to extreme drought across our region. Our leading approach to demand management, our ambitious supply-side programmes and our commitment to developing strategic regional options is critical to improving our long-term drought resilience.

A key element to securing the long-term future water supplies is the continued development of two new reservoirs in the East of England, one in the Cambridgeshire Fens and another in Lincolnshire. The Anglian Water Services Limited Board continued to be closely engaged in the development of these projects and during the year, a number of Anglian Water Services Limited Board members visited the sites of both reservoirs. To ensure appropriate Anglian Water Services Limited Board oversight of this key strategic initiative, Ian Funnell, an Independent Non-Executive Director, attends meetings of the Reservoirs Programme Board (an Executive Committee sub-committee). Following these meetings, Ian provides the Anglian Water Services Limited Board with a progress update on the two new reservoirs. Further information on the two new reservoirs can be found on page 55 of AWS' AIR.

The Anglian Water Services Limited Board has also approved the long-term viability statement (see pages 107-109 of AWS' AIR), within which the directors have assessed the Company's prospects over the next ten years.

Enterprise Strategy

During the year, work began on creating the Anglian Water Enterprise Strategy. We focused on defining our ambitions and aspirations by mapping four identified themes of focus against the following three-time horizons: Horizon 1: focusing on near-term priorities to 2030, Horizon 2: spanning transformational goals from 2030 to 2055, and Horizon 3: addressing long-term aspirations to 2055. Feedback from Anglian Water Services Limited Board members on the four themes, alongside a review of how they are used across the Company, have contributed towards an amended set of five strategic priorities, which represent what is important to deliver against our Purpose across the three-time horizons.

- Trusted by government and regulators to meet our commitments.
- Embedded in our communities and valued by our customers.
- Enabling sustainable growth and resilience in an environmentally significant region.
- Our people and partners are proud to deliver excellence and be Safer Every Day.
- A high performing organisation that is financially resilient and attracts investment.

We are in the process of a rationalisation of the strategies necessary to support the overarching Enterprise Strategy, looking to simplify the structure and reduce the number of strategies and strategic plans across the organisation. We anticipate a series of functional strategies, several cross-cutting strategies and several regulator driven strategies and strategic plans, that will in the future be anchored in our Enterprise Strategy.

Following feedback from supply chain CEOs and the Independent Challenge Group, the Enterprise Strategy was approved by the Board in April 2026.

Board decisions

When making decisions, the Board takes into consideration the interests of all relevant stakeholders. To enable the Board to make well-informed decisions, high-quality and detailed Board papers are provided in advance of meetings through a secure Board portal, allowing directors plenty of time for thorough review and consideration prior to Board meetings. Board paper templates specifically include the stakeholders impacted by each paper, ensuring directors consider the views of each relevant stakeholder in their decisions. Additionally, the Company maintains a forward planner that outlines the standard agenda items for each Board meeting, along with additional topics that need to be addressed in the year.

The Board includes an appropriate combination of executive and non-executive (and in particular independent non-executive) directors. During Board meetings there are open discussions, where the non-executive directors constructively challenge, provide strategic guidance and offer specialist advice, while holding management to account. The Board benefits from the diverse skills, knowledge and experience of all directors, all of whom understand the importance of their section 172 duty to act in good faith to promote the success of the Company.

S.172(1)(b) The interests of the Company's employees

The welfare and development of our employees and of the Company's culture, values and behaviours, are key areas of focus for the Anglian Water Services Limited Board and its committees, with employee-related issues covered at every Anglian Water Services Limited Board meeting. Areas considered by the Anglian Water Services Limited Board and committees range from health, safety, wellbeing and security to inclusion, employee engagement and succession planning.

The Anglian Water Services Limited Board meets with the Head of Safety at least twice a year, which enables the monitoring of key safety trends and challenges to performance, where appropriate. Since its launch in March 2025, the Board has been fully engaged in Safer Every Day and receives regular updates on progress from the Chief Executive Officer. The Board was also supportive of the Welfare Improvement Plan, designed to improve welfare provision, inclusion, dignity and morale for our frontline colleagues.

Throughout the year, members of the Anglian Water Services Limited Board undertook several site visits, which enabled them to engage with a wide-range of employees. In December 2025, Ros Rivaz, Batiste Ogier and Tony Bickerstaff visited the Sludge Treatment Centre at Cotton Valley Water Recycling Centre, with a particular focus on asset health and safety, and supporting effective oversight of operational and employee safety matters. Kath Durrant visited Ingoldisthorpe Wetlands, and a number of Anglian Water Services Limited Board members visited the Cambridge Water Recycling Centre and the site of the Fens Reservoir.

In July 2025, the AWG and AWS boards attended a market stall event, with presentations from the @one Alliance, the Strategic Pipeline Alliance (SPA), the Customer and Operations Services team, the Risk and Compliance team, the Water Services team and Water Recycling Services team. This event was an effective way for Board members to engage directly with colleagues across the business, enhance their understanding of operational activities and support effective long-term decision-making.

In line with the Anglian Water Services Limited Corporate Governance Code 2025, the Board has appointed John Barry as the non-executive director responsible for engaging with the workforce. In this role, John is supported by the independent non-executive directors. During the year, John Barry met with participants from the Senior Talent Development programme for an informal, discussion-led session. The conversation focused on reflections from the programme, including what had been most valuable and impactful for participants. It also explored the leadership behaviours that make the greatest difference to performance within the organisation, alongside a broader discussion on how, following a period of significant structural change, leaders can continue to engage, motivate and retain their people.

Tony Bickerstaff also joined the Rising Stars cohort during a masterclass on strategic leadership. In this session, Tony shared insights into the role of a non-executive director, offering his perspective on the organisation and its wider context. The informal discussion created space for participants to exchange views on leadership and to think more strategically, including reflecting on the key issue they would raise if given five minutes of the Board's attention.

S.172(1)(b) The interests of the Company's employees (continued)

Love to Listen, the all-employee survey, gives everyone across the business the opportunity to share their views. The survey is hosted on an independent platform, allowing our people to provide open and honest feedback in confidence. The insights we gather help us understand our colleagues' experience and work together to continually improve. A short pulse check survey was carried out in July 2025, which was completed by over 1,000 colleagues across the business. In March 2026, the annual Love to listen survey was undertaken, with the aim of seeking and acting on the views of our employees. The results of the survey, together with plans to address its findings, were considered by the Anglian Water Services Limited Board at its meeting in April 2026.

Employees are kept informed of changes in the business and general financial and economic factors influencing the Company. This is achieved through a systematic approach to employee communication, which includes regular briefings, presentations and electronic newsletters and emails. Weekly Newstream bulletins provide employees with a round-up of important news across the Company. The Company's intranet is also an extensive source of information. The Company's regular virtual all-staff meetings are a chance for employees to hear directly from members of the Executive Committee and senior leaders about the business, receive progress updates and ask any questions. The sessions take place throughout the year and are recorded, so employees can watch them at a later date.

As part of the Company induction process, new employees are invited to join 'Meet the Chief Executive' calls with Mark Thurston. This provides a valuable opportunity for them to be personally welcomed into the business by Mark and share how they've been settling in. Mark also holds monthly calls with the Senior Leadership Team to provide an update on key business matters.

During the year, the Remuneration Committee receives updates on wider workforce remuneration matters such as the impact of the budget and the annual pay review. The Nomination Committee also regularly reviews the work undertaken around senior management succession, development and inclusion.

Board engagement with stakeholders

The Anglian Water Services Limited Board has set out to define discrete stakeholder groups, but it recognises that, in many cases, they have complementary interests and shared priorities. On occasion, their concerns may even conflict with one another. The Board's duty in reviewing, challenging and shaping plans and setting strategic direction, is to consider and balance the impact of its decisions on a wide range of stakeholders.

There are some key issues, of such strategic importance, that the Board judges it should engage directly with relevant stakeholders. However, much of our engagement happens at an operational level. Where the Board has not engaged directly with stakeholders, it receives regular reports from management, so the directors can understand and take account of the key issues to which they must have regard.

S.172(1)(c) The need to foster business relationships with suppliers, customers and others

Our most important supply chain relationships are with our alliance partners, who play a crucial role in the delivery of our infrastructure and services. The Board receives regular updates on the progress of the capital investment programme at Board meetings. This update provides an opportunity for the directors to review and challenge progress across the different delivery routes.

In April 2026, the Anglian Water Services Limited Board considered and endorsed a new Future Delivery Strategy (FDS), which will set out how we will deliver our AMP9, 10 and 11 programmes in a way that is strategically aligned with the Enterprise Strategy. The FDS will now be further developed to ensure that the extensive and complex work necessary to achieve operational readiness in completed before AMP9. The Board will continue to review the development of the FDS in detail.

Under Anglian Water’s Scheme of Delegation, the Board must approve the procurement approach prior to the award of contracts with suppliers, where the anticipated spend exceeds a certain value. This ensures there is an appropriate level of oversight of these key contracts. During the year, the Board approved the procurement strategy for the Major Projects Framework and the procurement strategy for Mechanical, Electrical and DSEAR Services. In November 2025, the financial thresholds in the Scheme of Delegation for contracts requiring Board approval were increased to reflect the Company’s growth, the impact of inflation over the years and to ensure the Board’s focus remains on genuinely strategic procurement matters.

Each year, the Board also approves Anglian Water’s Modern Slavery and Human Trafficking Statement, which details the steps we have undertaken to ensure that slavery and human trafficking are not taking place in any part of the business, or within Anglian Water’s supply chain.

The Board recognises the importance of fostering strong and constructive relationships with our customers. In September 2025, the Board attended the Operational Management Centre in Lincoln, which was an opportunity for Directors to listen to customer calls, hearing first-hand the support we provide day in, day out to customers. Feedback was positive, with the Board commenting on the professionalism of our staff and the customer-focused service we deliver every day.

During the year, the Company regularly convened the Independent Challenge Group (ICG), as well as the Customer Board. Both forums were well attended by relevant senior managers, including Mark Thurston. Ros Rivaz also attended an ICG meeting and Kath Durrant attended a Customer Board meeting during the year, and provided direct feedback to the Anglian Water Services Limited Board. Craig Bennett, Chair of the ICG, attended the Board meeting in November 2025 to discuss the ICG’s role in providing independent scrutiny and challenge. Following this discussion, a programme of attendance for non-executive directors at these forums has been established, alongside members of the Senior Leadership Team, to support transparency, learning and effective challenge.

During the year, the Board considered the development of Ofwat’s Customer Involvement Rule, which came into effect on 1 April 2026. At its meeting in early June 2026, the Board approved the Customer Involvement Plan. In advance of the introduction of the Consumer Involvement Rule, it has been agreed that all of the independent non-executive directors would have responsibility for consumers.

S.172(1)(c) The need to foster business relationships with suppliers, customers and others (continued)

The Board also engages with our different regulators including Ofwat, the Environment Agency (EA) and the Drinking Water Inspectorate (DWI). During the year, both the Chair and Chief Executive regularly engaged with their respective counterparts. Part of this engagement took the form of regular calls and meetings between our Chair, Dr Ros Rivaz, and the Chairs of Ofwat and the EA. As well as these meetings, Dr Ros Rivaz hosted site visits with Iain Coucher (Chair of Ofwat) in Norfolk, visiting Dereham Water Recycling Centre and the Ingoldisthorpe Wetlands, and visits with Alan Lovell (Chair of the EA), visiting the site of the proposed Fens Reservoir. Dr Ros Rivaz also hosted a site visit at the Fens Reservoir with the Chair of Natural England.

Another important stakeholder group includes debt investors, banks and rating agencies. Engagement is key to understanding their requirements, demonstrating our long-term, sustainable vision and helping them to understand what makes Anglian Water a sound investment. In September 2025, we hosted representatives from our banks and debt investors for a Capital Markets Day at Rutland Water. We set out our investment plans for AMP8, our financial strength, and our approach to addressing some of our performance challenges.

During the year we have strengthened our long-term relationships with political and government stakeholders at both regional and national level. This year, we engaged with more than 900 political stakeholders. As part of this engagement both the Chair and Chief Executive Officer meet with Government ministers, MPs and special advisers.

S.172(1)(d) The impact of the Company's operations on the community and environment

The environment is at the heart of our Purpose, and our Enterprise Strategy is fully aligned with the Government's 25-year Environment Plan.

The Board retains overall oversight of, and responsibility for, climate-related issues and regularly considers issues that impact both the environment and local communities. During the year, the Net Zero Strategy to 2030 was replaced with a Climate Transition Plan, reflecting evolving understanding of emissions, particularly across the sector, and to set out our carbon reduction plan going forward, in line with the UK 2050 net-zero target.

In 2025, the Company's total pollutions reduced by 15%, to 371 (2024: 437). However, there was an increase in serious pollution. Recognising the importance of this issue, over the year, the Board regularly reviewed and challenged pollution performance, its root causes and closely monitored the actions designed to reduce pollutions, which were supported by the decision made by the Company's shareholders in January 2024 to invest £100 million to support pollution performance. As part of this work, the Board approved the Pollutions Incident Reduction Plan 2026, which was published in March 2026.

In April 2025, we launched our Advanced Water Industry National Environment Programme (A-WINEP) to test new approaches to address water quality, water resources and deliver environmental benefits at catchment scale. We are one of only three water companies to secure regulatory approval for this approach.

S.172(1)(d) The impact of the Company's operations on the community and environment (continued)

In November 2025, we launched the £5.8m shareholder-funded Thriving Communities Fund. The fund will support projects within the region that will create environmental and social benefit. The Fund is delivered in partnership with Cambridgeshire Community Foundation and open to not-for-profit organisations across the Anglian Water region.

In January 2026, we launched our Catchment Regeneration Fund, an £11 million investment to accelerate nature-based solutions that improve water quality and strengthen water resources. The fund is open to partners and projects in 11 rural catchments and will see us collaborate with a range of organisations.

S172(1)(e) The desirability of the Company maintaining a reputation for high standards of business conduct

We seek to maintain high standards in all that we do as a business. We have robust risk-management and internal control processes, which are reviewed by the Anglian Water Services Limited Board or the relevant Board committee. Our code of conduct, 'Doing the Right Thing', applies to all employees and sets out what is expected from our people in different situations.

Under its Articles of Association, Anglian Water is required to adopt a set of Responsible Business Principles, these can be found in the AIR report.

S.172(1)(f) The need to act fairly as between members of the Company

The Anglian Water Group is owned by a consortium of five, long-term investors, representing millions of long-term pension holders in the UK and overseas. These shareholders are represented on the Board of our ultimate parent company, Anglian Water Group Limited. There are also shareholder representatives on the Board of the Anglian Water Services Limited. In this way, we ensure that we treat all shareholders fairly and that their views are heard when making key decisions. These directors bring with them a broad range of skills and experience. This is extremely valuable during Board discussions. Our shareholders have made a long-term commitment to our organisation and have a shared interest in, and responsibility for, its success. As the ultimate shareholders are the source of equity investment, it's vital that we engage them in strategic planning and share our progress and results with them.

Further information on our Company structure and ownership can be found on pages 13-15.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR) www.anglianwater.co.uk/about-us/our-reports. As such, all references below refer to Anglian Water Services Limited.

The statements below reflect our commitment to and management of employees, communities, the environment, human rights and anti-bribery and anti-corruption in the last 12 months, as required by sections 414CA and 414CB of the Companies Act 2006.

We integrate this information throughout this report. The information is designed to help you find key elements on non-financial matters. Our website contains further information about our current activities, alongside our policies, standards and relevant documents: anglianwater.co.uk

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
Environmental and climate matters Our commitment to protecting and enhancing our environment is enshrined in the Articles of Association of Anglian Water, through our stated Purpose: To bring environmental and social prosperity to the region we serve, through our commitment to Love Every Drop.	• Articles of Association • Long term strategic statements • Integrated Management System Framework Policy • Water Resources Management Plan • Drought Plan • Water Recycling Long-Term Plan • Drainage and Wastewater Management Plan • Long-term plan for Flow Compliance • Pollution Incident Reduction Plan • Climate Change Adaptation Report • Net Zero Strategy 2030 • Climate Transition Plan • Sustainable Finance Impact Report	• Chair's Welcome: pages 8-9 • Chief Executive Officer's statement: page 10 • The year in context: pages 11-15 • Evidencing our strategic priorities and delivering for our stakeholders: pages 29-59 • Embedding our Purpose: pages 27-28 • Our approach to the climate and nature crises sustainable finance: page 75 • Climate-related financial disclosures: pages 60-89 (a) governance arrangements: pages 60-64 (b) how climate-related risks and opportunities are identified, assessed and managed: pages 65-89 (c) how processes for identifying, assessing and managing climate-related risks are integrated within the Company's overall risk-management framework: pages 65-89 (d) description of: (i) principal climate-related risks and opportunities (ii) time periods to which these are assessed: pages 65-89 (e) actual and potential impacts of the principal CR risks and opportunities on the business model and strategy: pages 65-89 (f) resilience of the business model and strategy, taking into consideration different climate-related scenarios: pages 60-89 (g) targets used to manage climate-related risks and realise opportunities and performance against targets: pages 60-89 (h) KPIs used to assess targets above and calculations on which these are based: page 17 • Section 172 statement : pages 90-93

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
		• Risk Management: Principal risks : pages 103-105
Employees Our approach to our employees is guided by the values that drive our continued progress: Together, we: build trust; do the right thing; are always exploring.	• Values Framework • Doing the Right Thing – Code of Conduct • Inclusion plan • Health and Safety Policy • Dignity at Work Policy and Procedure • Personal Relationships at Work Policy • Drug and Alcohol Policy and Procedure • Grievance Policy and Procedure • Acceptable Use of IT Policy • Whistleblowing Policy and Procedure • Gender and Ethnicity Pay Gap Report • Board Diversity Policy	• Chair's welcome: pages 8-9 • Chief Executive's statement: page 10 • Evidencing our strategic priorities and delivering for our stakeholders: pages 29-59 • Section 172 statement: pages 90-93 • Corporate Governance report: pages 115-123 • Nomination Committee report: pages 131-134 • Remuneration Committee report: pages 137-160
Human rights Our policies and processes are underpinned by our values, in particular: 'do the right thing'.	• Doing the Right Thing – Our Code of Conduct • Dignity at Work Policy • Data Protection Policy • Data Retention Policy • Customer Privacy Notice • Employee Privacy Notice • Modern Slavery and Human Trafficking Statement • Human Rights Policy	• Evidencing our strategic priorities and delivering for our stakeholders: pages 29-59 • Nomination Committee report: pages 131-134
Social matters Our commitment to serving our customers and our communities is enshrined in the Articles of Association of Anglian Water through our stated Purpose: To bring environmental and social prosperity to the region we serve through our	• Articles of Association • Long term strategic statements • Employee Volunteering Guidelines – Love to Help	• Chair's welcome: pages 8-9 • Chief Executive's statement: page 10 • The year in context: pages 11-15 • Embedding our Purpose: pages 27-28 • Evidencing our strategic priorities and delivering our stakeholders: pages 29-59 • Section 172 statement: pages 90-93

Reporting requirement	Relevant policies, documents or reports that govern our approach	Sections within the Annual Integrated Report where you can read more about our current activities and risk management
commitment to Love Every Drop.		
Anti-corruption and bribery Our policies and processes are underpinned by our values; in particular: we do the right thing.	• Doing the Right Thing – Code of Conduct • Anti-Bribery Policy • Anti-Fraud Policy • Corporate Hospitality Policy • Whistleblowing Policy • Board protocol for dealing with conflicts of interest • Tax and Transparency Policy	• Risk Management: Principal Risks: pages 103-105 • Audit and Risk Committee report: pages 124-130
Description of the business model		• About our business: Our business model: page 4 • Board statement of company direction and performance, Annual Performance Report (available at anglianwater.co.uk/corporate/reports/our-reports/)
Non-financial key performance indicators	• Non-financial performance, measured against a set of commitments agreed with Ofwat • Health and Safety measures and targets • Environmental Performance Assessment	• Ofwat-related Performance Commitment: pages 16-20 • Evidencing our strategic priorities and delivering for our stakeholders: pages 29-59
Description of principal risks and impact of business activity		• The year in context: pages 11-15 • Risk management, including Principal risks: pages 96-106 • Long-term viability statement: pages 107-109

A copy of our Code of Conduct (‘Doing the Right Thing’), together with our Whistleblowing policy, our Anti-bribery policy and our current Modern Slavery and Human Trafficking statement can be found on our website at anglianwater.co.uk Our customer privacy notice can be found at anglianwater.co.uk/aboutus/legal/privacy-notice.

OUR APPROACH TO THE CLIMATE AND NATURE CRISES

In this report, we cover our approach via two reporting frameworks: the Task Force on Climate-related Financial Disclosures (TCFD) and the Companies Act 2006. We have reported against the TCFD since 2017. Our approach is consistent with all 11 TCFD recommendations and is compliant with the requirement of LR 9.8.6R, by including climate-related financial disclosures. This disclosure also complies with the requirements of the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (CFD). Additionally, this disclosure also includes reporting that follows the principles of the Task Force on Nature-related Financial Disclosures (TNFD). We will continue to develop our disclosures as our approach matures.

As a water company, our relationship with the environment is fundamental. Our Purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop. The health and condition of the natural environment both affects, and is affected by, what we do. Around the world, climate change is intensifying risks, with more frequent and severe droughts, extreme storms and rising sea levels. In the UK, these impacts are already being felt. We have seen increased flooding, particularly during the winter of 2023/24, and in 2022 the highest temperature ever recorded in the UK was reached in Lincolnshire, in our region.

These challenges are not new to us. As far back as 2007, in our Strategic Direction Statement, we identified climate change and population growth as the most significant challenges we would face to 2035. They have shaped our long-term approach to resilience and driven a wide range of climate-related commitments.

More recently, a United Nations report published in January 2026 reinforced the scale of the challenge, confirming that ‘water insecurity has emerged as a systemic risk that increasingly constrains progress… water systems are under unprecedented pressure’, with degrading rivers and wetlands, over-abstracted groundwater and rapidly retreating glaciers.

While we have always taken a long-term view, climate-related impacts are increasingly affecting our ability to provide safe, clean drinking water and to safely return used water to the environment. Adapting to these risks means working across sectors to understand interdependencies, manage trade-offs and plan for resilience at a system level. We see adaptation as an ongoing journey. We must find ways to work with our changing climate, in a way that isn’t detrimental to nature and works harmoniously with it – and that means our approach needs to be flexible too.

Climate-related governance

a. Describe the Board’s oversight of climate-related risks and opportunities.

a. Describe the Company’s governance arrangements, in relation to assessing and managing climate-related risks and opportunities.

a. Describe the Board’s oversight of nature-related dependencies, impacts, risks and opportunities.

Board oversight

The Anglian Water Services Limited (AWS) Board retains overall oversight of climate and nature-related risks and opportunities. The Board discusses climate and nature-related issues through many aspects of our strategic planning, for example in approving our Pollution Incident Reduction Plan (PIRP), in March 2026. Climate and nature-related risks are also included within the Company's risk registers, which are managed through risk management and internal controls systems with oversight from senior leadership.

The Board meets between six and eight times per year, discussing climate and nature-related matters, including topics such as pollutions, flow investigation, water resources and the PIRP.

The Board receives performance reports at each Board meeting, detailing progress against our most important climate- and nature-related commitments and targets. The Board has embedded accountability for delivery against our Purpose as set out in our Articles of Association.

In 2017, the Board led the business to become one of the first utility companies to raise finance through a Green Bond.

The Board drives and oversees our climate and nature-related commitments, including:

• Anglian Water's commitment to achieve net zero carbon, covering our Scope 1 and 2 emissions, together with those Scope 3 emissions we're required to report on.

• Our commitment to reducing our capital carbon emissions (Scope 3 emissions that arise as a consequence of building and maintaining our assets) by 70%, against a 2010 baseline.

• A 46% reduction in total pollutions and a 72% reduction in serious pollutions by 2030.

• First interconnectors delivered and integrated into our water network alongside progress on two new reservoirs to build water resilience.

Leadership

The Company's Board offers a diverse set of skills and backgrounds, including experience in environment and sustainability. Our Chief Executive Officer, Mark Thurston, is a Visiting Professor at the Bartlett School of Sustainable Construction at UCL and the School of Complex Project and Programme Leadership at Loughborough University. He is also a Fellow of the Institution of Civil Engineers.

Our Chair, Dr Ros Rivaz, is Chair of Anthropy's East of England Alliance, a regional sub-group of Anthropy, which is a national membership network for leaders to convene to foster a stronger, fairer and more sustainable future for Britain. The group's current focus is around building regional collaboration on green skills, to tackle climate change and social mobility.

The role of the Audit and Risk Committee

The Audit and Risk Committee plays a key role in monitoring the Company's financial reporting, reviewing the material financial judgements and assessing the internal control environment; ensuring information is accurate, timely, reliable and compliant. The Committee provides effective oversight of both financial and non-financial disclosures, including climate-related financial disclosures. The Committee reviews Principal and Top Tier risks bi-annually.

The role of the Remuneration Committee

The Remuneration Committee plays a key role in ensuring that climate change and our impact on the environment — along with other Environmental, Social and Governance issues — are considered at the top of the organisation. 50% of variable executive remuneration is already aligned to our Purpose and selected ESG measures. These measures include pollutions, leakage, abstraction compliance, water quality compliance, customer support and per capita consumption. Performance metrics are agreed by the Committee at the start of the financial year, or performance period.

The role of the Nomination Committee

The Nomination Committee's primary function is to advise the Board, in relation to the appointment of executive and non-executive directors. The Committee is responsible for monitoring that the Board has the right balance of skills, experience, and knowledge and makes recommendations to the Board accordingly.

Prior to commencing the search for new directors, the Committee reviews the Board skills matrix - which covers Environment and Sustainability, including climate change. This matrix informs the recruitment process for new independent non-executive directors.

Climate and nature-related governance

The Anglian Water Services (AWS) Board			
Oversight of Principal and Top Tier Risks			
Audit and Risk Committee Review the Company's Principal and Top Tier risks	**Remuneration Committee** Remuneration policy linked to Principal and Top Tier Risks	**Regulatory Compliance Committee** Regulatory compliance linked to Principal and Top Tier Risks	**Nomination Committee** Balance of skills, knowledge, experience and diversity on the Board
Executive Committee			
Sub-committees led by Executive Committee members:			
Environment and Sustainability[4]	Financial and Commercial	Business Unit Performance Reviews[1]	Asset Management
Risk, Assurance and Disclosure	Regulatory Compliance Oversight[3]	Strategy and Change[2]	
People	Reservoirs	Health, safety wellbeing and security	
Reputation	Sustainable Growth - Sustainable Growth Steering Group	Pollutions and Flow	

[1]Business Unit Performance Reviews – Contains Water Recycling, Water, Customer, Operations and Capital Delivery performance reviews.
[2]Strategy and Change – Includes delivery of our Enterprise Strategy
[3]Regulatory Compliance Oversight – A new Regulatory Compliance Oversight Committee
[4]Environment and Sustainability – The following groups are related to our climate/nature governance:

- The Climate and Carbon Steering Group
- Water Quality and Environmental Compliance Group
- Nature-based Solutions Strategy Group

Six Capitals Framework

The Six Capitals framework for decision making is an approach we first introduced back in 2015. This framework helps us balance natural capital, alongside social, people, intellectual, manufactured and financial capital, to shape investment decisions. The six capitals framework also informed the development of our Purpose Impact Assessment, which we developed to help us understand and report honestly and transparently on our impacts on the environmental and social prosperity of the region we serve.

b. Describe management's role in assessing and managing climate-related risks and opportunities and nature-related dependencies, impacts, risks and opportunities.

Executive Committee

Our Executive Committee is made up of Anglian Water's leadership team. The Committee meets monthly where they discuss issues related to climate and nature-related impacts and dependencies.

These meetings are often shaped by the agendas and outcomes of groups across the organisation. The Committee consists of our Chief Executive Officer, along with key decision makers, who chair many of the groups cited throughout this report.

The Executive Committee plays a key role in ensuring the delivery of our performance commitments, which include climate and nature-related targets. Responsibility for delivery of targets is cascaded throughout the Company, as everyone has a role to play in delivering on our Purpose.

The Risk, Assurance and Disclosure Executive Committee reviews principal and top-tiers risks registers regularly. Climate and nature-related impacts and dependencies are key elements of this review.

Dr Robin Price is responsible for leading Anglian Water's Environment Strategy and associated ambitions and targets. He is Director of Quality, Environment and Assurance at Anglian Water on our Executive Committee. He holds a degree in Biological Sciences and a PhD in advanced water treatment, and has more than 20 years' experience in scientific and environmental roles. Prior to his role at Anglian Water, he served as Managing Director of Water Resources East, where he co-created a multi-sector, regional integrated water management plan for the East of England. Dr Price brings a strong track record in collaborative, catchment-based planning, supporting the Company's ambition to protect the environment, enhance water quality and build long-term resilience**.**

Environment and Sustainability Executive Sub-committee

Robin chairs the Environment and Sustainability sub-committee, which meets quarterly and governs matters relating to our Purpose, environmental impact, sustainability, climate change and related matters. A summary of the discussion and actions is shared with the full Executive Committee, with an update shared onwards to the Board. A number of groups report into the Environment and Sustainability Committee, including the Climate and Carbon Steering Group, which Robin also chairs.

Carly Leonard is Sustainability and Environment Director at Anglian Water and is a member of our Senior Leadership Team, providing strategic leadership on sustainability and environmental performance within the Quality, Environment and Assurance directorate.

Sustainable Growth Sub-committee

The Sustainable Growth Sub-committee provides strategic direction and leadership on growth, overseeing business-level risks linked to political and external drivers while ensuring that priority workstreams progress at pace. Meeting every six weeks, the committee sets the organisation's overarching growth narrative, aligns cross-business input, and supports decision making on key growth priorities. It reviews escalations from the Sustainable Growth Steering Group, considers performance and information papers, and agrees actions, key decisions and onward escalations to the Executive Committee.

The Climate and Carbon Steering Group

The Climate and Carbon Steering Group is responsible for progress against climate change mitigation and adaptation. The group meets monthly to discuss specific themes, including our AMP8 carbon reduction investments. The group also monitors our plans to develop renewable energy generation and consumption. Updates are provided to the Environment and Sustainability Committee when required, for example on our net zero carbon trajectory. This group has been integral to the development of our climate adaptation investment plans for 2025-2030, our Climate Change Adaptation Report and progress against our carbon commitments.

Water Quality and Environmental Compliance Group

This group meets weekly and monitors tactical and short-term operational strategies. It receives and reviews reports on matters relating to environmental issues, such as water recycling performance, supply/demand, biosolids and the quality of drinking water. The group is responsible for commissioning work, providing assurance to the business and external stakeholders, identifying lessons learned and ensuring they are communicated.

Nature-based Solutions Strategy Group

The Nature-based Solutions Strategy Group is accountable for developing and implementing Anglian Water's nature-based policies in line with long-term business plans, advising portfolio delivery on strategic direction and championing nature-based solutions across the business and beyond. The strategy group comprises those key stakeholders from across the business invested in the design, delivery and maintenance of nature-based solutions. The Group collectively explores opportunities for nature-first solutions across both Water and Water Recycling, ensuring to support operational readiness, defining a clear framework for funding and overcoming the challenges associated with a nature-first approach. The Group regularly reviews industry best practice and innovation and works together to increase the appetite for nature-based solutions across the business and beyond.

Sustainability Community

Anglian Water's Sustainability Community allows Anglian Water employees and alliance partners to engage with sustainability-related activities. This ensures that input into the climate change, carbon and sustainability agenda is open to all. This community aims to harness these ideas and the widespread commitment to sustainability across Anglian Water and our partners.

c. Describe the organisation's human rights policies and engagement activities, and oversight by the Board and management, with respect to indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of — and response to — nature-related dependencies, impacts, risks and opportunities.

Stakeholder considerations and engagement

Our Articles of Association require Anglian Water to conduct its business and operations for the benefit of shareholders, while delivering long-term value for the Company's customers, the region and the communities it serves, alongside seeking positive outcomes for the environment and society.

Engagement with stakeholders is central to shaping, informing and challenging our strategic plans. We have set out, in detail, how we have engaged with our customers and community in the Section 172 statement.

In the development of our Drainage and Wastewater Management Plan (DWMP), we worked in collaboration with a range of stakeholders, including county and district councils, the Environment Agency, the River and Wildlife Trusts and Natural England, to identify catchment risks and any partnership working opportunities.

Our Water Resources Management Plan (WRMP), updated in April 2025, has been guided by the water needs of our region — taking into consideration customer and stakeholder views to develop an affordable, sustainable pathway that will benefit our customers, society and the environment. We also work with key partners in our region to contribute to the Water Resources East Regional Plan.

We encourage and gather views from customers and communities through a wide range of engagement approaches, including research, direct conversations and formal forums such as our online community and Customer Board.

We work with other stakeholders outside of the business to challenge us on our plans. For example, our Independent Challenge Group (ICG) is made up of a group of independent subject experts and regulators. The Chair of the ICG is Craig Bennett, Chief Executive Officer of The Wildlife Trusts, who acts in this role in a personal capacity. He is an Honorary Fellow of the Chartered Institute of Water and Environmental Management (CIWEM) and was recently awarded an OBE for services to the environment. As Chair, Craig has committed to attending a full Anglian Water Board meeting at least once a year and Dr Ros Rivaz, Anglian Water Chair, has attended one ICG meeting. Our Chief Executive Officer, Mark Thurston, is engaged with ICG. Board engagement is critical to the success of the ICG and now reflected in their terms of reference, which were re-written at the end of 2025 to reflect the group's growing role and increased board-level engagement.

Stakeholder considerations and engagement (continued)

We are in the process of establishing our A-WINEP Steering Group, which will provide challenge and scrutiny on our environmental investments. The first meeting took place in March 2026 and focused on bringing the group up to speed on progress and key decisions made to date regarding the structure and outputs of the programme, including activity beyond our regulatory commitments. The meeting also covered governance arrangements and explored how the group would like to be involved going forward, including the types of updates they would find most valuable and how their influence can help support the programme.

Human rights

Through the Anglian Water Group Human Rights Policy, (which draws upon the International Bill of Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work), we seek to prevent or mitigate adverse human rights' impacts and continue to look for ways to support the promotion of human rights within our operations.

Our Whistleblowing Policy and Procedure is there for when an employee or someone working on our behalf wishes to raise a concern on a range of matters, including damage to the environment.

See our Non-financial and sustainability information statement, for more on the relevant policies, documents and reports that govern our approach to human rights.

Nature-related advocacy

We are keen to input, influence and shape the external political and regulatory environment, to enable us to deliver environmental benefits.

This engagement is coordinated through our Policy and Public Affairs team and focuses on supporting policy frameworks that enable positive outcomes for nature. Our advocacy and engagement includes contributing to policy discussions and consultations on persistent pollutants, such as PFAS, where we support approaches that prevent environmental harm at source and strengthen waste and chemical management.

We also engage on emerging issues such as microplastics, providing technical input to support evidence-led policy development. In addition, we engage on water efficiency and demand management, including policy discussions related to product labelling, building standards and water reuse. This engagement aims to support long-term resilience of water resources and reduce pressure on the natural environment.

We also argued strongly in favour of government action to enable water companies to make more ambitious use of nature-based solutions, in our submissions to government consultations, the work of the Independent Water Commission and now the Clean Water Bill.

Through this activity, we seek to ensure that nature-related considerations are reflected in policy development and that regulatory frameworks support the protection and enhancement of the natural environment over the short, medium and long term.

Strategy

a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

d. Describe the principal climate-related risks and opportunities arising in connection with the Company's operations and the time periods, by reference, to which risks and opportunities are assessed.

Our region is one of the driest in the UK, and also low-lying, which makes us prone to both drought and flooding. In recent years, we have experienced the impacts of climate change, with hotter, drier summers, including heatwaves and drought, and warmer, wetter winters which have caused flooding. We have known for many years that we are in a climate emergency. In the summer of 2022, the temperature in Coningsby in Lincolnshire exceeded 40 degrees Celsius – the highest temperature ever recorded in the UK. Without rapid action, we know that this could evolve into a climate disaster. This makes it impossible to ignore the need to tackle our emissions, alongside building resilience across our asset base to weather the climate impacts we are already experiencing.

Transition to a low-carbon business

We first began our decarbonisation journey at Anglian Water in 2010. We came early to the realisation that we had a clear duty to tackle our emissions – not just because the water sector is generally one of the most energy-intensive, but because the rural nature and flat landscape of the region we serve means we need to use more energy than most to pump water to where it is needed. In 2021, we made a commitment to reach net zero by 2030. This is defined as net zero emissions, where we have operational control, as set out in our Net Zero 2030 Strategy.

We've since been implementing actions, as outlined in our Net Zero strategy, alongside adapting to changing circumstances. The Covid-19 pandemic and the conflict in Ukraine have had significant impacts, in particular on energy and commodity markets, which have changed the affordability of some of our actions. Recognising current national and international dialogue around net zero targets, continued scientific advances around the quantification of greenhouse gases such as nitrous oxide, and the associated funding needs, we are currently reviewing our carbon reduction approaches and targets. This will enable us to be clear as to what we will have achieved by 2030, based on our current plans, and what work will need to continue beyond that date. We will do this while striking a balance between government expectations, funding and investment opportunities alongside affordability for customers.

We remain committed to decarbonising our business. Our ambition is to build resilience to a changing climate, enable the region we serve to adapt and to continue to be regarded as a climate leader in the water sector, and across the UK. Our strategy contains more detail on the risks associated with transitioning to a net zero carbon business. Overall, we have a comprehensive approach to climate change, of which our transition risks form a key part. Read more in our Climate Transition plan.

Climate-related risk and adaptation

In 2024, we submitted our Climate Change Adaptation Report to the Department for the Environment, Food and Rural Affairs (Defra), under the Adaptation Reporting Power of the UK Climate Change Act (2008). This is the fourth submission we have made. Its purpose is to outline progress we have made in adapting to our climate change risks since 2021, contribute to the Government's understanding of the UK's level of preparedness to climate change and inform other ongoing work on climate adaptation.

Since 2020, we have observed increased risks related to raw water quality and sewer flooding. Raw water quality relates to the quality of the water we clean and put into supply. Sewer flooding risks have increased in response to the heavy rainfall and stormy weather experienced in recent years, and we have seen the damaging impact on both our assets and performance. Our strong adaptation progress has reduced our risk related to interruptions to supply from extreme weather events.

Our changing climate is also impacting nature. For example, changing cropping patterns are impacting the types of crops being grown and sold, the use of different pesticides and changes to the chemical run-off into waterways, alongside biodiversity impacts. Furthermore, warmer water and transferring water resources across the region could put us at greater risk of invasive non-native species.

We have identified greater risks across our operations that impact both climate and nature:

• A hotter, drier climate will reduce water available for abstraction, whilst hotter temperatures will increase customer demand.

• Saltwater intrusion, due to sea level rises, will put an increased number of water sources at risk, alongside a loss of assets due to coastal erosion.

• Increasingly intense rainfalls will put pressure on sewer systems.

• Wetter winters will lead to rising groundwater levels, which could also impact water quality and increase infiltration into our sewer network.

We use climate scenario analysis to test how our strategy performs under different future conditions, including more extreme drought and flooding scenarios. Where these scenarios indicate increased risk, we would accelerate investment in resilience, including water resource capacity and flood protection, and prioritise nature-based solutions where these deliver long-term value.

Understanding the impacts of multiple hazards, compound and cascading risks are all essential to maintaining services to our customers and to meet our environmental objectives.

Climate-related risks and opportunities are already reflected in our long-term investment plans. Under more severe scenarios, this could increase the scale and timing of investment required, particularly in relation to asset resilience and environmental protection.

Physical Risks

We have aggregated our climate risks into five key headline themes, as shown in Table 1. Short term is defined as within the next five years. AMP cycles last five years, the current cycle being 2025-2030, so short term is broadly aligned to the current AMP. Medium term covers the following AMP, and long term addresses a maximum time horizon of 25 years. Our five-year investment plans and associated Ofwat Performance Commitments (PCs) provide one lens through which we can understand the financial implications of climate-related risks, particularly in the short term. However, as climate risk affects the full breadth of our operations, it is embedded across our entire investment programme rather than isolated to individual measures. PC performance and associated incentives or penalties reflect a range of operational and service factors, and therefore should not be interpreted as a direct measure of the cost of climate risk itself. Instead, they measure our short-term response and performance against the quality of service targets that Ofwat establishes through its Price Review, while the overall cost of managing climate risk is captured more holistically through long-term planning and investment strategies.

Table 1: Key physical risks

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
Security of public water supply Short, medium and long term – chronic risk	Hotter, drier summers increasing drought severity and frequency, combined with forecast population growth.	On customers: • Increase in interruptions to supply • Low water pressure issues. • Drought restrictions more commonplace. On Anglian Water: •Impact on our financial penalty/reward position. • Increase in operating costs, to deal with periods of drought. • Increase in capital investment required.	We maintain a 25-year Water Resources Management Plan (WRMP), which quantifies the need and recommends investment to maintain supply-demand balance and avoid water shortages in the context of drought, population growth, and abstraction reductions for environmental protection. This 25-year plan is refreshed every five years, to incorporate short, medium and long-term actions.	The most relevant Ofwat PCs for this key risk are: • Leakage • Per capita consumption • Business demand • Water supply interruptions	*Annual Impact* Performance against PCs linked to Security of public water supply showed we were in a net penalty of £10.96 million. *Planned investments* Over the AMP, we have £1.7 billion worth of supply resilience projects in development. C.£700 million is related to our strategic water grid interconnectors, and £800 million on two reservoirs and the development of two major desalination schemes. £200 million is earmarked for other short-term supply-side improvements.
Risks to our assets from flooding Short, medium and long term	Increased frequency of periods of heavy rainfall combined with wetter, warmer winters.	On customers: • Increase in interruptions to supply. On Anglian Water: • Impact on our financial penalty/reward position as well as environmental penalties. • Increase in operating costs, to deal with heavy rainfall	As set out in our Drainage and Wastewater Management Plan (DWMP), the next 25 years will increase flood risk in many catchments in the East of England, due to more intense rainfall, resulting from climate change. The	The most relevant Ofwat PCs for this key risk are: • Water supply interruptions • Unplanned outage • Pollution incidents • Treatment works compliance	*Annual Impact* Performance against PCs linked to Risks to our assets from flooding showed we were in a net reward position of £5.06 million. *Planned investments* Climate change will increase the frequency and severity of

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
		and associated flooding. • Increase in capital investment required. • Reputational damage.	risk is particularly acute for coastal areas, considering 28% of our region is low-lying. Our long-term approach to addressing hydraulic flooding is outlined in our DWMP strategic planning framework. The DWMP presents a catchment-level long-term strategy for addressing flooding over a 25-year horizon and recognises that hydraulic flood risk is the collective responsibility of a wide number of stakeholders, including the water sector. This approach delivers over a short, medium and long-term timeframe.	• Bathing waters attaining excellent status	heavy rainfall events, with warmer, wetter winters. Our AMP8 Business Plan includes a proposed allowance of £29 million across our operations to increase resilience to climate change. This allowance includes flooding resilience and broader climate resilience, such as power. Our plan also includes investments to mitigate against the impacts of surface water flooding at key water production assets, including boreholes, which are highly susceptible to flooding. This is to ensure that the impacts of heavy rainfall and sea level rises can be mitigated in the medium to long term.
Risks to sewer flooding from extreme rainfall	Increased frequency of periods of heavy rainfall, combined with wetter, warmer winters.	On customers: • Internal and external sewer flooding and impact on customers' homes. On Anglian Water:	As set out in our DWMP, the next 25 years will increase flood risk in many catchments in the East of England, due to more	The most relevant Ofwat PCs for this key risk are: • Internal sewer flooding	*Annual Impact* Performance against PCs linked to Risks to our assets from flooding showed we were £11.44 million in net reward.

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
Short, medium and long term – chronic risk		• Impact on our financial penalty/reward position as well as environmental penalties. • Increase in operating costs to deal with heavy rainfall and associated flooding. • Increase in capital investment required. • Reputational damage.	intense rainfall, resulting from climate change.	• External sewer flooding	*Planned investments* Our AMP8 Business Plan included proposed capital investment of c.£108 million over the next five years to help mitigate the risk of flooding of properties. This investment will enhance resilience across our sewerage network, to reduce the risk to properties and external flooding.
Risks to raw water treatment from reduced water quality Short, medium and long term – chronic risk	High intensity rainfall events are accelerating soil erosion, leading to increasing concentrations of nutrients in raw water supplies. High temperatures lead to increased algal blooms, which can result in treatment challenges	On customers: • No impact. On Anglian Water: • Impact on our operating costs due to increased treatment costs. • Reputational damage.	Wet weather can negatively impact the quality of water we take out of rivers, reservoirs and our groundwater, due to higher turbidity and sediment-bound pollutants. To tackle this in the short-term, we have instigated a programme to use weather station data to plan our abstraction regimes. Catchment management provides a longer-term	Our raw water quality is shaped by a complex mix of factors, including climate-driven weather extremes, agricultural activity and emerging contaminants. We respond through catchment management, targeted investment in treatment, and smarter, weather-	*Annual Impact* Performance against PCs linked to Risks to raw water treatment from reduced water quality showed we were £2.62 million in net penalty. *Planned investments* Although climate change is not the primary driver of water quality - in particular, PFAS is unrelated - the impacts will be worse in the future if left unmanaged. We have £212 million planned over AMP8 to protect raw water quality through

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	and reduce the efficiency of our treatment.		solution. We are sharing local data with other water users and land managers, to make informed decisions to protect our water resources.	responsive abstraction.	schemes that will remove nutrients such as nitrates and PFAS from raw water.
Risk of service interruptions and interdependent risks Short, medium and long term – chronic risk	Hotter drier summers and warmer, wetter winters could lead to prolonged drought and wetter periods, impacting the performance of our assets and those other infrastructure assets (e.g. power infrastructure), on which we rely.	On customers: • Increase in interruptions to supply. On Anglian Water: • Impact on our financial penalty/reward position, as well as environmental penalties. • Increase in operating costs to deal with heavy rainfall and associated flooding. • Increase in capital investment required. • Reputational damage.	We have moved from a reactive to a coordinated and proactive incident management system, embedded across our whole business, to manage and mitigate the impact of any disruptive event, including those from prolonged and extreme weather events. We are active participants in the Climate Resilience Demonstrator (CReDo) project, which aims to prevent cascade failure with the interconnected infrastructure network. We have gone beyond simply undertaking a study into climate-vulnerable	The most relevant Ofwat PCs for this key risk are: • Water supply interruptions • Unplanned outage • Serious pollutions • Total pollutions • Internal sewer flooding • External sewer flooding • Discharge permit compliance	*Annual Impact* Performance against PCs linked to Risk of service interruptions and interdependent risks showed we were £16.52 million in net penalty. *Planned investments* Proposed investments within the 'Risks to our assets from flooding' are relevant here. These investments will make the network more resilient and reduce the risk of interruptions to supply.

Key risk	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
			mains. Building on this work, we successfully made the case for additional expenditure allowances to fund a targeted replacement programme, which is now being delivered. Our study identified mains that are vulnerable to bursts, as a consequence of drought-induced soil shrinkage. It further highlighted the pressing need to make vital assets resilient and fit for the future. A tool has been developed to assess the potential failure of assets due to extreme high temperatures – likely to be more common in the future.		

Transitional Risks

Transitional risks arise from the shift to a low-carbon and greater environmental regulation, supported by changes in policy, regulation, technology and market expectations. For our business, these risks include the pace of decarbonisation of the energy system, evolving environmental standards, and the need to respond to changing customer and stakeholder expectations.

Our approach is to mitigate these risks over the short, medium and long term through our adaptive planning and investment programme. Our Business Plan sets out the investments needed to both adapt to and mitigate these changes, while ensuring we remain flexible to evolving requirements. However, we recognise that some residual risk will remain. Our robust, risk-based approach ensures we focus on the areas that are most material and pervasive, aligning our response with our long-term ambitions. This adaptive approach allows us to respond to changing circumstances while limiting bill impacts by only investing where and when solutions are needed.

Table 2: Key transitional risks

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
The pace of grid decarbonisation Short and medium term	Future energy policy direction affecting future electricity markets. Premiums for green electricity. Grid pricing mechanisms. Planning challenges for	Changes in the pace of grid decarbonisation will impact the magnitude of our residual emissions, as well as the cost effectiveness of future energy-efficiency measures. Uncertainty in the future financial balance between the cost of investing in energy efficiency and the cost of low-carbon energy.	Continued wider market engagement to better understand future grid electricity tariff scenarios, in particular, green electricity and energy sleeving, to have a more informed electricity procurement strategy. Continued engagement with our solar investors, EPC contractors and distribution network operators, to ensure solar portfolios are delivered.	The most relevant Ofwat PCs for this key risk are: • Green gas emissions (water) • Greenhouse gas emissions (wastewater)	Demand for green energy has been rising in recent years, with both domestic and non-domestic customers driving this increase. For companies to report on the amount of green energy they have procured and used from the grid, they need to demonstrate that the energy used has been generated from renewable sources. Renewable Energy Guarantees of Origin (REGO) certificates are obtained to show this. Prices are prone to volatility,

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	onshore wind and solar PV. Grid capacity issues affecting renewables grid integration.		Engagement with Government consultations on the future of electricity generation, supply and markets. Monitoring of planned solar investments in our region (outside of our own land), to identify and benefit from annual solar generation by 2030 and beyond. Continued engagement with local authorities, to monitor planning risks for onshore wind in our region. Encouraging employees to challenge and report areas where energy efficiency can be improved.		which is expected to continue into the future. We have ‘front of meter’ corporate purchase power agreements to procure renewable energy, directly from generators, to reduce our reliance upon standard ‘brown’ grid energy, where the generation mix is dominated by fossil fuels.
Societal and legislative views on environment and net zero carbon Short, medium and long term	Increased media interest and changing public attitudes to environmental issues may increase focus on improved environmental policies.	Potential for increased investment in environmental protection schemes. As an energy-intensive sector and with GHG emissions associated with water treatment, potential for increased costs.	The delivery of infrastructure affords the opportunity to deliver other positive environmental outcomes – for example nature-based solutions and through our partnership work, such as Future Fens. Strong relationship with delivery partners to deliver low-carbon solutions, as seen through our historic and ongoing commitment to reducing the capital carbon in our assets.	The most relevant Ofwat PCs for this key risk are: • Greenhouse gas emissions (water) • Greenhouse gas emissions (wastewater) • Lower carbon concrete assets	Following consultation with our customers and other key stakeholders, our AMP8 Business Plan, submitted in 2023, includes a proposed allowance of £7 million towards net zero carbon. This is in addition to the proposed £75 million for Nitrous Oxide reduction projects.

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	Changing Government tax income may lead to a focus on carbon as a mechanism to raise tax income.		Regular engagement with the UK Government, regulators and other stakeholders to shape policy outcomes.		We have proposed investments over the longer term. This reflects wider societal priorities and identification of the need to invest in the environment for long-term prosperity.
Investment levels required Short, medium and long term	Higher levels of investment required to meet more stringent environmental standards, improve resilience, adapt to climate change and meet long-term targets. The current regulatory model means that such investment will ultimately be	Increase to how much customers will have to pay, has the potential to affect affordability for those struggling financially.	Taking affordability into account, as part of the planning and investment process — through customer consultation and macro-economic analysis. Assisting the most vulnerable customers, through a range of packages. Carefully planning investments, to deliver optimum outcomes, while keeping costs to a minimum.	The most relevant Ofwat PCs for this key risk are: • Customer measure of experience (C-MeX) • Developer measure of experience (D-MeX) • Business and Retail measure of experience (BR-MeX)	Customers want us to ensure a sensible balance between ambition, affordability and intergenerational fairness. While necessary increases to investment will raise bills in the long-term, we have tested our proposals with customers and stakeholders, to make sure they reflect the things that matter most to them and that they represent the best value for our region. For customers who are struggling to pay, we have a wide range of support available.

Key transitional risks	Drivers	Potential impact	Response to risk	Related metrics and targets	Cost of response to risk
	funded through customer bills.				
Nitrous Oxide Emissions Short, medium and long term	Uncertainty over the emissions factor for Nitrous Oxide emissions.	Potential increase in reported Nitrous Oxide emissions, resulting in an increase in overall reported CO2e emissions.	A change in the N2O emissions factor has increased process and fugitive emissions across the sector. From 2026, the UK Government Greenhouse Gas inventory has adopted the 2019 refinement to the 2006 Intergovernmental Panel on Climate Change (IPCC) N2O emissions factor for secondary wastewater treatment of 1.6% - an increase from 0.4%. Secondly, the IPCC refinement has led to an increase to the nitrogen load figure from 8g total nitrogen per population equivalent a day to 17.74g, based on UK government statistics for average protein consumed per capita. Overall, this has resulted in an approximate seven-fold increase in reported N2O emissions from this year.	The most relevant Ofwat PCs for this key risk are: • Greenhouse gas emissions (water) • Greenhouse gas emissions (wastewater)	Our Business Plan for AMP8 contains proposed enhancement investments in various Nitrous Oxide reduction approaches. Ofwat confirmed £75 million for the delivery of Nitrous Oxide reduction projects. Our aim is to reduce emissions and provide valuable understanding that can be applied to our various sites, if reductions can be achieved in a cost-effective way. If the Nitrous Oxide emissions factor increases, the investment improves in tonnes CO2e saved/£ invested, but the size of reported emissions increases.

Our opportunities

Our governance structure enables us to identify climate and nature-related opportunities. This has allowed us to develop strategies for success, for example, through the green/sustainable financing that we undertake as discussed in the section below. We are encouraged to innovate and seek sustainable solutions that deliver environmental and societal benefits. We collaborate with many organisations, including: working with the aviation industry to understand the role of biosolids in the development of sustainable aviation fuels; recovering waste heat from our sludge treatment processes in line with circular principles; hosting battery boxes on our sites to deliver increased renewable electricity to the grid and improve network resilience; and leading the development of a framework to increase uptake of green steel. Our key opportunities are centralised and reviewed within the Climate and Carbon Steering Group and outlined in Table 3 below.

Table 3: Key opportunities

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
Spend to save programme Short and medium term	Increased cost of energy.	• Reduction in operating costs. • Reduction in operational and capital carbon. • Reduction in energy consumption. • Reduction in reliance on grid power, increasing grid resilience.	We have a dedicated initiative to identify opportunities to reduce energy, carbon and cost. Funding is made available for this initiative, providing it pays back in five years or less. We also consider investments that may pay back over a longer period of time.	The most relevant Ofwat PCs are Greenhouse gas emissions (water), Greenhouse gas emissions (wastewater).
Correlation of reducing, carbon reduces cost Short and medium term	Need to reduce carbon footprint and align with our net zero target.	• Reduction in capital investment required on projects. • Reduction in operational and capital carbon.	Our strategy is consistent with the international standard for capital carbon management, PAS 2080, which we assisted BSI to develop. The PAS 2080 standard aims to achieve a systematic process for infrastructure delivery, in which carbon management — under the direct control of the value chain — is the main focus. The introduction of electricity and gas smart meters at many of our sites is giving us a better understanding of consumption, allowing us to optimise energy reduction solutions.	The most relevant Ofwat PCs are Greenhouse gas emissions (water), Greenhouse gas emissions (wastewater).
Uptake of renewable energy Short, medium and long term	The rising cost of grid power and the increasing appetite for renewable power.	• Reduction in operating costs. • Increase in green-energy consumption. • Reduction in the energy required to be imported and opportunities to export.	Investment in the optimisation of our combined heat and power (CHP) programme, biomethane programme and solar photovoltaic installations on and adjacent to our sites. Long-term renewable energy procurement.	The most relevant Ofwat PCs are Greenhouse gas emissions (water), Greenhouse gas emissions (wastewater).

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
Uptake of catchment and nature-based solutions Short, medium and long term	The need to protect and restore natural ecosystems, while minimising our carbon footprint. The need to maintain water quality and availability.	• Supports net zero commitment, by reducing the need for carbon intensive infrastructure and offsetting opportunities. • Potential cost savings over transitional infrastructure solutions, particularly through reduced operational expenditure. • Improves resilience of water treatment assets.	We are investing in additional treatment wetlands, to reduce reliance on expensive, carbon-intensive infrastructure and conventional chemical dosing, and are currently progressing 17 wetlands through various stages of design and land negotiation, with the first wetland at Everton delivered in Year 1.	The most relevant Ofwat PCs are Bathing water quality, River water quality, Storm overflows, discharge permit compliance.
Multi-partnership approach and use of digital innovation to improve ecological quality Short, medium and long term	The need for a catchment approach, to tackle environmental challenges in the region. Development of digital innovation as a solution to concerns around environmental quality.	• Drives more efficient environmental outcomes. • Use of digital innovation through working with partners unlocks new opportunities to monitor, understand and improve river water quality.	• Partnership working continues across our Advanced WINEP programme and our community and partnerships programme to support targets on surface water and spill management, e.g. our multi-agency approach. • Working with Government and nutrient dischargers in catchment, to develop plans to reduce nutrient loads to unlock opportunities to enable sustainable economic and housing growth, while improving ecological quality. • Continue to explore partnerships for innovation, e.g. Headstart Ofwat Innovation Project.	The most relevant programme for this work is our Water Industry National Environment Programme and our Advanced Water Industry National Environment Programme.
Diversify revenue streams, utilising by-products of water	The need for resource efficiency and a circular transition.	• More efficient use of resources, producing environmental benefits.	•Continue to explore opportunities and innovate with partners to utilise by-products of water treatment and water	As part of our zero waste to landfill ambition, we aim to ensure that

Key opportunity	Drivers	Impact on business	Strategy to realise opportunity	Related metrics and targets
and wastewater treatment Short, medium and long term		• Revenue generation, through utilising by-products of wastewater treatment.	recycling, e.g. through our Bioresources Strategy. This includes exciting opportunities to use sewage sludge as a feedstock for advanced thermal conversion processes, such as production of sustainable aviation fuel to help the UK meet targets to decarbonise the aviation industry, or ammonia/biogas recovery through HTO. The latter of these is part funded through the Ofwat innovation fund Water Breakthrough Challenge. • Our award-winning Triple Carbon Reduction Project aims to create a circular system to reduce carbon and recover resources through a innovative solution combining green hydrogen generation and an alternative wastewater treatment process.	100% of our biosolids are recycled, meaning zero end up in landfill.

Our dependencies and impacts on climate and nature lie at the core of our business. Our business model is structured to create long-term value for customers, investors, business partners and the wider community. Our strategic priorities are linked to our impact and dependence upon natural capital and underpin all our plans.

b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

e. Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.

b. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.

Financial impact

Our sector is facing unparalleled demand for investment in both the near and long-term future. We continue to ring-fence an element of the OPEX budget centrally, to ensure this is available when we incur additional costs as a result of weather events.

Over the past year, we incurred £10.2 million of extreme weather-driven costs, reflecting emergency tankering during the winter period and higher burst rates caused by prolonged low soil moisture during the hot summer. Alongside this, we faced increased power costs associated with replacing water lost through leakage and refilling reservoirs, following heatwave-driven demand. This excludes any impacts on our Ofwat-related PCs. If we fail to meet our targets which have a financial reward or penalty associated, the costs to our business can increase.

The impact of climate change is incorporated into our key assumptions and significant judgements in Table 1. This discusses the risks in relation to our water mains network, in conjunction with the investment required for climate vulnerable mains.

Sustainable finance

In 2017, the Board led the business to become one of the first utilities to raise sustainable finance through a Green Bond. Sustainable/green finance covers investments that meet ESG standards and ensures funds are used to pay for projects that drive sustainable growth, protect or enhance the environment, or help us deliver against our Purpose.

Green Bonds financed in line with our latest framework (2024) will contribute to four eligible sustainable categories: sustainable water and wastewater management, terrestrial and aquatic biodiversity, renewable energy and affordable basic infrastructure.

The sustainable debt we have raised to date includes both use of proceeds debt and sustainability-linked financing. For more information on how the proceeds have been allocated and our progress against these targets, please refer to the Sustainable Finance Impact Report.

Our Climate Transition Plan, published in 2025, sets out how we will achieve carbon reductions, with our reduction strategy covering seven key areas:

- Maximising energy efficiency and renewable energy generation and storage.
- Procuring green electricity.
- Decarbonising our fleet.
- Maximising the value of our biogas.
- Managing our process emissions.
- Opting for alternative fuels.
- Developing our offsetting strategy.

Transition to a low-carbon business

Recognising the impact of the Covid-19 pandemic and the conflict in Ukraine, in particular, on energy and commodity markets, this has changed the affordability of some of our decarbonisation actions. We are still taking positive actions to reduce our emissions. Over the next five years, we will be instigating a number of carbon-reduction approaches, including:

Nitrous Oxide (N_2O) reduction technologies

Under the Net Zero challenge fund at PR24 we secured c.£75 million of investment to introduce 17 N_2O reduction projects at 16 sites across four technology types – liquor recovery, containment and treatment, real time control and Membrane Aerated Biofilm Reactor (MABR). These approaches will deliver CO_2e savings, while providing valuable insights and learnings as to the most appropriate technologies to be employed in the various wastewater treatment contexts. This learning will be shared with the wider water sector, to inform post 2030 N_2O reduction approaches and investments.

Electric HGVs

We will be introducing a number of electric HGVs and associated charging infrastructure across our operations in 2025-2030. These vehicles afford large scale CO_2 reductions, compared to traditional diesel vehicles. In 2021, when our Net Zero 2030 Carbon Routemap was published, we did not envisage the introduction of electric HGVs, instead believing that Hydrogen HGVs would be available post-2030. However, electric vehicle technology has moved forward more quickly than expected. This is a small example of retaining flexibility in our net zero approaches – adopting unforeseen technologies when they arise.

Methane (CH_4) capture

We will be developing a number of projects to capture further CH_4 at our sludge treatment centres. CH_4 has a much higher Global Warming Potential (GWP) than CO_2 and capturing this CH_4 will have a large benefit on our overall emissions.

Gas to Grid

Currently, at our sludge treatment centres, biomethane generated from the sludge treatment process is processed through Combined Heat and Power (CHP) engines, which generate heat for the treatment process and renewable electricity that is either used on site or exported to the electricity grid. As these CHP engines reach the end of their life, we are investigating the development of gas-to-grid schemes, where the biomethane generated is injected into the gas grid. This approach delivers greater carbon savings than the current CHP approach.

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

c. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.

f. Analyse the resilience of the Company's business model and strategy, taking into consideration different climate-related scenarios.

Anglian Water's overall resilience to climate and nature-related risk is addressed through various strategies and plans. These plans are always evolving; many are updated every five years. An overview of the several plans and strategies we are responsible for are outlined across, with an explanation of key plans below.

<table>
<tr><th colspan="3">Regulatory Required Strategic Plans*</th></tr>
<tr><th colspan="2">25 years+ outlook</th><th>Annual – five-year outlook</th></tr>
<tr><td colspan="2">Long-term asset plan (LTDS)</td><td>Pollution incident reduction plan (PIRP)</td></tr>
<tr><td>Water Resources Management Plan</td><td>Drainage and Water Recycling Management Plan</td><td></td></tr>
<tr><td>Drought Plan</td><td>Bioresources</td><td></td></tr>
<tr><td>Drinking Water Plan</td><td></td><td></td></tr>
<tr><td colspan="2">Climate Adaptation and Migration</td><td></td></tr>
<tr><td colspan="2">Water Industry National Environment Programme (WINEP)</td><td></td></tr>
</table>

*pre-government-strategy transition arrangements

Table 4: Key strategies and plans

	Drainage and Wastewater Management Plan	Water Resources Management Plan and Drought Plan	Long-Term Delivery Strategy
Overview	Our Drainage and Wastewater Management Plan (DWMP) sets out our plans to manage and recycle water in our region and includes the scale of investment needed to reduce the risks and impacts of sewer flooding over the next 25 years. In our DWMP, we address the triple challenge we face from our rapidly changing climate, a fast-growing population and the need to protect our region's environment. Based on analysis tools, such as hydraulic modelling, we set out interventions that are needed across water recycling catchments to ensure our infrastructure is fit for the future. In our plan we highlight how we have assessed risk and carefully balanced the needs of our customers and the environment — for example, additional storm storage and nature-based solutions to reduce the risk of hydraulic overload. Our DWMP is updated every five years, with the second cycle under preparation for publication in 2028. This next DWMP is now a statutory requirement and must meet guidance issued by the Government. Our technical approaches will be refined further and continue to use an adaptive planning approach to test our plans against a range of climate scenarios. In addition, the new plan will be subject to an annual review, to understand material changes that could impact on the effectiveness of our interventions. Should the review reveal	Our long-standing statutory Water Resources Management Plan (WRMP) and Drought Plan set out how we will manage water supply and demand in our region. Both plans provide a comprehensive framework for modelling and assessing uncertainties, including climate change, to plan future water supplies. Our WRMP24 accounts for new challenges, such as increased resilience to enhanced drought. It also provides a long-term strategy for environmental improvement, focusing on the abstraction reductions needed to improve river flows. Our adaptive plans recognise that certain supply-side options take significant amounts of development time and will allow us to develop our understanding of water reuse, desalination and aquifer storage and recovery. Our WRMP will be updated every five years, setting out our plan for the next 25 years. This review will be undertaken using climate scenario modelling. In addition, the existing plan will be subject to annual review, which will include reference to the climate scenario analysis. As a consequence, the strategy may change to address identified risks and opportunities, as a consequence of the five-yearly (or sooner) revision. The impact of any changes related to climate change will be assessed as to the financial implications.	Our Long-Term Delivery Strategy (LTDS) looks ahead to 2050 and the 'core pathway' of investments and interventions required. It draws in information from our other long-term plans such as WRMP and DWMP. Our LTDS identifies key internal and external factors that could slow or advance reaching our ambition. The LTDS also considers the implications of uncertainty and extreme projections (such as a changing climate) through a series of 'alternative pathways', which we may need to switch to, should trigger points be reached. The completion of our LTDS was an Ofwat requirement for the PR24 process. We are required to monitor our current LTDS at least every five years. We expect our understanding of the risks — particularly over the long term — to continue to improve, including on the financial implications of challenges like climate change and growth.

	Drainage and Wastewater Management Plan	Water Resources Management Plan and Drought Plan	Long-Term Delivery Strategy
	substantial changes (e.g. higher population and housing development), large parts of the plan will be reviewed. Through this approach, our strategy will continue to track and respond to changing risks and ensure we stay focused on the right priorities. The implications for future investment — including where climate change may alter the scale, timing or type of interventions required — will be assessed through ongoing monitoring and review.	*Assessing our environmental impact* The environmental assessments undertaken, alongside the development of our WRMP24, are Strategic Environmental Assessment (SEA), Habitats Regulation Assessment (HRA), Water Framework Directive (WFD) assessment, Invasive Non-Native Species (INNS) assessment, Biodiversity and the Natural Capital Approach via Ecosystem Services Assessment (NCA via ESS).	
Modelling assumptions	*Climate scenario* A range of climate change scenarios, including UKCP18 RCP2.6 and RCP 8.5, plus six storm return periods (1:30, 1:75, 1:100, 1:250, 1:500 and 1:1,000). This plan covers a 25-year time horizon and is refreshed every five years. The climate scenario analysis undertaken every five years enables us to respond to updated climate risks and opportunities.	*Climate scenario* Based on UKCP18, through 12 bias-corrected Regional Climate Model (RCM) factors for RCP8.5. This modelling was carried out for each Water Resources Zone (WRZ) within our system. This plan covers a 25-year time horizon and is refreshed every five years. The climate scenario analysis undertaken every five years enables us to respond to updated climate risks and opportunities.	We have developed six alternative pathways, using Ofwat's common reference scenarios (climate change, demand, abstraction and technology) and our wider scenarios (water for energy and landbank availability), to identify higher-regret investment, not included in our core pathway. They are split into 'high' and 'low' assumptions about the future. *Climate scenario* For climate change, Ofwat expects companies to use UKCP18 projections for RCP2.6 and RCP8.5, to explore how these different climate futures affect their strategies – including their potential impacts on water resources, wastewater loads, flooding, and biodiversity – and to ensure the strategy is appropriate given these alternative climate assumptions. Ofwat considers that using the 50th percentile

	Drainage and Wastewater Management Plan	Water Resources Management Plan and Drought Plan	Long-Term Delivery Strategy
			probability level for each projection offers plausible high and low assumptions for setting common reference scenarios. The LTDS was an Ofwat requirement at PR24 and it is currently unclear whether this document will be required at PR29. We will be producing a long-term investment driven strategy, which will include climate scenario analysis.
Timeframe	Four time horizons: 2025, 2030, 2035 and 2050.	To meet current and future needs over a 25-year period (2025-2050).	Aligned with our existing strategic frameworks and the Government's long-term objectives to 2050 (2025-2050).
Key findings from modelling	The results clearly show the impact of climate change, as we look ahead to 2050. Using the RCP8.5 scenario (broadly equivalent to a 4 degree C temperature rise), we can see that fluvial flood risk (when a river bursts its banks) reduces slightly, while pluvial flooding (when heavy rainfall overwhelms the ability of the ground to absorb or drain water) increases slightly.	The results of the climate change scenario analysis identified that two of our 27 WRZs are particularly vulnerable to climate change and that there would be a material impact on the supply demand balance in another five WRZs. Climate change impacts were combined with other factors, such as growth, to understand the total impact on the supply/demand balance in each WRZ. This has helped inform better resilience strategies for the WRZs.	Our LTDS represents the best value plan for our region and we have extensively tested it, to ensure our core pathway is efficient, affordable and fair in both the short and longer-term, setting us up for a range of plausible futures. We have considered numerous solutions to create value across all components of the plan and we are clear how we will use base maintenance provision, alongside enhancement funding, in the long term.

Addressing climate-related challenges in our supply chain and wider sector

We work closely with our supply chain to deliver our capital programme. It is fundamental that we work together to reduce emissions. We began engaging with our supply chain on climate change in 2007, when we invited our key partners to HRH The Prince of Wales' first Mayday Summit. Since then, we've worked with our design and construction partners to reduce capital carbon by more than 66%, by 2025 against a 2010 baseline.

In 2016 we became the first organisation to be verified against PAS 2080, the world's first standard for managing carbon in infrastructure. In 2025, we were verified against the updated PAS 2080, which incorporates more issues around working with supply chains to reduce carbon.

At PR24 we were successful with the introduction of a bespoke Outcome Delivery Incentive for the delivery of lower-carbon concrete assets. Cement (the 'bonding' agent in concrete) and rebar (steel reinforcement) are amongst the highest carbon materials we use. Given this, and the high volumes of concrete we use in the construction of our assets, reducing the carbon associated with concrete presents a sizeable opportunity for the delivery of capital carbon savings. To deliver these reductions will require partnership working with a number of actors in our supply chain – designers, material suppliers, contractors and procurement – the concrete supply chain is complex and localised and to deliver the management of the various stakeholders will be key. We will also be working with the wider water sector in sharing best practice. The approach also affords opportunities to work with other infrastructure providers who have similar high demands for concrete.

Triple Carbon Reduction

Anglian Water is leading a first-of-its-kind innovation to transform how the water sector tackles process emissions, energy use and clean fuel generation.

The Triple Carbon Reduction project brings together Membrane Aerated Biofilm Reactor (MABR) technology and onsite hydrogen generation to cut carbon, improve treatment efficiency and produce renewable energy. Funded through the Ofwat Innovation Fund, the project responds directly to the Water UK Net Zero Routemap and focuses on three major sources of wastewater emissions: nitrous oxide from biological treatment, electricity use in aeration and reliance on fossil fuels.

Triple Carbon Reduction explores a new treatment that combines MABR technology with an electrolyser that generates hydrogen and oxygen. The oxygen is used within the MABR to enhance biological treatment and cut nitrous oxide emissions, while the hydrogen offers a new low carbon fuel source. The demonstration plant is located at Cambridge Water Recycling Centre and delivered through a consortium of 15 partners across academia, industry and the water sector.

Triple Carbon Reduction (continued)

Together, this integrated approach aims to:

• Eliminate nitrous oxide emissions, one of the sector's most challenging residual greenhouse gases.

• Reduce energy use in secondary treatment by up to 85% compared with conventional activated sludge.

• Generate green hydrogen to replace diesel use and support wider regional decarbonisation.

Despite global supply chain challenges and the complexity of this project, it has already delivered significant progress, including the world's first use of electrolyser generated pure oxygen in a full MABR system. We have also completed technical studies, including gathering public engagement insights from the University of East Anglia and final effluent pretreatment research by Cranfield University. Through this, we are generating new insights into oxygen transfer performance, nitrous oxide dynamics and the practicalities of preparing a treatment site for hydrogen. Through the process, we have also created set internal standards for hydrogen related design, documentation and risk management, shaping future innovation projects.

Onsite activity restarted in March 2026, where we began running a six-month trial to test how different oxygen enrichment levels influence treatment performance, carbon savings and operational costs. The electrolyser is expected to produce around 90kg of hydrogen and 730kg of oxygen each day, with hydrogen supplied to an external partner for vehicle trials.

Data from the demonstration will feed into a Life Cycle Assessment with Imperial College London, a full hydrogen business case, delivered with Environmental Resource Management and we will capture insights to inform PR24 delivery, PR29 investment and future net zero planning.

Project TORCH

We are supporting others to reduce their carbon emissions through heat energy recovery. In 2025, we were awarded a share of Ofwat's Water Breakthrough Challenge innovation competition for Project TORCH. TORCH stands for 'Tool for Optimising decisions for Recovery of sewer Catchment Heat' and consists of an AI-assisted decision tool to optimise heat energy recovery from sewers and Water Recycling Centres.

It identifies and prioritises heat source location, heat energy recovery technology and transmission route to gain an understanding of where and how residual heat could be extracted and used by others to reduce the carbon associated with their provision of heat. This must be achieved whilst maintaining the performance of water recycling assets. The project is being led by Anglian Water in partnership with Thames Water, Severn Trent, BMA, Noventa, University of Sheffield, Exeter University and Peterborough City Council.

Our relationship with nature

We address the ways in which we rely on and have an impact on natural capital and ecosystem services through our plans. Our nature-related dependencies and impacts are summarised below. We will continue to evaluate and assess our exposure to accelerating environmental change, exploring our value chain, to develop our understanding and inform our management of nature-related issues.

Our dependencies

We rely upon several ecosystem services to provide water and water recycling services to the region we serve. Most materially, these are the provision of surface water and ground water for a safe and resilient supply of drinking water, which is also enabled by the maintenance of water and soil quality and water flow (i.e. the hydrological cycle). In addition, ecosystem services can help mitigate the impact of these operations, for example through bioremediation (i.e. the ability of living organisms to degrade, reduce/detoxify contaminants) and filtration (i.e. the filtration, sequestration, storage and accumulation of pollutants).

Healthy soil is important. Its ability to hold onto water (slow the flow) and provide an aerobic environment for microbiology to thrive in (releasing nutrients for crops to uptake and degrading pesticides) reduces losses to watercourses and contributes to healthy water. Healthy soils lead to healthy crops, which require fewer inputs (pesticides and nutrients), which leads to better water quality. The link between soil health and land use is clear, and in the East of England the agricultural economic contribution is roughly twice the national average. This is why we work closely with farmers and landowners in the region.

Nature also has the ability to provide climate regulation and flood and storm protection. However, the region we serve has just 7% of woodland cover, below the national average of over 10%. Low levels of tree cover contribute to a range of challenges: less shading and cooling, increased thermal heating and evapotranspiration from soils and plants, less biodiversity and increased flood risk. We use partnership working to manage surface water and flooding more effectively. We will be investing further in upstream management of surface water, through the provision of sustainable drainage systems, regulation and flood and storm protection.

Our impacts

We are permitted to abstract water from the environment and to return used water once it has been treated, through permit conditions imposed by our environmental regulator. These permits ensure that environmental impacts are either eliminated or are reduced over time.

Abstraction

We recognise that the water we take from the environment must be abstracted sustainably. Abstraction can have associated impacts on sensitive habitats and ecosystems, such as chalk streams, if levels exceed a sustainable threshold. One of the best ways we can protect watercourses in our region is by reducing the amount of water we take from the environment.

Environmental destinations

The concept of an environmental destination is a long-term vision for the environment, most notably for reducing the impact of abstraction on water flow and restoring, protecting and enhancing waterbodies.

As a water company – and the largest abstractor in the region – we have worked closely with other abstractors and environmental regulators, as part of Water Resources East (WRE), to define a set of region-specific and locally verified environmental destination scenarios, included in our WRMP. Having a set of environmental destination scenarios enables water companies, regulators and stakeholders to understand the types of interventions required to achieve sustainable abstractions.

Reasons for poor river health

River health is affected by many factors, including agricultural and road runoff (rainwater that runs off fields and roads with pesticides, chemicals and other harmful materials in it), industrial wastewater, wildlife, climate change and low river flows. Our main impacts on rivers are related to phosphate which comes from Water Recycling Centres, and from abstraction for drinking water, which can contribute to low river flows. We are continuing to make positive improvements against the causes of poor river health, including an 80% reduction in phosphorus across our delivered and planned investments.

Permitted discharges

Permitted discharges can contain high nutrient levels. By the end of 2025, our phosphorus programme had improved river health across 104 waterbodies, addressing 165 confirmed, probable, or suspected Reasons for Not Achieving Good Status (RNAGs). We are continuing to drive further improvements to remove phosphorus RNAGs across our wider catchments across AMP8. In 2026, we delivered an additional 10 phosphorus schemes as the first step towards wider RNAG reductions in AMP8, supporting the Anglian Water strategy to remove our share of the phosphorus challenge in line with the Environment Act. We are continuing to explore innovative technologies such as treatment wetlands and algal technology. We have an I-Phyc Algal Biological Reactor at a WRC in Bedford, leveraging natural processes to improve the efficiency and sustainability of our water recycling process. The reactor is designed to reduce phosphorous levels to below or equal to 0.5mg/l. This innovative initiative not only reduces the need for chemicals, but also lowers sludge production, reducing carbon emissions and enhancing safety on site.

Invasive species

Recreation at our Water Parks and how we operate flows in our reservoirs can increase the spread of invasive species. These species include Quagga Mussel, Killer Shrimp and Himalayan Balsam. The risk is likely to increase with warmer conditions and with increased raw water transfers between regions as a solution to drought. To prepare, we have trained our operational teams, rolling out guidance on how to maintain biosecurity through a network of Biodiversity Champions across the region. For AMP8 we have a range of WINEP investments to help mitigate the harm caused by invasive nonnative species. This includes the rapid response fund, to help identify and eradicate new invasive species before they establish (up to £30,000 each year), improve the biosecurity at our water parks (£390,000 for the whole of AMP8), supporting the removal of Himalayan Balsam from the River Wensum (£110,000 for the whole of AMP8), and investigations into raw water transfers and invasive species surveillance (£570,500) over the whole AMP8 period.

Within the Strategic Pipeline Alliance (SPA), the approach to Invasive Species is captured within their Construction Environmental Management Plan (CEMP) and follows the use of standard good practice invasive species control.

In practice, this looks like:

• Invasive species encountered are removed from site and get taken away as controlled waste with the requisite waste code.

• Invasive species found on site that don't need to be excavated get demarcated and signed, so that they are not inadvertently spread across site.

• Any vehicles and personnel working in these areas go through a wheel wash/boot wash to remove any debris and prevent contamination of other sites.

Our impacts and dependencies on nature

As a water company, we have an intrinsic relationship with the environment, the health of the which both influences and is impacted by our operations and climate change. In preparing this disclosure, we ran a series of workshops with subject matter experts from across the business. These were informed by the Locate, Evaluate, Assess and Prepare (LEAP) approach, outputs from the ENCORE tool and our strategic planning, to identify our nature-related impacts and dependencies, and the risks and opportunities that these present. We have summarised them in Table 6. We will continue to use the LEAP approach to inform our future assessments.

Table 5: Our impacts and dependencies on nature

Key: H: High impact | M: Medium impact | L: Land Biome | F: Freshwater Biome | A: Atmosphere Biome | C: Climate Biome

Process	Dependencies	Impact/Biome Level	Impacts	Impact/Biome Level
Raw water is collected	We depend on plentiful water to abstract and leave enough in the environment.	H F	Surface and groundwater abstraction has the potential to create ecological impacts for rivers and groundwater-dependent ecosystems.	H L / F
	Healthy soils hold and slowly release water and keep soil on land and out of the river.	H L / F	There is a risk of invasive species spreading from our sites through recreation and the water treatment process.	M L / F
	Habitats in the right place and condition improve water quality and water resource availability.	M L / F		
Raw water is cleaned at water treatment works	High intensity rainfall events accelerate soil erosion and lead to increasing concentrations of nutrients and emerging contaminants in raw water supplies. Without adaptation, treatment chemical demands, energy use, carbon emissions and costs will increase, to maintain high drinking water standards.	H A / C	Where pollutions occur, there is a risk of species or habitat loss from chlorine, sludge or brine.	M F
			Building essential water infrastructure generates capital carbon (that is, the carbon emitted as a consequence of construction material manufacture and installation). It also has the potential to cause habitat loss.	H L / F / C
Potable water is distributed	Extreme temperatures and prolonged drought can lead to soil shrinkage, causing ground movement, which can increase bursts in water pipes.	M A	Leakage indirectly impacts carbon emissions as more water must be treated and pumped to meet demand.	M L / F / C
			Burst mains can also cause pollutions in the environment.	M L / F
Water is used efficiently by our customers	Water usage is sensitive to weather conditions, with demand for water increasing in the summer if the weather is hot and dry. More	H A / C	The inability to manage supply-demand balance effectively has the potential to lead to negative ecological impacts in affected catchments.	H F
			Customer water use	H

Process	Dependencies	Impact/Biome Level	Impacts	Impact/Biome Level
	frequent and intense heatwaves, as a result of climate change, will exacerbate this.		contributes to household energy use and carbon emissions.	A / C
Used water is collected	Habitats, alongside well-designed urban environments, reduce flooding and ensure enough capacity in the system to respond to extreme weather events.	M L	Where pollutions or storm overflows occur, there is the potential for species and habitat degradation.	M L / F
Used water is cleaned at Water Recycling Centres	We depend on biological processes to undertake part of the water recycling process.	H F	Where pollutions or storm overflows occur there is the potential for species and habitat degradation.	M L / F
			Building essential sewerage infrastructure generates capital carbon (that is, the carbon emitted as a consequence of construction material manufacture and installation). It also has the potential to cause habitat loss.	H L / F / C
Water is returned to the environment and biosolids recycled to land	Rivers with better water quality and flow are more effective at bioremediation and filtration.	M F	Discharge quality may not be high enough to enable river waterbodies to be in good ecological health.	H F
	Soil condition and climate change may affect the area of agricultural land over which our bioresources products can be recycled.	H L	Return of nutrients and organic matter to land improves soil and plant health and supports reduced use of artificial fertilisers.	H L
			Research is ongoing into the impacts of pollutants, such as heavy metals, forever chemicals (such as PFAS) and microplastics.	

Note: The materiality ratings are derived from the materiality ratings in ENCORE (encorenature.org) and informed by expert internal insights. In ENCORE, 'material' is interpreted as synonymous to significant or important to consider in the decision-making process. We will continue to review materiality in future years.

Embracing nature-based solutions

Nature-based solutions are a key part of our vision for the future. They provide wider benefits for the environment and communities than more traditional ‘grey’ solutions, avoiding the need to add more chemicals into our treatment processes or build carbon-intensive infrastructure.

Our Water Industry National Environment Programme (WINEP) is worth £2.4 billion this AMP. Through this, we seek to reduce the impact of storm overflows, investing over £700 million to manage flows across catchments, install nature-based solutions alongside traditional infrastructure such as storage to reduce the pressure on sewers. We will also invest c.£1 billion to remove harmful nutrients entering rivers, removing pollutants from treated water and investing in wetlands to absorb nutrients.

Wetlands

We plan to deliver a range of wetlands over the next five years. Wetlands are a low-carbon method of treating used water and also act as a natural flood defence, by slowing the flow of water re-entering rivers and supporting biodiversity. Out of the 12 wetlands to go through feasibility assessments last year, nine have passed and are currently undergoing land investigations.

We have been exploring the many possibilities of using Mycelium – the intricate root-like network beneath mushrooms – to create biological filters to help remove pollutants in local waterways and rivers. Mycelium networks can absorb nutrients, capture microorganisms, and break down pollutants and pathogens by up to 90%. We have been working with different partners to install these biological filters to improve water quality, the environment and support thriving ecosystems.

At our Water Recycling Centre in Benfleet, we propose to use this natural technology to provide an extra stage of treatment for recycled water. This Recycling Centre borders Benfleet Creek, which is a Site of Special Scientific Interest (SSSI).

The salt marshes are a crucial habitat for local biodiversity, but they are slowly being degraded by blooms of algae. Although our existing water recycling processes already clean and treat the water to a high standard, by passing the water through mycelium, we can cleanse the water further and benefit this crucial environment.

Working in partnership with Catchment To Coast, the Department for Environment, Food and Rural Affairs, Southend-on-Sea City Council and the University of Essex, we will be monitoring the efficiency of mushroom-powered wetlands through water quality testing. Our ambition is to scale the benefits of green projects across the region. Our new Mycofiltration project, awarded funding in the latest round of the Water Innovation Fund, will harness the filtration power of fungal mycelium to improve water quality and address increasing public concerns about river health. We will install fungal based filtration methods at areas like storm overflows and runoff sites to remove pollutants, e.g. bacteria, nutrients naturally by up to 90+%. This nature-based solution aims to deliver cleaner water and environmental benefits in a low carbon and cost effective way.

Wetlands (continued)

We have a similar wetland adjacent to our Everton Water Recycling Centre, which is a small treatment works in Bedfordshire serving a population of c.479. The new wetland is designed as a nature-based treatment system. The wetland incorporates approximately 111,000 native plants, working with natural biological and chemical processes to enhance water quality before it is returned to the environment. The wetland will reduce phosphorus levels below 1 milligrams per litre and provide additional treatment for ammonia, suspended solids, pathogens and emerging pollutants such as pharmaceuticals and microplastics.

With planting now established, full growth and system maturity are expected by Spring 2027. Beyond improving river health, the wetland creates valuable habitats for wildlife, delivers an 84% reduction in carbon emissions, supports carbon capture and demonstrates how natural infrastructure can deliver resilient, low-maintenance treatment solutions.

To further understand the power of wetlands, we're supporting Cranfield University's research into how treatment wetlands can play a role in reducing levels of PFAS entering the wider environment.

Sustainable Urban Drainage Systems

We work in partnership to deliver Sustainable Urban Drainage Systems (SuDS), combining drainage materials, plants and soil, to help retain water and allow it to soak away naturally. This helps to keep rainwater out of our sewers, further reducing the risk of flooding and reducing storm overflow spills. March in Cambridgeshire has experienced flooding in recent times. To help solve this issue, we have assisted in creating a 60m³ SuDS to intercept, capture and store excess surface water flows. This water can be used to fill sewer cleansing jetters and road sweepers, instead of using potable water.

The SuDs create capacity by emptying what is required to cope with an incoming rainfall event, based on the catchment area and how much space it needs to empty water into the surface sewer. This is a smart solution which will reduce the risk of flooding for residents and reduce the use of potable water for non-potable means.

Biodiversity Performance Commitment

During AMP8 we will be working towards achieving the Ofwat Biodiversity Performance Commitment. This commitment applies to all water companies and aims to reduce species extinction risks, increase resilience to climatic and water resource changes, and provide ecosystem services such as improved water quality and cleaner air. We have been set a target of delivering 363 biodiversity units within this AMP, measured using the Biodiversity Metric. Our work on creating/enhancing grasslands, hedgerows, and scrub is underway to achieve this ambitious target.

Access to green and blue spaces

We manage 49 Sites of Special Scientific Interest (SSSI) and we are proud that 99% are considered to be in favourable condition by Natural England. 6 of these sites are reservoirs, the rest are a wide variety of Anglian Water sites, many of which are also operational water supply or water recycling sites with important habitats, species, or geology present. Some of these sites are at our seven waterparks, which play an important role in conserving and enhancing our region's wildlife. Our five largest parks hold Green Flag status – the benchmark standard for the management of recreational outdoor spaces. We are also working with Beyond Swim to ensure all our parks can be certified as safe-swim locations.

At Anglian Water, we're proud that our region's bathing waters are the cleanest in the country, with more than 96% of our designated bathing waters rated 'good' or 'excellent' by the Environment Agency in November 2025. 19 of our beaches have Blue Flags status for excellent water quality and environmental education, and 18 have been awarded Seaside Awards by Keep Britain Tidy.

d. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

Areas important for biodiversity owned by Anglian Water

Our estate covers diverse habitat types. We work hard to ensure, where possible, we are managing our land to benefit habitats and species, as well as supporting broader environmental objectives. We have many areas important for biodiversity in the region, including the National Site Network, which covers Special Areas of Conservation (SAC) and Special Areas of Protection (SAC). Data available to us shows we have:

Table 8: Areas important for biodiversity owned by Anglian Water

Hectares	Type of land
2,846 hectares of SSSIs	A site of special scientific interest (SSSI) is land notified under the Wildlife and Countryside Act (1981). They are sites rich in wildlife and natural features in England, supporting many characteristic, rare and endangered species, habitats and natural features. Our patch includes significant areas, if not all, of Foxcote Reservoir and Wood, Grafham Water, Newbourne Springs, Pitsford Reservoir, Rutland Water and Tetney Blow Wells.
1,575 hectares of Special Protection Areas (SPAs)	These are protected areas for birds in the UK. Rutland Water accounts for a significant proportion of the SPAs we own. SPAs, together with Special Areas of Conservation (SACs), form the UK's national site network.
1,366 hectares of Ramsar land	This is wetland of international importance, designated under the criteria of the Ramsar Convention on Wetlands for containing representative, rare or unique wetland types, or for their importance in conserving biological diversity.
890 hectares of priority habitat	Priority habitats identified in the UK Biodiversity Action Plan, are considered as being of principal importance for the purpose of conserving or enhancing biodiversity, under Section 41 of the Natural Environment and Rural Communities Act (2006).
755 hectares of local wildlife sites, local geodiversity sites and roadside nature reserves/verges	Areas of land with substantive nature conservation value. They support both locally and nationally threated wildlife, with many supporting important Section 41 habitats and species.
50 hectares of ancient woodland	Natural England has mapped 50 hectares of our estate as ancient woodland, this data still requires ground-truthing. Ancient woodlands are often very diverse and provide important habitats for wildlife.
12 hectares of Special Areas of Conservation (SACs)	We own a small amount of SACs. These are protected areas for habitats and species (fauna and flora), in the Habitats Directive. SACs, together with SPAs, form part of the UK's national site network.

The most important nature sites in the Anglian Water region

Anglian Water operates over an area of 2,705,700 hectares and owns approximately 7,000 hectares of land. A range of assets reside on our owned land and we have some land with no defined use. The land is under various ownership types, including leases e.g., for livestock grazing. Such as:

1. Rutland Water
2. Grafham Water
3. Pitsford Reservoir
4. Foxcote Reservoir and Wood
5. Crouch and Roach Estuaries
6. Newbourne Springs
7. Tetney Blow Wells

Drinking Water Safeguard Zones and Source Protection Zones

Groundwater Source Protection Zones (SPZs) and Drinking Water Safeguard Zones (SgZs) are defined by the Environment Agency. SPZs show the level of risk from contamination to a ground water source used to supply drinking water. This could be from any activity that might cause pollution in the area. SgZs are established around public water supplies, where additional pollution control measures are needed.

Drinking Water Safeguard Zones (surface water)

Drinking Water Safeguard Zones (Surface Water) are catchment areas that influence the water quality for their respective Drinking Water Protection Area (Surface Water). They are identified where the protected area has been assigned as being “at risk” of failing the drinking water protection objectives of the Water Environment (Water Framework Directive) (England & Wales) Regulations 2017.

Risk and impact management

This section describes the Company’s processes to identify, assess, monitor, manage and prioritise climate and nature-related risks, dependencies, impacts and opportunities. It covers how we identify risks and opportunities, the management of these risks and their integration into the Company’s overall risk management process.

Identifying, assessing and prioritising climate and nature-related risks

a. ii. Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).

Anglian Water considers climate change adaptation to be a Principal Risk. This means that it could cause significant impact to the provision of our services.

While climate adaptation is a principal risk on its own, our approach to climate and nature-related risks is fully integrated within our overall risk strategy. Within this system, we define what constitutes substantial financial and strategic impact to the business.

Identifying, assessing and prioritising climate and nature-related risks (continued)

Each risk is assessed based on its likelihood and potential impact, including financial exposure, operational disruption, and consequences for customers and the environment.

The assessment and management of climate and nature-related risks is consistent with the approach used to manage risk throughout the business. Climate and nature-related risks are also identified and managed through the preparation of long-term plans — covered in table 4 — and the delivery of individual investments. We review the current risk level, as well as how our controls provide confidence and assurance around our management of that risk.

Being a regulated business, not all the categories of example risks and opportunities identified within the TCFD guidance (tables A1.1 and A1.2 (pages 75-76 of TCFD guidance) are relevant to us. We have considered them as necessary and disclosed as appropriate.

We also consider both existing and emerging regulatory requirements. This includes current obligations set by Ofwat and the Environment Agency, as well as anticipated changes in policy relating to climate resilience, emissions and environmental standards. These considerations are factored into our scenario analysis and inform how risks are prioritised and managed.

Our Climate Transition Plan, published separately, contains transitional risks.

Our latest Climate Change Adaptation Report covers our climate-related risks. We assessed 40 risks in relation to climate change adaptation and aggregated these into five key headline themes, as shown in table 1. Each of these 40 risks are linked to our risk registers, integrated into our corporate risk register, and form part of our business planning processes.

Climate-related risks are managed through our enterprise risk management framework. Once identified and assessed, risks are addressed through a combination of mitigation, transfer, acceptance, depending on their nature and materiality. Decisions on how to respond are based on financial impact, operational risk, and alignment with our risk appetite, with oversight from Executive management and the Board.

Our Commercial Procurement team has developed materiality heatmaps, which provide a holistic view of the identified ESG risks and opportunities for each sub-category of spend.

The heatmaps are integrated within sourcing strategies and discussed, to enable inclusion of relevant ESG assessment questions for suppliers, ensuring consideration is given to relevant areas of the framework or contract for the goods or services being procured. By engaging with our suppliers around these topics early and by sharing and encouraging environmentally positive and ethical behaviour in line with Anglian Water’s Supply Chain Code of Conduct, we aim to drive sustainability best practice.

We work closely with our capital delivery alliances, for example, involving them in our Climate and Carbon Steering group, to ensure we can identify and address environmental challenges as one team.

Metrics and targets

We aim to reduce our carbon emissions, where we have operational control, as set out in our Net Zero Carbon 2030 Routemap.

This year, our process and fugitive emissions (Scope 1) have increased considerably due to changes in the N_2O emissions factor used in 2025/26. This change has been made for two reasons. Firstly, from 2026, the UK Government Greenhouse Gas inventory has adopted the 2019 refinement to the 2006 Intergovernmental Panel on Climate Change (IPCC) N_2O emissions factor for secondary wastewater treatment of 1.6%. Historically the water sector has used a figure of 0.4%. Secondly, the nitrogen load figure (total nitrogen per population equivalent a day) has increased from 8g to 17.74g. This uses UK Government statistics for average protein consumed per capita.

Taken together, this has resulted in an approximate seven-fold increase in reported N_2O emissions in 2025/26 over 2024/25. This increase is as a consequence of a methodological change in the way emissions are calculated and has been adopted across the sector as a more accurate representation.

The table restates the 2024/25 emissions using the new 2025/26 emissions factor for comparison, alongside our prior year performance without the emissions factor.

Where relevant, we have also aligned with industry best practice for emissions measurement and reporting. Emissions have been calculated using Carbon Accounting Workbook v.20 (2026), an industry standard reporting tool. We have followed the 2020 UK Government environmental reporting guidance.

We have used the GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2025 to calculate the above disclosures. There have been no methodological changes - aside from the N_2O emissions factor - in the way emissions have been calculated in financial year 2025/26 against 2024/25.

The reporting boundary covers the emissions within the regulated activity of Anglian Water Services Limited, where we have operational control, i.e., all Scope 1 emissions, all Scope 2 emissions and Scope 3 emissions of outsourced transport, business travel and transmission and distribution losses.

Our strategy for operational carbon reduction has been verified against ISO 14064 since 2010.

Scope 1, Scope 2 and relevant Scope 3 Greenhouse Gas Emissions (GHG)

This table meets requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations and b. of the CDP disclosure.

	Units	2024/25	2024/25 (N_2O emissions factor applied)	2025/26 (N_2O emissions factor applied)	Inclusions
Energy consumption used to calculate emissions kWh	kWh	1,100,697,958	1,100,697,958	1,079,246,513	Electricity, gas, fuels combusted on site (fossil fuels and biogas), transport (company cars, fleet vehicles, personal and hire cars on business use) plus liquid fuels consumed on site
Scope 1 – Gas and fuel oil consumption	Tonnes CO_2e	17,988	17,988	11,277	Fossil fuel combusted, natural gas and biogas
Scope 1 – Process and fugitive emissions	Tonnes CO_2e	85,250	318,787	313,784	Water and waste water treatment, biogas
Scope 1 – Owned transport	Tonnes CO_2e	22,216	22,216	23,232	Fleet vehicles and company cars
Scope 1 – Total	Tonnes CO_2e	125,454	358,991	348,293	
Scope 2 – Purchased electricity	Tonnes CO_2e	133,989	133,989	118,042	Grid electricity – location-based electric for vehicles
Scope 2 – Total	Tonnes CO_2e	133,989	133,989	118,042	
Scope 3 – Business travel	Tonnes CO_2e	809	809	1,486	Private cars, public transport
Scope 3 – Outsourced transport	Tonnes CO_2e	25,074	25,074	27,030	Outsourced tankers
Scope 3 – Purchased electricity	Tonnes CO_2e	11,828	11,828	12,358	Transmission & distribution
Scope 3 – Total significant	Tonnes CO_2e	37,712	37,712	40,873	We have not included commuting, capital carbon and emissions from use of water in customers' homes.

	Units	2024/25	2024/25 (N_2O emissions factor applied)	2025/26 (N_2O emissions factor applied)	Inclusions
Total annual gross emissions	Tonnes CO_2e	297,156	530,692	507,207	
Exported renewables	Tonnes CO_2e	-8,739	-8,739	-3,731	Exported renewables REGO certified
Green tariff	Tonnes CO_2e	0	0	0	
Total annual net emissions	Tonnes CO_2e	288,417	521,953	503,476	
Intensity ratio – water treated	Kg CO_2e per Ml	186.7	194.8	159.03	
Intensity ratio – recycled water	Kg CO_2e per Ml	461.1	514.2	949.48	

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

g. Describe the targets used by the company to manage climate-related risks and to realise climate-related opportunities, and performance against those targets.

Organisational targets to manage climate-related risks and opportunities

Our key short-term climate-related targets are as set out below. We frequently monitor and forecast our position towards our net zero commitments. The below targets include progress towards our net zero targets, alongside our Ofwat related Performance commitments set for this AMP (2025-2030).

Our carbon emissions related targets were not achieved this year, primarily due to our operations requiring more power. We have plans in development to revise our approaches in light of the many changing circumstances and challenges to ensure we can significantly improve performance going forward.

Across water services, more electricity was used to pump water around the region to meet demand during the dry spell, and to pump water back into the reservoirs to refill them. Across water recycling, we saw increased tankering and pumping activity. This was to mitigate flooding impacts and spills during the wet winter. Alongside this, we did not generate as much electricity from our Combined Heat and Power engines due to outages on critical assets.

Organisational targets to manage climate-related risks and opportunities (continued)

Low-carbon concrete assets is a new Performance Commitment for this AMP. Our target is to reduce the greenhouse gas emissions associated with concrete and reinforcement used in the construction of capital assets by 5%, by 2030. So far one scheme has already contributed to our target, but this result is not indicative of our performance across the AMP.

Our Ofwat-related Performance Commitment Levels are one way we track our progress. Due to the nature of our business, many of these commitments are inherently linked to our impacts and dependencies on climate and nature.

We've developed a process to assess and manage the climate resilience of our investments — via our Six Capitals framework — and integrate our LTDS with our water and wastewater strategic planning frameworks, to inform efficient investment decisions against long-term need.

Since 2022/23, a proportion of senior leader remuneration has been linked to performance against climate-related targets. For AMP8, 50% of the performance contract will relate to our environmental performance, covering metrics including storm spills, pollutions, leakage and abstraction compliance.

Table 6: Anglian Water's carbon targets and performance

<table>
<tr><th>Related targets and progress</th><th>2024/25</th><th>2025/26</th><th>Metric category/definition</th></tr>
<tr><td>2030 net zero pathway (operational carbon)</td><td>26.6%</td><td>9.4% decrease</td><td>This is calculated using a market based methodology with current year compared to our 2018/19 baseline. The new N_2O emissions factor has not been applied here.</td></tr>
<tr><td>70% reduction in capital carbon by 2030, against our 2010 baseline</td><td>66.1%</td><td>58.4% decrease</td><td>The aggregated performance of all standalone construction schemes reaching detailed design or later in year 1 of AMP8 compared to a baseline position of how the scheme would have been delivered in 2010.</td></tr>
<tr><td>Greenhouse gas (water)</td><td>N/A</td><td>6.98% increase (Target: 9.34% decrease)</td><td rowspan="2">These are Ofwat Performance commitments and are calculated using emissions factors from 2022 (CAWv17) against a base year of 2024/25. Fixed emissions factors will apply for each year of AMP8 (2025-2030) greenhouse gas performance commitment reporting. Each year, the base performance data (kWh electricity consumed, litres diesel consumed, etc) is applied to using this Ofwat methodology to arrive at the performance commitment outcome. As the emissions factors are fixed, the outcome from the base data is different from each year, as emissions factors for 2025/26 are different to those from 2024/25. Therefore the carbon emissions reported under the performance commitment cannot be compared year-on-year.</td></tr>
<tr><td>Greenhouse gas (waste water)</td><td>N/A</td><td>3.45% increase (Target: 5% reduction by 2030)</td></tr>
</table>

Related targets and progress	2024/25	2025/26	Metric category/definition
Lower-carbon concrete assets (5% reduction by end AMP)	N/A	99% (Target: 5% reduction by 2030)	This metric applies to all AMP8 standalone schemes completed AMP to date, in this case by the end of year 1. As we are only in year 1 there has only been a single relevant scheme completed. A baseline concrete carbon position is created when each scheme is conceived. As each scheme progresses through design and construction the concrete carbon performance is measured. The aggregated performance of all schemes completed AMP to date is then compared to the aggregated baseline position to arrive at final performance.

Nature-related metrics and targets

A combination of the Environment Agency's Environmental Performance Assessment (EPA), Ofwat Performance Commitments and other obligations.

a. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities, in line with its strategy and risk management process.

b. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.

c. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

Key
Physical Risk (P), Transition Risk (T), Opportunity (O)

Driver of nature change	Key	Metric	2024/25	2025/26	Related targets and progress
Extend of land use change	**P**	**SSIs managed in favourable condition** Percentage of SSSIs (Sites of Scientific Special Interest) we manage, by area, which are considered in favourable condition by Natural England.	99%	99%	99% of the 49 SSSIs we manage by area are considered to be in favourable condition by Natural England.
	P	**Trees planted** Total number of trees planted since 2018.	12,139	33,771	We will continue to monitor our tree planting progress in AMP8.
Wastewater discharged	**P**	**Spills from storm overflows** Sometimes referred to as Combined Sewer Overflows (CSOs), storm overflows are relief valves built into the combined sewer systems, to allow excess water into rivers, lakes, or the sea when rainfall exceeds capacity. This permitted discharge protects properties from flooding and prevents sewage backing up into streets and homes during heavy storms.	31	12	In our second year with 100% monitoring, the average number of spills per storm overflow has reduced significantly, from 31 in 2024 to 12. This reduction is encouraging and reflects both enhanced focus and the drier summer experienced in 2025. While this progress represents an important step in the right direction, our vision is that storm overflows will no longer be required by 2050.
	T	**Self-reporting of pollution incidents to the EA**	88%	93%	In 2025, we delivered our strongest self-reporting performance to date,

		Percentage of category 1 to 3 pollution incidents self-reported by a water company to the Environment Agency.			achieving 93% overall self-reporting (94% on telemetered assets)—comfortably exceeding the Environmental Performance Assessment “green” thresholds and reinforcing our commitment to transparency with the Environment Agency. Our 2025 performance shows that self-reporting is not a compliance exercise for Anglian Water, it is a core part of how we protect the environment, build trust with our regulator, and drive better operational outcomes.
Water withdrawal and consumption from areas of water scarcity	**P**	**Abstraction licence compliance** Percentage compliance for our annual drinking water abstraction licences with the Environment Agency.	100%	99%	The EPA brought in additional new metrics to monitor against in the 2025-26 reporting period.

MAINTAINING A RESILIENT BUSINESS AND MANAGING OUR RISKS

Building resilience across our business is a core part of how we plan, operate and deliver our services. It underpins our Purpose and ensures we can continue to provide safe, reliable water and water recycling services for customers over the long term.

Resilience is our ability to anticipate change, cope with disruption and recover quickly, while maintaining essential services.

At Anglian Water, we manage resilience through three interconnected lenses:

1. Corporate resilience focuses on strong governance, accountability and assurance arrangements. These enable us to anticipate trends and variability, avoid disruption where possible, and respond and recover effectively when incidents occur.
2. Financial resilience reflects our ability to withstand, manage and recover from financial disruption, ensuring long-term viability and the continued delivery of our regulated services.
3. Operational resilience is about having the right infrastructure, skills and resources in place so we can maintain critical services for customers in the face of operational disruption.

Together, these elements form our resilience framework and guide how we identify risks, plan for uncertainty and respond to incidents.

Over the past year, we have continued to operate in an increasingly complex risk environment shaped by geopolitical uncertainty, economic volatility, climate pressures and rapid technological change.

Like other industries, we have faced significant and increasing economic, geopolitical, and environmental challenges, and continue to respond to the impacts of global unrest, including tensions between the US and Iran, and the ongoing Russia-Ukraine conflict, which are creating spikes within global energy markets and impacting supply chains. We have also witnessed disruption to UK and European chemical supply chains and extreme weather events leading to widespread flooding, alongside increased risk of national and local power outages.

We encountered additional stressors such as increased risk of cyber and physical threats to critical infrastructure, heightened geopolitical tensions affecting the reliability of energy supplies and more frequent natural disasters.

We also saw heightened domestic unrest, which has left water companies at increased risk of protest and sabotage-related crime, further heightened by increased media coverage. These challenges required us to further strengthen our resilience strategies and adapt to the evolving risk landscape.

Testing and strengthening our resilience

We carried out 55 resilience exercises during the year, ranging from full business-wide scenarios to localised tests within our emergency response teams, including the Operational Services Control Centre and pollution response teams.

Security is integral to our resilience strategy and covers people, cyber and information, and physical security. We comply with Protective Security Guidance under the Security and Emergency Measures Directions (SEMD), align with the ‘Security at Home’ element of the UK National Security Strategy (2025), and maintain our standards through regular audits.

Our approach to risk management is closely aligned with our strategic priorities. Risk management is fully embedded within our governance framework, with clear accountabilities, authority limits and policies guiding behaviour across the organisation. We consider global megatrends, use the National Risk Register and adopt an all-hazards approach to preparedness. Customer engagement informs our understanding of priorities and helps us communicate risks and challenges clearly.

We have updated our processes in line with the revised SEMD (2024) and planned further enhancements to strengthen protection at vulnerable sites.

We continue to hold ourselves to account through recognised standards, including ISO 22301 for Business Continuity Management and ISO 55001 for Asset Management, which demonstrate the maturity and effectiveness of our resilience arrangements.

Incident response capability

During the year, we experienced an unprecedented increase in incident escalations and successfully responded to more incidents than in any previous year. We are now focusing on further strengthening maturity across incident escalation, governance, customer management and organisational awareness.

We have enhanced leadership capability during incidents through a Senior Leadership Standby roster and targeted training. In addition to 24/7 first-responder cover in the Operational Services Control Centre, we have expanded resilience through on-call Incident Managers and Deputy Incident Managers, providing additional capacity when incidents escalate.

Targeted training for critical incident roles continues, alongside water and water recycling scenario exercises and regular briefings for 24/7 teams on security and business continuity processes.

We are also reviewing roles, systems and processes with subject matter experts to ensure our incident response arrangements stay aligned with regulatory and legislative changes.

Emergency planning

We continue to meet all emergency planning obligations under SEMD. During 2025/26, we submitted a green self-assessment return to the Drinking Water Inspectorate for the emergency planning element of SEMD.

Our comprehensive suite of emergency response plans covers current and emerging risks, critical assets, reasonable worst-case scenarios and vulnerable customer groups, including hospitals, prisons, Priority Services Register customers and critical non-household users. These plans support our response during incidents — for example, through the delivery of bottled water to vulnerable customers during supply interruptions.

We continue to work with an external logistics provider to strengthen our national bottled water provision and enhance our emergency response capability.

In addition to maintaining our current incident response structures and processes, we've further developed our ability to manage risks, through a risk based cell structure that supports and aligns with our existing impact structure and response.

Collaborating with others

Collaboration is central to resilience. We work with multiple agencies, including regulators, Local Resilience Forums, police, emergency services, other utilities and water companies. Our dedicated 24/7 Incident Response team is supported by Anglian Water Force - more than 3,500 trained employees - providing strong, company-wide readiness to respond to incidents.

We take a leading role in national Water UK groups, including Platinum Incident Management (PIM) and National Incident Management (NIM), which coordinate planning and response across the industry.

During the year, we participated in critical thinking workshops and events led by the National Preparedness Commission, supporting a whole-system approach to resilience and contributing to the UK Government Resilience Action Plan (2025).

We are active members of the Emergency Planning and Security Network and its specialist sub-groups, for example the Alternative Water Working Group and Local Resilience Forums (LRF), sharing insight and working closely with Defra and the Drinking Water Inspectorate.

Through the Strategic Alternative Water Working Group, we support mutual aid arrangements to manage large-scale incidents, pooling resources across the industry to ensure customers receive alternative water supplies when needed. We participate in industry emergency planning with our regulator, Defra, to plan for large-scale/national incidents.

At a regional level, we work closely with 13 Local Resilience Forums across our operating area and participate in Civil Contingencies Act Category 2 forums in the East of England and East Midlands, supporting multi-agency planning, information sharing and scenario-based exercises. Planning is in line with the national risk register and for incidents such as storm events that lead to flooding.

Business continuity

This year, we refreshed our approach to business continuity planning by introducing the concept of the Minimum Viable Company (MVC), allowing us to focus on protecting the business from intolerable harm and strengthening preparedness.

We also launched a new Business Impact Analysis application to improve consistency and insight across the business. The tool enables teams to better understand the impacts of disruption, identify dependencies, analyse critical paths and highlight single points of failure, supporting more effective resilience planning.

Organisational incident management

We continue to refine our organisational incident management arrangements, including the adoption of 'J Cell' structures for major and prolonged incidents. This flexible, agile approach strengthens co-ordination across the business and ensures the right expertise is engaged as risks evolve. This approach, based on practices employed on military operations, allows the business to respond to both emerging risks and incidents in a flexible and agile way, ensuring that relevant areas of the business are sighted and involved.

Power resilience

Power resilience remains a key focus. We continue to work with Distribution Network Operators to understand the impacts of demand management, using our power prioritisation tool to model potential outcomes.

To strengthen our response during power outages or communications failures, satellite phones have been allocated across key roles. Following the roll out and training, three exercises have been carried out — allowing users both in and outside of Anglian Water to become familiar with the technology. We have also carried out a company-wide exercise, testing the response to a national power outage scenario.

Supply chain resilience

Geopolitical events have continued to influence global supply chains. During the past year, the business has applied learnings from critical supply chain disruptions, applied new planning arrangements and tested our risk and impact-based methodology to positive effect. The application of MVC will further enhance our resilience to supply chain disruption.

To maintain operational resilience, we have:

- Reviewed and aligned our relevant governance arrangements.
- Embedded an incident management structure to manage company-wide and longer-term incidents, using military J-cell elements for improved threat visibility and clear command structures.
- Created a dedicated, competent and confident 24/7 incident response capability within our Control Centre team, with support from key roles and a wider volunteer force.
- Trained our Incident Community to handle major incidents.
- Developed emergency plans, focusing on service resilience.
- Reviewed Business Impact Assessments for resource prioritisation and begun to develop a MVC approach, to assure minimum standards of resilience measures against critical components.
- Mapped interdependencies related to chemicals and supplies.
- Supported diverse customer profiles.
- Agreed a new contract to ensure robust and timely support to provide alternative supplies to our most vulnerable customers, in the event of a large-scale interruption to supply.
- Enhanced training programs for resilience.

Risk management

Anglian Water is exposed to a variety of uncertainties which could affect the achievement of our strategic objectives, potentially impacting operational performance, financial stability, programme delivery, business resilience and/or reputation. We carefully identify, assess and prioritise the risks we are facing and consider them in relation to our strategic priorities.

To ensure risks are effectively managed, we adopt a risk management approach within the Three Lines of Defence framework:

First line of defence

The business:

- Identify, evaluate, mitigate, monitor and report business risks
- Ensure compliance
- Escalation to appropriate governance group
- Strategic planning
- Long term business plans

Oversight:

- Structure of oversight and governance groups to discuss, manage and respond to risks

Risk management (continued)

Second line of defence

Enterprise risk management:

- Set risk management framework and policies
- Reporting
- Provide expertise and training to the business
- Enterprise view of risk
- Risk deep dive
- Horizon scanning
- Assurance activities

Oversight:

- Audit and Risk Board Committee
- Executive Risk, Assurance and Disclosures Committee

Third line of defence

Internal Audit:

- Annual audit programme
- Provide independent assurance to senior management and the Board
- Evaluate the effectiveness of governance, risk management and internal controls

Oversight:

- Audit and Risk Committee
- Executive Risk, Assurance and Disclosures Committee

Risk governance

We manage risk across our business through a number of formal and informal processes. These risk management processes sit within our overall governance framework, which includes clear accountabilities, delegated authority limits and well-defined policies and procedures that govern employee conduct. Risk management is directly linked to our strategy and the level of risk we are prepared to take is carefully considered, with controls in place to make sure we do not inadvertently exceed our tolerance levels.

Our Executive leadership team, with oversight from the Audit and Risk Committee and the Anglian Water Services (AWS) Board, is responsible for developing our risk management strategy. Our strategic planning process aims to ensure we have developed clear objectives and targets and identified the actions needed to deliver on our commitments, including the management of risk.

We have a structured approach to risk assessment, with the Board reviewing and challenging management's assessment of risk and seeking assurance that appropriate mitigation measures are in place to manage our biggest and most significant risks, in the context of our obligations to keep employees safe, provide an essential and efficient service to customers and protect the environment. Both the Audit and Risk Committee and the Regulatory Compliance Committee assist the Board to discharge its duties and responsibilities around risk. In addition, the Risk, Assurance and Disclosure Committee (which is a sub-committee of the Executive Committee) reviews and challenges the work around risk prior to it been reviewed at Board level.

AWS Corporate Governance Code 2025 – Provision 4.6

Anglian Water is committed to the highest standards of corporate governance. The Anglian Water Services Corporate Governance Code 2025 (the 2025 Code) came into effect on 1 April 2025 and incorporates most of the provisions of the UK Corporate Governance Code 2024 (the 2024 UK Code). Provision 4.6, in relation to risk management and the internal control landscape, came into effect on 1 April 2026 (in line with Provision 29 of the 2024 UK Code). In order to ensure compliance against Provision 4.6, reporting is being streamlined through the use of standardised dashboards, clearer risk appetite alignment, and more explicit linkage between strategic objectives, key risks, and performance indicators.

The Board is supported by more comprehensive assurance mapping, drawing on insights from management, the risk and compliance functions, and Internal Audit, enabling a more robust evaluation of the effectiveness of the control environment. These improvements have enhanced transparency, strengthened oversight, and supported the Board in making well-informed decisions while meeting evolving governance expectations. We are confident in meeting the Provision 4.6 requirement whereby the Board is responsible for monitoring the effectiveness of Anglian Water's risk management and internal control systems. The Company anticipates reporting in full against this provision in next year's Annual Integrated Report.

Controls and assurance

Anglian Water maintains a robust system of internal controls embedded across all levels of the organisation to manage our principal and emerging risks effectively. This framework is aligned to the Three Lines of Defence Model, ensuring clear accountability and segregation of duties. The first line, comprising operational management, is responsible for implementing and maintaining effective day-to-day controls. The second line, including risk and compliance functions, provides oversight, guidance, and challenge to ensure consistency with policies and regulatory expectations. The third line is delivered through the independent Internal Audit function, which provides objective assurance on the design and effectiveness of controls. In addition, a coordinated assurance function integrates insights from across the organization to provide a holistic view of control effectiveness and risk exposure.

Control activities include both preventive and detective measures, with clear ownership assigned and performance regularly monitored through management review, assurance activities, and reporting to the Board and its committees. Where control weaknesses are identified, timely remediation plans are implemented and tracked to completion, supporting continuous improvement and strengthening the company's overall control environment.

Risk identification process

Anglian Water maintains a structured and continuous risk identification and assessment process to support resilient and sustainable water, and water recycling, services. Risks are identified through a combination of operational monitoring, regulatory engagement, stakeholder feedback, and periodic strategic reviews, ensuring both emerging and existing threats are captured. These risks are then evaluated using a standardised framework that considers likelihood, potential impact on service delivery, environmental and public health consequences, financial exposure, and regulatory compliance. Cross-functional teams validate assessments to ensure a holistic view across assets, supply systems, and customer operations.

Prioritised risks are recorded in centralised risk registers, with clear ownership assigned and mitigation plans developed in line with our risk appetite. The process is regularly reviewed and updated to reflect changing conditions, including climate variability, infrastructure resilience challenges, and evolving regulatory expectations, ensuring proactive management and long-term value protection.

Risk management is embedded in decision-making across the organisation through the integration of risk considerations into strategic planning, capital investment, and day-to-day operational processes. Significant decisions are supported by structured risk assessments that evaluate potential impacts on service reliability, regulatory compliance, environmental outcomes, and financial performance. Our governance framework requires that key risks and mitigation strategies are clearly articulated in business cases and reviewed at appropriate management and board levels before approval.

Risk identification process (continued)

Performance management systems further reinforce this integration by linking risk indicators to operational and strategic objectives, enabling timely escalation and response where thresholds are approached or exceeded. This approach ensures that risk-informed thinking is consistently applied, supporting balanced, transparent, and resilient decision-making aligned with the company's long-term objectives and stakeholder expectations.

Risk Appetite

To assist with understanding which risk are the most important, the Board has determined the Anglian Water Risk Appetite.

Risk appetite defines the opportunities and associated risks that Anglian Water is willing to accept, in the pursuit of achieving its strategic objectives. While each area of the business has its own risks, and therefore its own risk appetite.

While considering the overall risk appetite, the Board has determined Anglian Water's Principal Risks, defined as those uncertainties that, if they materialise, could have a significant adverse impact on the company's ability to achieve its strategic objectives, maintain service delivery, meet regulatory obligations, or protect its financial and operational resilience. The Board's assessment of risk determines what level of risk it is willing to accept, which helps senior management to understand the mitigating activities required to control risk likelihood and impact to acceptable levels.

Flowing on from the Principal Risks, Anglian Water has a further list of Top Tier Risks, the management and oversight of which is vital to the ongoing delivery of our strategic objectives, and a further layer of risks which relate to operational performance and areas of the business which are critical to delivery but have a less significant impact should they materialise. All risks are regularly reviewed, with the frequency determined by the level of risk presented, and all have allocated owners and relevant associated controls.

Principal risks

At Anglian Water, we carefully assess the Principal Risks facing the business. These risks centre around the critical nature of our infrastructure, the importance of our customers and our people, climate change and the environment, health and safety in our service delivery, cyber security and our ability to finance our business appropriately. These are reported regularly to Audit Committee and the Board. Each Principal Risk has a defined risk appetite statement agreed which is underpinned by a series of thresholds and measures to assist us in providing a view to whether we are operating within our appetite.

Principal risks (continued)

At the start of AMP8 we took the opportunity to refresh and re-evaluate our Principal Risks to make sure they fully align to our enterprise strategy. This has resulted in a revised set of Principal Risks which will support Anglian Water throughout AMP8. While these risks were already well-understood, some have now been broken out where they were previously part of a broader risk (for example, cyber security was part of a wider technology risk) and there is therefore not a direct year-on-year comparison of the risk position.

All risks map to one of our AMP8 strategic priorities:

1. A high performing organisation that attracts investment and creates lasting value
2. Embedded in our communities, and valued by our customers
3. Enabling sustainable growth and resilience in an environmentally significant region
4. Our people and partners are proud to deliver excellence and be Safer Every Day
5. Trusted by government and regulators to meet our commitments

Risk	Oversight	Risks	Risk Profile	Risk Movement	To manage this risk we
Evolving health and safety	Safety, Well-being and Environment Committee	As our work volume and complexity increase, we may face challenges in evolving our health and safety culture and processes, potentially leading to serious incidents, harm or death to staff or contractors, HSE prosecutions, fines, reputational damage, and operational disruption. Additionally, inadequate safety processes and insufficient change controls could further exacerbate these risks, resulting in legal action, loss of staff trust, and regulatory scrutiny from the HSE.	Medium risk	Stable	• Draft policies to ensure a consistent approach • Actively manage issues as they arise • Embed training, skills and competency • Ensure contracts are in place and properly enacted • Conduct regular risk assessments
Asset performance and investment	Asset Management Committee	Due to population growth and other external factors, or incorrect/incomplete asset data our asset base may be required to perform at a higher standard than expected or deteriorate at a greater rate than investment allowances or modelling assumptions. This could result in a failure to meet customer needs (e.g. catastrophic asset failure, pollutions or supply disruptions) and/or inefficient investments and/or a requirement to make unplanned investments in assets.	High risk	Risk increasing	• Perform operational performance monitoring • Set minimum asset standards and promote industry alignment • Engage with regulatory reform and regulators • Perform asset management system and maintenance modelling • The Asset management Executive Committee provides oversight of investment prioritisation, delivery risks and resilience plans
Asset resilience	Asset Management Committee	Limited/insufficient resilience and redundancy could lead to instances of service interruption where assets experience input issues (e.g. black outs / brown outs). This could result in regulatory fines and delays or failures to deliver services to customers.	High risk	Revised Principal Risk	• Conduct performance management and monitor responses • Conduct regular asset health assessments • Embed a corporate resilience framework • Set minimum asset standards and promote industry alignment • Conduct asset system resilience appraisals • Promote industry influence - national Operational Resilience Working Group (ORWG)
Changing regulatory landscape	Regulatory Compliance Committee	Changes to the way water industry regulators interpret regulations could mean we become non-compliant or face an increased compliance burden if we are unable to sufficiently anticipate, influence and respond to future regulations, laws, permits and/or stakeholder sentiment. This could lead to fines and further regulatory scrutiny.	Medium risk	Revised Principal Risk	• Promote legislative influence through strategic external engagement • Conduct evidence-based policy influence via research partnerships • Have in-house legislative expertise for adaptive response • Engage in internal regulatory impact assessments and integration

Risk	Oversight	Risks	Risk Profile	Risk Movement	To manage this risk we
Cyber Security	Risk, Assurance and Disclosure Committee	An inability to respond to existing and evolving cyber threats may result in a breach of systems either operational technology or information technology. This could lead to significant reputational damage, confidential data loss, business disruption, financial loss due to fines, and/or negative customer impact.	Medium risk	Revised Principal Risk	• Communicate and monitor the security risk management strategy, governance structure, expectations and policy • Establish and maintain an accurate understanding of assets, services, dependencies, threats, and vulnerabilities • Implement and maintain safeguards that minimise the likelihood and impact of cyber events • Ensure timely discovery of cyber events through monitoring, alerting, threat detection, and anomaly identification • Define and execute actions to contain, mitigate, and communicate cyber incidents • Restore services, capabilities, and data following a cyber event
Climate change adaptation	Environment and Sustainability Committee	An inability to sufficiently adapt to a changing and increasingly volatile climate may lead to damage to assets, pollutions, flooding and/or water supply and drought issues. This could result in instances of non-compliance, or unforeseen regulatory changes, as well as loss of public trust and serious reputational damage.	High risk	Revised Principal Risk	• Attend governance forums and Executive Oversight • Implement integrated strategic planning • Promote cross-sector collaboration and stakeholder engagement • Conduct climate resilience assessments in scheme design and permitting
Data quality and accuracy	Risk, Assurance and Disclosure Committee	AWS's failure to effectively collect and manage an increasing volume of data, along with inconsistencies in data quality, could lead to sub-optimal decision-making, misallocation of resources, higher costs, and delays in delivering priorities. Increased demand for asset data transparency and data quality issues could cause the public to misinterpret data and demand action, leading to more reactive responses instead of prioritising asset health.	Medium – Low risk	Revised Principal Risk	• Ensure appropriate governance – Risk and Disclosure Committee • Carry out both internal and third-party assurance on Financial and regulatory submissions • Ensure accuracy, consistency, and compliance via a structured data quality assurance process • Validate capital delivery data and information – assess the data quality provided by alliance partners during performance evaluations • Provide data accessibility via processes and technology platforms to enable data providers to access and curate trusted data required by our external regulators

Risk	Oversight	Risks	Risk Profile	Risk Movement	To manage this risk we
					• Embed data competence – data quality and reporting are underpinned by knowledgeable and experienced subject matter experts (SMEs) and data providers who understand the operation
Skills and capability requirements	People Committee	Ineffective learning and development planning and execution could lead to AWS being unable to keep pace with skills and competence requirements to manage the business effectively (e.g. green skills, technological advances/AI etc.). This could result in a failure to deliver against our long-term strategy, an inability to meet future operational demands and a detrimental impact on performance.	Medium risk	Stable	• Have an embedded talent strategy • Engage with alliance & preferred delivery partners • Support off-shoring specialist skills • Promote upskilling initiatives • Identify and develop talent early
Financeability and investability	Finance and Commercial Committee	AWS and the sector more widely may be seen as an unattractive investment by investors, which could make it difficult to obtain the levels of funding required to deliver on our objectives, resulting in missed ODIs, a reduction in operational capacity and dissatisfied customers and staff. Negative changes in our performance and/or credit ratings may make it difficult to secure sufficient financing at an acceptable cost. This could impact our profitability and threaten our financial viability.	High risk	Revised Principal Risk	• Conduct Business Plan review • Have an active debt engagement programme • Clear equity stakeholder engagement • Embed enterprise-wide Treasury policies • Conduct debt covenant monitoring
General legislative and regulatory non-compliance	Risk, Assurance and Disclosure Committee, Regulatory Compliance Oversight Group	Limits on resources and insufficient oversight mechanisms and monitoring could lead to instances of non-compliance with laws and regulations resulting in fines, legal proceedings or regulatory enforcement action (e.g. by the ICO or the CMA).	Medium risk	Revised Principal Risk	• Implement governance and oversight • Have robust legal policies • Undertake compliance training • Conduct an annual assurance process • Have an established Whistleblowing process • Conduct regular fraud assessments
Supply chain capacity and resilience	Asset Management Committee	The capacity, capability and motivation of the supply chain may not keep pace with the requirements needed to deliver future priorities within the available investment envelope; in addition, the complexity of the supply chain could create performance and resilience challenges. These may lead to delays in infrastructure delivery, resulting in higher costs,	Medium risk	Stable	• Actively manage key supplier relationships • Support the @one Alliance • Are an active Programme Delivery Partner • Embed a culture of workforce development and diversification • Support off-shoring specialist skills

Risk	Oversight	Risks	Risk Profile	Risk Movement	To manage this risk we
		regulatory penalties and reputational damage.			
Volume and complexity of capital projects	Performance Capital Delivery Committee	The increasing volume and complexity of capital projects may cause us to be unable to meet operational and health and safety expectations or requirements, resulting in delays, additional cost, serious injury to staff/contractors, fines and reputational damage.	Medium – Low risk	Revised Principal Risk	• Embed a programme of governance and oversight • Promote an Operational Interface Function • Understand and meet contractual handover requirements • Conduct regular milestone reporting

Emerging/evolving risks and future requirements

While understanding our current risk landscape is critical, it is also essential to look to the future. Emerging risks are new or evolving uncertainties that are not yet fully understood but have the potential to materially impact Anglian Water and our customers over the medium to long term. These risks often arise from changes in the external environment, such as technological advancements, climate trends, regulatory developments, or shifting stakeholder expectations, and may develop rapidly if not identified early. Known elements of these risks may be picked up in the Principal Risks but, as there are areas where the risk is constantly evolving and we need to remain vigilant, particularly to external factors, they are also deemed to be emerging or evolving risks.

Horizon scanning is therefore a key component of effective risk management, enabling us to systematically monitor external signals, identify potential threats and opportunities at an early stage, and assess their relevance to the business. By proactively considering emerging risks, we can strengthen resilience, inform strategic planning, and take timely action to mitigate potential impacts or capitalise on opportunities before they fully materialise.

Emerging Risks at Anglian Water

Short term: 0-5 years | Medium term: >5-10 years | Long term: >10 years

Cause	Event	Consequence	Trajectory / Time Horizon	Linkage to Principal Risks
Geopolitical instability	Disruption to critical services or supply chains	Increased operating and capital costs; reduced supply chain resilience, deterioration in service delivery to customers	Medium term – increasing	Supply Chain Capacity Resilience; Financeability and Investability; Volume and Complexity of Capital Projects
Heightened cyber threat activity	Cyber security incident affecting IT or OT systems	Loss or compromise of data; service interruption; regulatory enforcement action; financial penalties; reputational harm	Short to medium term – increasing	Cyber Security; Data Quality and Accuracy; General Legislative and Regulatory Non Compliance
Regulatory and policy uncertainty	Failure to anticipate or respond to regulatory change	Non-compliance with statutory or licence obligations; increased regulatory scrutiny; financial penalties; reputational impact	Short term – increasing	Changing Regulatory Landscape; General Legislative and Regulatory Non Compliance
Global economic and political volatility	Interruption to the availability of goods, materials or services	Programme delays; increased delivery costs; reduced operational resilience	Short to medium term – increasing	Supply Chain Capacity and Resilience; Financeability and Investability
Population growth and demographic change	Sustained increase in demand for water and wastewater services	Pressure on asset capacity and performance; service disruption; increased investment requirements; customer dissatisfaction	Long term – increasing	Asset Performance and Investment; Asset Resilience
Emerging contaminants and evolving water quality standards	Deterioration in treated water quality or compliance standards	Increased treatment costs; heightened risk of non-compliance; regulatory action; reputational damage	Medium to long term – increasing	Asset Performance and Investment; General Legislative and Regulatory Non Compliance
Extreme Weather	Increased frequency and severity of weather related events	Service interruption; increased pollution risk; accelerated asset deterioration; increased operational and capital costs	Short to long term – increasing	Asset Resilience; Climate Change Adaptation; Asset Performance and Investment
Artificial Intelligence (AI) and Big Data	Data is increasingly being used to provide meaningful insights for companies, to support decision making	The fast-paced evolution of generative AI tools, and the opportunities AI brings, raise concerns around data privacy, security, ethics, accuracy and reliability	Short to medium term – increasing	Cyber Security; Data Quality and Accuracy
Increased interdependency with other critical sectors	Loss of interdependent services or unanticipated demand escalation, e.g. energy, digital infrastructure	Capacity constraints; service interruption; requirement for additional resilience investment	Medium term – increasing	Asset Resilience; Cyber Security; Volume and Complexity of Capital Projects

Cause	Event	Consequence	Trajectory / Time Horizon	Linkage to Principal Risks
Disruption to Critical National Infrastructure	Failure or interruption of essential third party infrastructure	Inability to maintain essential services; regulatory intervention; significant reputational damage	Low probability/High impact – Persistent	Asset Resilience; Supply Chain Capacity and Resilience; General Legislative and Regulatory Non Compliance
Misinformation/disinformation	Inaccurate or misleading information during incidents or periods of change	Erosion of public trust; increased customer contact and complaints; weakened effectiveness of incident response; reputational damage	Increasing	Data Quality and Accuracy

GENDER AND ETHNICITY PAY GAP REPORTING

Gender pay gap reporting legislation came into force in April 2017 and requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. As such, all references below refer to Anglian Water Services Limited and it should be read in conjunction with the full disclosure within the AWS Annual Integrated Report.

Gender pay gap

We want everyone to feel included, regardless of their background. This applies to all areas across our inclusion agenda, not only gender.

As outlined in the report, our workforce composition – as of April 2025 – was 33.4% female, 66.2% male and 0.4% other. In comparison to 2024, our median gender pay gap has increased by 0.7% to 12.3% and our mean gender pay gap has risen by 0.3% to 5.2%.

It is disappointing to see the gap increase, albeit marginally. However, we remain mindful that significant and sustained change will only be possible through a substantial shift in gender balance at all levels of the business. Factors that continue to affect our pay gap include:

• A higher percentage of males than females in senior positions (59% versus 41% of the reporting population).

• High retention rates reducing opportunities for change through recruitment.

• Most operational roles (80%) are held by males. These roles attract additional pay in the form of allowances and standby rates compared to non-operational roles at a similar level, which has an impact on the pay gap results.

Gender pay gap 2025	
Mean gender pay gap	5.2% (2024: 4.9%)
Median gender pay gap	12.3% (2024: 11.6%)
Gender split across Anglian Water employees:	Women: 33.4%, Men: 66.2%, Other: 0.4%

Ethnicity pay gap

Ethnicity pay gap reporting is completed on a voluntary basis and the proportion of employees who record their ethnicity has risen from 32% of employees in 2020 to 75.1% in April 2025.

Our ethnicity pay gap has seen a slight improvement as we get more visibility of our EDC population and is calculated using the same principles that are applied to statutory gender pay gap reporting.

The ethnicity pay gap shows the difference in the average pay between people from Ethnically Diverse Communities (EDC), which includes people who are Black, Asian and mixed race, compared to white employees (including those that identify as white other).

Ethnicity pay gap 2025	
Mean ethnicity pay gap	4.1% (2024: 8.4%)
Median ethnicity pay gap	4.5% (2024: 6.2%)
Overall ethnicity split across Anglian Water employees (excluding blanks):	EDC: 6.2% / White: 93.8%
Overall ethnicity in our region according to the 2021 Census:	EDC: 12% / White: 88%

Addressing our pay gaps

Updating our Inclusion Strategy

In AMP8 (2025-2030), we've evolved our inclusion strategy to focus on creating a high-performing environment where everyone feels welcomed, valued for who they are, and supported to do their best work. This strategy is built around three core goals:

- improving our data so we can understand how best to support our people and track our progress
- building the diversity of our workforce to attract talent and reflect the communities we serve
- supporting and celebrating our people through our values-led culture.

Early Careers

In 2024/25, we welcomed 58 apprentices across all programmes. Of the accepted offers, 12% came from EDC candidates, and 19% were from women (marking a 4% increase in female representation compared to the previous year).

Employee-led community groups

Our employee-led communities have expanded to include:

- The Balancing Act (for parents and carers)
- Getting Men Talking (a new men's network)

This year our women's network evolved into WICA – Women Inspiring, Connecting and Advocating, and is now open to all Anglian Water and Alliance colleagues.

Our communities are open to all including allies, so WICA welcomes men and Getting Men Talking welcomes women.

Senior Leadership

Anglian Water has been placed among the UK's top companies for women in leadership, as recognised by the FTSE Women Leaders Review, which evaluates 400 leading organisations across the FTSE 350 and the UK's largest private companies. This is a result of our ongoing commitment to inclusive leadership and fostering a diverse and equitable workplace.

- 6 out of 14 Executive Committee members are women (43%)
- 4 out of 11 Board of Directors are women (36%), including our Chair, Dr Ros Rivaz

For more information, please see our Gender and Ethnicity Pay Gap Report 2025.

ESG framework

The reward framework for our workforce reflects our wider business. This is mirrored in reward elements such as the Performance Contract, alongside standard reward policies and benefits, for instance private healthcare for all employees, double-matched contributions into our company pension scheme, and the Payroll Giving charity scheme available to our people.

ANGLIAN WATER PERFORMANCE COMMITMENTS OUTCOMES

To measure our progress towards our AMP8 (2025-2030) outcomes, Ofwat sets us targets as part of our business planning process. These measures were decided during the 2024 Price Review and are known as Performance Commitments. The targets are referred to as Performance Commitment Levels (PCLs).

This year, we met some, but not all of our Performance Commitment Levels. We report a net outcome of £-10.5 million[1], ending the year with £52.9 million in reward and £63.4 million penalty. In 2024/25, we netted out at £-41.5 million[2].

While our overall net position has reduced significantly year-on-year, supported by performance improvements across the business and the Competition and Markets Authority outcomes, there remains a gap between our performance and the standard expected by customers, Ofwat and the wider public.

At the same time, our strongest performance continues to come where we work directly with customers.

We remain strong performers on per capita consumption and business demand, alongside customer experience scores in C-MeX and D-MeX. These results show what can be achieved through low-cost solutions, such as collaboration and behaviour change.

Where we rely on our asset base, we continue to face challenges, most notably across our environmental measures, including total pollutions, which contributes £15.7 million to our penalty position. While this represents year-on-year improvement, it underlines the scale of change still required to meet rising expectations.

Our performance improvement programme, launched in September 2024, is showing a positive impact across multiple measures. However, sustained progress will depend on addressing the underlying resilience and reliability of our assets.

A full breakdown on our performance against Ofwat-related PCLs will be published separately in our Annual Performance Report. We will also publish a separate report on our AMP8 Price Control Deliverables (PCDs) Delivery Plan, which sets out how we’re planning to invest over £11 billion between 2025 and 2030.

[1]Correct at time of publication, subject to change.
[2]2024/25 outcomes adjusted to 2022/23 prices

Anglian Water's 2025/26 Performance

Environmental performance

What are we measuring?	How are we measuring it?	Prior year performance (2024/25)	Current year performance (2025/26)	Current year target (2025/26)	Reward or penalty outcome for 2025/26
Internal sewer flooding	The number of times properties are flooded internally per 10,000 sewer connections.	1.41	0.90	1.54	£13.7 million
External sewer flooding	The number of times properties are flooded externally per 10,000 sewer connections.	17.65	15.04	17.46	£11.7 million
Total pollution incidents*	The number of pollution incidents (categories 1 to 3) in a calendar year, due to discharges or escapes from sewerage assets, per 10,000km of sewer network.	441	371	210	-£15.7 million
Serious pollution incidents*	The number of serious pollution incidents (categories 1 and 2) linked to sewerage or water supply assets in a calendar year.	7	12	0	-£17.1 million
Discharge permit compliance*	The percentage of wastewater and water treatment works compliant with discharge permit conditions in a calendar year.	99.28%	98.18%	99% (deadband)	-£2.2 million
Storm overflows*	The average number of spills per storm overflow in a calendar year (ODI payment method).	31	12.71	19.92	£9.8 million
Bathing water quality	The average percentage score given to eligible bathing waters in our region, based on Environment Agency classifications. (Excellent = 100%, Good = 65%, Sufficient = 33%, Poor = 0%).	N/A	83.8%	78.2%	£11.1 million
River water quality	The percentage reduction (as a result of water company activities) in phosphorus emissions from wastewater treatment works to river catchments, against 2020 baseline period.	N/A	27.67%	13.4%	There is no financial reward or penalty associated with this measure.

*These measures are assessed on a calendar year basis.

Supply, demand and asset resilience

What are we measuring?	How are we measuring it?	Prior year performance (2024/25)	Current year performance (2025/26)	Current year target (2025/26)	Reward or penalty outcome for 2025/26
Leakage (three-year average)	The average volume of water lost to leakage across the region in megalitres per day (Ml/d). One megalitre is a million litres. We are measured on % reduced.	186.5Ml/d	94.8Ml/d	184.1Ml/d	-£7.4 million
Per capita consumption (three-year average)	The average water consumption in litres per person per day, for people in our region. We are measured on % reduced.	128.7Ml/d	125.7Ml/d	126.1Ml/d	£1.9 million
Business demand	The average business water demand across our region in megalitres per day (Ml/d). We are measured on % reduced.	N/A	299.0Ml/d	308.6Ml/d	£1.7 million
Water supply interruptions	The average number of minutes lost per customer for interruptions lasting three hours or more.	6 minutes 51 seconds	15 minutes 16 seconds	8 minutes 25 seconds	-£7.2 million
Repairs to burst mains	The number of repairs made to mains per 1,000km of our treated water network	133.4	158.1	130.6	-£5.5 million
Unplanned outage	Unplanned loss of treated water output as a percentage of overall annual capacity.	1.88	2.24	2.32	£0.2 million
Sewer collapses	The number of sewer collapses per 1,000km of sewers (not identified proactively and causing an impact on service to customers or the environment).	4.53	4.77	5.49	£0.8 million

Customer

What are we measuring?	How are we measuring it?	Prior year performance (2024/25)	Current year performance (2025/26)	Current year target (2025/26)	Reward or penalty outcome for 2025/26
Customer Measure of Experience (C-MeX)	C-MeX combines the results of Ofwat's customer service survey and overall customer experience survey for residential customers.	77.38 (7th place)	70.41 (4th place)	69.85	£1.9 million
Developer Measure of Experience (D-MeX)	D-MeX combines the results of Ofwat's satisfaction survey for developer services customers (house builders, self-lay providers etc) and Levels of Service metrics percentage score.	89.7 (8th place)	80.86 (10th place)	Median	-£0.9 million
Business and Retailer measure of experience (BR-MeX)	BR-MeX combines Ofwat's Business Customer Experience Survey, twice-yearly Retailer Experience Survey and Market Performance Framework metrics.	N/A	77.69 (8th place)	Median	£0
Compliance Risk Index (CRI)*	Aligned with stringent water supply regulation, this Drinking Water Inspectorate (DWI) score illustrates risk arising from treated water compliance failures.	2.11	Final score to be confirmed in the DWI Chief Inspector's report, published in July 2026.	1.5	-£1.9 million
Customer contacts about water quality	The number of times we are contacted by consumers due to the taste, odour or clarity of drinking water, reported per 1,000 resident population.	0.91	1.05	0.84	-£0.7 million

*These measures are assessed on a calendar year basis.

Sustainability

What are we measuring?	How are we measuring it?	Prior year performance (2024/25)	Current year performance (2025/26)	Current year target (2025/26)	Reward or penalty outcome for 2025/26
Biodiversity	The net change in the number of biodiversity units (an area's value to wildlife) on nominated land per $100km^2$ of land.	N/A	0.01	0	£0.1 million
Operational greenhouse gas emissions (water)	The percentage reduction in drinking water-related greenhouse gas emissions in tonnes CO_2e (carbon dioxide equivalent).	N/A	6.98% (increase)	9.34% (decrease)	-£3.5 million
Operational greenhouse gas emissions (wastewater)	The percentage reduction in wastewater-related greenhouse gas emissions in tonnes CO_2e (carbon dioxide equivalent).	N/A	3.45% (increase)	0.55% (increase)	-£1.4 million
Lower carbon concrete assets	The percentage reduction in greenhouse gas emissions associated with concrete and reinforcement used capital asset construction against a 2022 baseline.	N/A	100%	5% reduction by the end of AMP (2030)	N/A as target runs until 2030

Approval of the Strategic Report

This Strategic Report was approved by the Board of Directors on 24 June 2026 and signed on its behalf by:

Mark Thurston

Group Chief Executive Officer

Osprey Acquisitions Limited

Group income statement

for the year ended 31 March 2026

Notes		Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
4	**Revenue**	**2,106.5**	1,762.3
	Other operating income	**11.5**	16.8
	Operating costs		
5	Operating costs before depreciation, amortisation and loss allowance for expected credit losses	**(989.4)**	(841.5)
5	Depreciation and amortisation	**(467.6)**	(423.5)
5	Loss allowance for expected credit losses	**(54.3)**	(36.2)
5	Total operating costs	**(1,511.3)**	(1,301.2)
	Operating profit	**606.7**	477.9
6	Finance costs	**(519.8)**	(466.6)
6	Finance income	**69.7**	124.9
	Fair value (losses)/gains on derivative financial instruments	**(96.2)**	62.9
	Net finance costs	**(546.3)**	(278.8)
	Gains before fair value gains on derivative financial instruments[1]	**156.6**	73.3
6	Fair value (losses)/gains on derivative financial instruments	**(96.2)**	62.9
	Profit before tax from continuing operations	**60.4**	199.1
7	Tax charge	**(13.8)**	(47.3)
	Profit for the year from continuing operations	**46.6**	88.9

[1]As defined in note 19

Notes 1 to 31 are an integral part of these financial statements.

Osprey Acquisitions Limited

Group statement of comprehensive income

for the year ended 31 March 2026

Notes		Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
	Profit for the year	**46.6**	88.9
	Other comprehensive (expense)/income		
	Items that will not be reclassified to income statement		
21	Actuarial (losses)/gains on retirement benefit	**(5.7)**	30.5
7	Income tax on items that will not be reclassified	**1.4**	(7.7)
		(4.3)	22.8
	Items that may be reclassified subsequently to income statement		
23	(Losses)/gains on cash flow hedges recognised in equity	**(4.5)**	23.3
23	Losses on cost of hedging recognised in equity	**(1.1)**	(3.9)
23	Gains on cash flow hedges transferred to income statement	**7.8**	18.2
7	Income tax on items that may be reclassified	**(0.4)**	(9.4)
		1.8	28.2
	Other comprehensive (expense)/income for the year, net of tax	**(2.5)**	51.0
	Total comprehensive income for the year	**44.1**	139.9

Osprey Acquisitions Limited

Group balance sheet

for the year ended 31 March 2026

Notes		Year End 31 March 2026 £m	Year End 31 March 2025 £m
	Non-current assets		
10	Goodwill	**445.8**	445.8
11	Other intangible assets	**494.9**	317.3
12	Property, plant and equipment	**12,767.8**	12,115.0
13	Investment properties	**0.2**	0.2
15	Investments in joint ventures	**-**	-
14	Other investments	**0.1**	-
19	Derivative financial instruments	**111.1**	168.3
21	Retirement benefit surplus	**120.8**	119.8
		13,940.7	13,166.4
	Current assets		
	Inventories	**27.1**	24.7
15	Trade and other receivables	**763.2**	664.6
	Current tax receivables	**-**	-
14	Investments - cash deposits	**908.6**	442.8
16	Cash and cash equivalents	**634.9**	642.5
19	Derivative financial instruments	**15.7**	0.9
		2,349.5	1,775.5
	Total assets	**16,290.2**	14,941.9
	Current liabilities		
17	Trade and other payables	**(759.7)**	(720.1)
	Current tax liabilities	**(0.1)**	(0.2)
18	Borrowings	**(523.3)**	(988.1)
19	Derivative financial instruments	**(1.7)**	(8.3)
	Provisions	**(4.5)**	(4.5)
		(1,289.3)	(1,721.2)
	Net current liabilities	**1,060.3**	54.3
	Non-current liabilities		
18	Borrowings	**(10,249.7)**	(8,878.0)
19	Derivative financial instruments	**(833.2)**	(781.6)
20	Deferred tax liabilities	**(1,511.1)**	(1,496.7)
21	Retirement benefit deficit	**(25.2)**	(26.6)
	Provisions	**(21.1)**	(1.3)
		(12,640.3)	(11,184.2)
	Total liabilities	**(13,929.6)**	(12,905.4)
	Net assets	**2,360.6**	2,036.5

Osprey Acquisitions Limited

Group balance sheet (continued)

for the year ended 31 March 2026

Notes		Year End 31 March 2026 £m	Year End 31 March 2025 £m
	Capital and reserves		
22	Stated capital	**876.2**	876.2
	Share premium	**896.5**	596.5
	Retained earnings	**543.4**	521.1
23	Hedging reserve	**48.6**	46.0
23	Cost of hedging reserve	**(4.1)**	(3.3)
	Total equity	**2,360.6**	2,036.5

Notes 1 to 31 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 23 June 2026 and signed on its behalf by:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Company number: 05915896

Osprey Acquisitions Limited

Company balance sheet

for the year ended 31 March 2026

Notes		**Year End 31 March 2026 £m**	Year End 31 March 2025 £m
	Non-current assets		
14	Other investments	**3,711.8**	3,541.8
		3,711.8	3,541.8
	Current assets		
15	Trade and other receivables	**63.9**	25.3
14	Investments - cash deposits	**664.4**	5.0
16	Cash and cash equivalents	**47.9**	26.1
		776.2	56.4
	Total assets	**4,488.0**	3,598.2
	Current liabilities		
17	Trade and other payables	**(26.2)**	(29.3)
18	Borrowings	**(33.3)**	(282.3)
		(59.5)	(311.6)
	Net current liabilities	**716.7**	(255.2)
	Non-current liabilities		
18	Borrowings	**(1,621.3)**	(758.6)
		(1,621.3)	(758.6)
	Total liabilities	**(1,680.8)**	(1,070.2)
	Net assets	**2,807.2**	2,528.0
	Capital and reserves		
22	Stated capital	**876.2**	876.2
	Share premium	**896.5**	596.5
	Retained earnings	**1,034.5**	1,055.3
	Total equity	**2,807.2**	2,528.0

Notes 1 to 31 are an integral part of these financial statements.

The Company had a loss in the year of £20.8 million (2025: profit of £23.9 million).

The financial statements were approved by the Board of Directors on 23 June 2026 and signed on its behalf by:

Mark Thurston
Chief Executive

Michael Bradley
Chief Financial Officer

Company number: 059158

Osprey Acquisitions Limited

Group statement of changes in equity

for the year ended 31 March 2026

Notes		Stated capital £m	Share premium £m	Retained earnings £m	Hedging reserve £m	Cost of hedging reserve £m	**Total equity £m**
	At 1 April 2024	876.2	596.5	450.4	14.9	(0.4)	**1,937.6**
	Profit for the year	-	-	88.9	-	-	**88.9**
	Other comprehensive income/(expense)						
21	Actuarial gains on retirement benefit obligations	-	-	30.5	-	-	**30.5**
7	Income tax credit on items that will not be reclassified	-	-	(7.7)	-	-	**(7.7)**
23	Gains on cash flow hedges	-	-	-	23.3	-	**23.3**
23	Losses on cost of hedging relationships	-	-	-	-	(3.9)	**(3.9)**
23	Amounts on hedging reserves transferred to income statement	-	-	-	18.2	-	**18.2**
23	Deferred tax movement on hedging reserves	-	-	-	(10.4)	1.0	**(9.4)**
		-	-	22.8	31.1	(2.9)	**51.0**
	Total comprehensive income/(expense)	-	-	111.7	31.1	(2.9)	**139.9**
	Dividends	-	-	(41.0)	-	-	**(41.0)**
	At 31 March 2025	876.2	596.5	521.1	46.0	(3.3)	**2,036.5**
	Profit for the year	-	-	46.6	-	-	**46.6**
	Other comprehensive income/(expense)						
21	Actuarial loss on retirement benefit obligations	-	-	(5.7)	-	-	**(5.7)**
7	Income tax charge on items that will not be reclassified	-	-	1.4	-	-	**1.4**
23	Loss on cash flow hedges	-	-	-	(4.5)	-	**(4.5)**
23	Losses on cost of hedging relationships	-	-	-	-	(1.1)	**(1.1)**
23	Amounts on hedging reserves transferred to income statement	-	-	-	7.8	-	**7.8**
23	Deferred tax movement on hedging reserves	-	-	-	(0.7)	0.3	**(0.4)**
		-	-	(4.3)	2.6	(0.8)	**(2.5)**
	Total comprehensive income/(expense)	-	-	42.3	2.6	(0.8)	**44.1**
	Issue of shares		300.0				**300.0**
	Dividends	-	-	(20.0)	-	-	**(20.0)**
	At 31 March 2026	**876.2**	**896.5**	**543.4**	**48.6**	**(4.1)**	**2,360.6**

Osprey Acquisitions Limited

Company statement of changes in equity

for the year ended 31 March 2026

	Stated capital £m	Share premium £m	Retained earnings £m	**Total equity £m**
At 1 April 2024	876.2	596.5	1,072.4	2,545.1
Profit for the year	-	-	23.9	23.9
Total comprehensive income	-	-	23.9	23.9
Dividends	-	-	(41.0)	(41.0)
At 31 March 2025	876.2	596.5	1,055.3	2,528.0
Loss for the year	-	-	(0.8)	**(0.8)**
Total comprehensive expense	-	-	(0.8)	**(0.8)**
Issue of shares		300.0		**300.0**
Dividends	-	-	(20.0)	**(20.0)**
At 31 March 2026	**876.2**	**896.5**	**1,034.5**	**2,807.2**

Osprey Acquisitions Limited

Cash flow statement

for the year ended 31 March 2026

Notes		Group Year ended 31 March 2026 £m	Group Year ended 31 March 2025 £m	Company Year ended 31 March 2026 £m	Company Year ended 31 March 2025 £m
	Operating activities				
	Operating profit/(loss)	**606.7**	477.9	**(0.1)**	(0.1)
	Adjustments for:				
	Depreciation and amortisation	**467.6**	423.5	**-**	-
	Assets adopted for £nil consideration	**(39.1)**	(34.0)	**-**	-
	Profit on disposal of property, plant and equipment	**(1.1)**	-	**-**	-
	Difference between pension charge and cash contributions	**(0.8)**	(27.4)	**(0.1)**	0.1
	Net movement in provisions	**9.5**	(3.9)	**-**	0.1
	Working capital:				
	(Increase)/decrease in inventories	**(2.4)**	2.2	**-**	-
	Increase in trade and other receivables	**(92.8)**	(37.8)	**(38.6)**	(1.1)
	Increase/(decrease) in trade and other payables[1]	**36.7**	(0.8)	**-**	-
	Cash generated from/(used in) operations	**984.3**	799.7	**(38.8)**	(1.0)
	Income taxes received	**1.5**	1.4	**-**	-
	Net cash flows from/(used in) operating activities	**985.8**	801.1	**(38.8)**	(1.0)
	Investing activities				
	Purchase of property, plant and equipment	**(920.6)**	(960.8)	**-**	-
	Purchase of intangible assets	**(218.2)**	(109.6)	**-**	-
	Proceeds from disposal of property, plant and equipment	**3.6**	1.5	**-**	-
	Interest received	**51.4**	50.4	**14.5**	1.3
	Proceeds from maturity of deposits	**950.0**	1,195.0	**5.0**	15.0
	Investment in deposits	**(1,415.8)**	(1,085.7)	**(664.4)**	(20.0)
	Purchase of shares in subsidiary company	**-**	-	**(170.0)**	-
	Dividends received from subsidiaries	**-**	-	**50.0**	70.6
	Net cash (used in)/from investing activities	**(1,549.6)**	(909.2)	**(764.9)**	66.9
	Financing activities				
	Interest paid	**(372.4)**	(279.9)	**(40.2)**	(44.1)
	Debt issue costs paid	**(21.0)**	(25.6)	**(9.2)**	-
	Interest paid on leases	**(0.9)**	(1.0)	**-**	-
	Proceeds from amounts borrowed	**1,820.0**	1,036.0	**900.0**	115.3
	Repayment of amounts borrowed	**(1,047.4)**	(419.3)	**(305.1)**	(70.0)
	Receipt of principal on derivatives	**4.7**	67.1	**-**	-
	Repayment of principal on derivatives	**(100.7)**	(85.0)	**-**	-
	Repayment of principal on leases	**(6.0)**	(6.4)	**-**	-
	Dividends paid	**(20.0)**	(41.0)	**(20.0)**	(41.0)
	Proceeds from issue of ordinary shares	**300.0**	-	**300.0**	-
	Net cash from/(used in) financing activities	**556.2**	244.9	**825.5**	(39.8)
	Net (decrease)/increase in cash and cash equivalents	**(7.6)**	136.8	**21.8**	26.1
	Cash and cash equivalents at 1 April	**642.5**	505.7	**26.1**	-
18	**Cash and cash equivalents at 31 March**	**634.9**	642.5	**47.9**	26.1

[1]Excluding movement in capital creditors which is presented in investing activities.

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all of the years presented and are applicable to both Group and Company.

a) Basis of accounting

The Group and Company financial statements have been prepared (in accordance with section 474(1) of the Companies Act 2006) under international accounting standards which are adopted for use within the United Kingdom by virtue of Chapter 2 or 3 of Part 2 of the International Accounting Standards.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

Adjusted profit before tax excludes the fair value gains and losses arising on derivative financial instruments and energy derivatives that the Group holds as economic hedges. These introduce volatility into the accounts due to the present value of future cash flows, which management believes is not representative of the underlying operational performance of the business. Alternative performance measures are defined in note 29.

b) Basis of preparation

The Group and Company financial statements comprise a consolidation of the financial statements of the Company and all its subsidiary undertakings at 31 March. The results of companies acquired or disposed of are consolidated from the effective date of acquisition or to the effective date of disposal. Inter-company sales and profit are eliminated fully on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values, as at the acquisition date, of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

1. **Accounting policies** (continued)

b) Basis of preparation (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value, as at the acquisition date, and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Going concern

In preparing the financial statements, the Directors considered the Company's ability to meet its debts as they fall due for a period of one year from the date of this report. This was carried out in conjunction with the consideration of the Viability Statement detailed on page 107 of the Anglian Water Services Limited's Annual Integrated Report (AIR).

In assessing the appropriateness of the Going Concern basis of accounting the Directors have reviewed the resources available to the group in the form of cash and committed bank facilities headroom which stands at £3bn as at 31 March 2026. As a result, the group has sufficient liquidity to meets its operational needs in the 12 months post signing.

Whilst management note an on-going requirement to raise debt given the business model, management believe the business has sufficient access to capital markets and therefore they do not believe there to be a need to extend the period any further than 12 months.

The base forecast, which has been updated for the latest internal and external information, has been subjected to a range of severe but plausible downside scenarios aligned to the risks facing the business. In assessing Going Concern, the Directors have considered a number of perspectives, including liquidity and debt covenants and tested these against both the base scenario and the downside scenarios.

The Directors are satisfied that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, even under the severe but plausible downside scenarios considered.

For these reasons, the Directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

1. Accounting policies (continued)

b) Basis of preparation (continued)

Standards, amendments and interpretations effective or adopted

In the current year, the Group has applied the following amendment, which became effective during the reporting period. The adoption of this amendment did not have a material impact on the disclosures or amounts reported in the Group's consolidated financial statements:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability

The following new standards and amendments have not been adopted in the Group's consolidated financial statements as they are not yet effective. These will be adopted at the beginning of the period they become mandatory:

- IFRS 18 Presentation and Disclosure in Financial Statements (applicable for annual periods beginning on or after 1 January 2027)
- IFRS 19 Subsidiaries without Public Accountability – Disclosures (applicable for annual periods beginning on or after 1 January 2027)
- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments (applicable for annual periods beginning on or after 1 January 2026)
- Annual Improvements – Volume 11 (applicable for annual periods beginning on or after 1 January 2026)
- Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity (applicable for annual periods beginning on or after 1 January 2026)

The Directors do not expect the adoption of the new standards and amendments to the existing standards listed above will have a material impact on the consolidation financial statements of the group in future periods, except if indicated below.

- IFRS 20 Contracts Referencing Nature-dependent Electricity (applicable for annual periods beginning on or after 1 January 2026)

IFRS 20 sets out requirements for the application of IFRS Accounting Standards to contracts that reference nature-dependent electricity, including certain power purchase agreements (PPAs). The standard is intended to improve the usefulness of information provided to users of financial statements about the effects of these contracts on an entity's financial performance and cash flows.

The Group is currently assessing the potential impact of IFRS 20 on its consolidated financial statements. As this assessment remains ongoing, it is not yet practicable to reasonably estimate the full effect that adoption of the standard may have on the Group's financial statements.

1. Accounting policies (continued)

b) Basis of preparation (continued)

- IFRS 18 Presentation and Disclosure in Financial Statements (applicable for annual periods beginning on or after 1 January 2027)

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some paragraphs from IAS 1 have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements;
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Directors anticipate that the application of the new standard may have an impact on the Group's consolidated financial statements in future periods.

1. Accounting policies (continued)

c) Foreign currencies

The Group's consolidated financial statements are presented in British pound sterling, which is also the parent company's functional currency. Individual transactions denominated in foreign currencies are translated into local currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the period and monetary assets and liabilities are dealt with in the income statement except for transactions where hedge accounting has been applied in accordance with IFRS 9 'Financial instruments'.

On consolidation, the income statements of overseas subsidiaries are translated at the average exchange rates for the period and the balance sheets at the exchange rates at the balance sheet date. The exchange differences arising as a result of translating income statements at average rates and restating opening net assets at closing rates are taken to the translation reserve.

d) Segmental reporting

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

e) Revenue recognition

Revenue is recognised to reflect the transfer of goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services.

Principal source of income
The Group's principal source of income is from customers in respect of the provision of water and water recycling services within Anglian Water, the Group's regulated water and sewerage company, at a price determined annually by its regulatory tariffs.

The majority of Anglian Water's household customers have meters, but there are a significant number who are not metered. This is relevant to how the Group recognises the income over the year, since the unmeasured customers are billed at a flat rate based on the rateable value of the property, which reflects their right to an ongoing supply of water, while measured customers are billed in line with their usage, which tends to be seasonal.

Under IFRS 15, the performance obligation for measured customers has been assessed as the provision of water and sewerage services, and the performance obligation is met as water is supplied to the property. Accordingly, for the variable element, revenue is recognised as water is supplied, based on volumes supplied at the relevant reporting date.

Related non-volumetric, or standing, charges reflect our obligation to stand-ready to deliver water, as is the case with unmeasured supply (see below), and is accounted for accordingly.

1. Accounting policies (continued)

e) Revenue recognition (continued)

In respect of unmeasured customers, the performance obligation has been assessed as standing ready to provide water and sewerage services when required by our customers, and accordingly revenue is recognised under IFRS 15 as the stand-ready obligation is fulfilled over time. Accordingly, revenue from unmeasured customers is recognised on an overtime basis under IFRS 15.

Non-household revenue is charged and recognised on the basis of volumes supplied, based on data submitted by the market operator.

Secondary source of income

A secondary source of income for Anglian Water is from grants and contributions in respect of new connections for water and/or sewerage services. Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question. Please see note 2 for further details.

The significant components of grants and contributions, and their treatment, are as follows:

i *New connection charges*
The Group considers the performance obligation to be satisfied on making the connection. Income for new connection charges is therefore recognised as the connection is completed.

ii *Self-lay, requisitions and adoption fees*
Revenue recognition is consistent with new connection charges (see (i) above).

iii *Fair value of assets adopted for £nil consideration*
These are principally sewers and pumping stations that a developer has constructed and then contributed to the Group, on a £nil consideration basis, in exchange for being relieved of any future liability. Income is recognised on adoption based on the fair value of the asset adopted.

iv *Infrastructure charges*
Infrastructure charges are a developer's contribution to fund network reinforcement by the Group. While these charges are a contribution to reinforcement of the network, they have to be paid by the developer as a condition of obtaining connection to the network and, as such, the Group's performance obligation is satisfied by making the connection. As such, the income is recognised as the connection is made.

v *Diversions*
Diversions arise where a highways agency, or other authority, reimburses the Group for the majority of the costs incurred in diverting assets that represent an obstruction to the construction or upgrade of roads and railway lines. There is no performance obligation to the agency/authority beyond completing the diversion, therefore income is recognised immediately on completion.

1. Accounting policies (continued)

e) Revenue recognition (continued)

vi *Contract assets (accrued income)*
Contract assets principally relate to accrued income where the Group has transferred goods or services to customers but has not yet billed the customer for the full amount recognised in revenue.

vi Contract liabilities
Contract liabilities arise where consideration is received from customers in advance of the Group satisfying the related performance obligations. Revenue is recognised when, or as, the performance obligations are satisfied, at which point the related contract liability is released to revenue.

Non-appointed activities

The Group also provides additional services which are not categorised as a regulatory appointed activity. These relate to non-water / wastewater services and for use of land for water supply beyond duties imposed by regulation. Activities largely relate to the provision of property searches, referrals for connecting customers to insurance providers, processing of septic tank waste from households not connected to main sewers and from the use of our reservoirs for recreational activity. Revenue is recognised in line with the delivery of each performance obligation, which is generally satisfied at a point in time as there is no ongoing obligation beyond the transaction date. The transaction price is determined based on contractual arrangements or published tariffs with customers and allocated to each performance obligation based on the stand-alone selling price of the relevant service.

Other sources of revenue

i *Other operating income*
The principal sources of other operating income are from the generation of power, the sale of biosolids to farms, rents received and other minor income associated with operating activities.

ii *Service contracts*
Revenue from service contracts is recognised by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed.

iii *Property development*
Revenue from sale of development properties, which are not held for the long-term, is recorded when a legally binding contract for the sale of the development has been entered into and legal completion has taken place before the period-end. Revenue includes sales of directly held work in progress and interests in special purpose subsidiaries and joint ventures if the substance of the transaction is the sale of the underlying property.

1. Accounting policies (continued)

f) Research and development

Research expenditure is charged to profit and loss in the period in which it is incurred. Expenditure relating to development projects is capitalised as equipment or intangible assets and is written off over the expected useful life of the asset.

g) Exceptional items

Exceptional items are one-off items that individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or nature to enable a reader of the financial statements to understand the results for a particular period.

h) Operating profit

Operating profit is stated after charging operational expenses but before finance income and finance costs.

i) Taxation

Current income tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates enacted or substantially enacted by the balance sheet date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

j) Dividends

Dividends are recognised as a liability in the period in which they are approved or committed. A corresponding amount is recognised directly in equity.

1. Accounting policies (continued)

k) Intangible assets

i *Goodwill*

On the acquisition of a subsidiary undertaking, or business combination, fair values are attributed to the net identifiable assets or liabilities acquired. Goodwill represents the difference between the fair value of the purchase consideration and the fair value of the net assets acquired. Goodwill is tested annually for impairment.

ii *Other intangible assets*

Other intangible assets represent computer software and internally generated assets which mainly comprise capitalised development expenditure.

Other intangible assets are shown at cost less subsequent amortisation and any impairment. Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives, which are primarily three to 15 years.

Software-as-a-service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of the costs incurred relate to the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of, and the recognition criteria for, an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

l) Property, plant and equipment

Property, plant and equipment comprises:

- Land and buildings – comprising land and non-operational buildings.
- Infrastructure assets – comprising a network of systems consisting of mains and sewers, impounding and pumped raw water storage reservoirs, sludge pipelines and sea outfall.
- Operational assets – comprising structures at sites used for water and wastewater treatment, pumping or storage, where not classed as infrastructure, along with associated fixed plant.
- Vehicles, mobile plant and equipment.
- Assets under construction.

All property, plant and equipment is shown at cost less subsequent depreciation and any impairment. Cost includes expenditure directly attributable to the acquisition or construction of the items.

1. Accounting policies (continued)

l) Property, plant and equipment (continued)

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement as incurred.

Freehold land is not depreciated, nor are assets in the course of construction until commissioned. Depreciation of other assets is calculated at rates expected to write off the cost less the estimated residual value of the relevant assets on a straight-line basis over their estimated useful lives, which are primarily as follows:

Non-operational buildings	15 – 80 years
Infrastructure assets – water	50 – 120 years
Infrastructure assets – water recycling	50 – 160 years
Operational assets	30 – 80 years
Fixed plant, including meters	12 – 40 years
Vehicles, mobile plant and equipment	3 – 10 years

Items of property, plant and equipment that have no further operational use are treated as having been decommissioned and are written off immediately to profit or loss. In addition, property, plant and equipment is assessed for impairment, in accordance with IAS 36 'Impairment of Assets', if events or changes in circumstances indicate that the carrying value may not be recoverable.

m) Investment properties

Investment properties are initially recognised at cost. Subsequently, buildings are depreciated over their useful life and land is held at cost and not depreciated.

n) Leased assets

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases for individual assets with a value of less than £5,000).

1. Accounting policies (continued)

n) Leased assets (continued)

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the probability in exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

o) Investments

Subsidiaries

Investments in subsidiaries are held at cost less, where appropriate, provisions for impairment, if there are any indications that the carrying value may not be recoverable. Investments in subsidiaries are eliminated on consolidation for the Group financial statements.

1. Accounting policies (continued)

o) Investments (continued)

Joint ventures

Joint ventures are those entities over whose activities the Group has the ability to exercise joint control, established by contractual agreement. The Group's interests in jointly controlled enterprises are accounted for by the equity method of accounting and are initially recognised at cost.

The consolidated financial statements include the Group's share of the total recognised income and expense of the jointly controlled enterprises on an equity accounting basis, from the date that joint control commences until the date that joint control ceases.

To the extent that joint ventures have net liabilities and a contractual commitment exists for the Group to settle those net liabilities, the aggregate amount is added back to investments and offset firstly against loans and trading balances with the joint venture, with any excess transferred to provisions.

Investments – cash deposits

After initial recognition at fair value, financial investments are held at amortised cost. This is based on the business' practice of acquiring financial assets to collect their contractual cash flows and the simple nature of the investments made, which consist solely of principle payments and interest on the principle outstanding.

p) Inventories

Raw materials are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

q) Financial assets and liabilities

Financial assets and liabilities are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified as at fair value through profit and loss; fair value through other comprehensive income or amortised cost depending on the Group's intention in regard to the collection of contractual cash flows (or sale) and whether the financial assets cash flows relate solely to the payment of principal and interest on principal outstanding.

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

1. Accounting policies (continued)

q) Financial assets and liabilities (continued)

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

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

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

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

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

The Group manages credit risk exposures through a comprehensive counterparty credit risk policy. See the financial instruments disclosures for further details.

r) Trade receivables

Trade receivables are initially recognised at their transaction price.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default (unlikely to pay) at any point during the life of the trade receivable.

In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

The Group assesses impairment of trade receivables on a collective basis and where they possess shared credit risk characteristics they have been grouped; these groups are residential- measured, residential-unmeasured, non-household- measured and developer services, and other customers.

In particular, existing or forecast adverse changes in financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations is taken into account when assessing whether credit risk has increased significantly since initial recognition.

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable or is subject to a settlement agreement or forgiveness scheme. This may be because it is, unrealistic, impractical, inefficient or uneconomic to collect the debt.

1. Accounting policies (continued)

r) Trade receivables (continued)

Situations where this may arise and where debt may be written off are as follows:

- Where the customer has absconded and attempts to trace the customers whereabouts prove unsuccessful;
- Where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- Where the debt is subject to insolvency proceedings and there are insufficient funds to settle the debt;
- Where the value and/or age of debt make it uneconomic to pursue;
- Where debt becomes statute barred.

We also write off debts following a settlement arrangement on an outstanding balance and for eligible customers on our debt forgiveness scheme (Back on Track) as part of payment matching.

Debt that is still subject to enforcement activity is not written off unless it becomes uneconomic to pursue.

s) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity dates of three months or less, and outstanding bank overdrafts.

Other short-term deposits with a tenor of more than three months are classified as investments – cash deposits.

t) Trade and other payables

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are non-interest bearing and are normally settled at the end of the following month. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

1. Accounting policies (continued)

v) Derivative financial instruments

Derivative instruments are used for hedging purposes in line with the Group's risk management policy and no speculative trading in financial instruments is undertaken.

Derivatives are initially recognised at fair value and subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in note 21. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as either a fair value or cash flow hedge in accordance with IFRS 9 'Financial Instruments'. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with how the hedge aligns with the Group's risk management strategy.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

In some hedge relationships, the Group excludes, from the designation, the currency basis spread of cross currency hedging instruments. In such cases, the fair value change of the currency basis element of the cross currency interest rate swap is recognised in other comprehensive income and accumulated in the cost of hedging reserve, and reclassified from equity to profit or loss on a straight-line basis over the term of the hedging relationship. The treatment for the currency basis element is optional and the option is applied on an individual hedge basis.

1. Accounting policies (continued)

v) Derivative financial instruments (continued)

Embedded derivatives
An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL).

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

i *Fair value hedge*
Changes in the fair value of derivatives designated and qualifying as fair value hedges are recorded in the income statement within 'fair value gains/(losses) on derivative financial instruments', together with changes in the fair value of the hedged asset or liability attributable to the hedged risk.

If a fair value hedge is discontinued, the hedged item is not adjusted for any subsequent movements in the hedged risk. The cumulative amount of fair value adjustment on the hedge item at the point of discontinuation is then amortised to profit or loss over the remaining life of the original hedge based on a recalculated effective interest rate.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

1. Accounting policies (continued)

ii *Cash flow hedge*
The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value gains/(losses) on derivative financial instruments'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, in the periods when interest income or expense is recognised, or when the forecast hedged cost takes place).

When a cash flow hedge is discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

iii *Derivatives that do not qualify for hedge accounting*
Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting. Such derivatives are classified at fair value through profit and loss, and changes in fair value are recognised immediately in the income statement.

w) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

Regarding onerous lease costs, a provision is made for the expected future costs associated to property and other leases, not included in the calculation of the ROU asset, to the extent that these costs are no expected to be of future benefit to the business, net of any recoveries from sub-leases.

x) Retirement benefit obligations

i *Defined benefit schemes*
For defined benefit schemes, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The current service cost, which is the increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period, is charged to operating costs.

1. Accounting policies (continued)

x) Retirement benefit obligations (continued)

The net interest on the schemes' net assets/(liabilities) is included in other finance charges. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

ii *Defined contribution schemes*
The cost of defined contribution schemes is charged to the income statement in the period in which the contributions become payable.

2. Key sources of estimation uncertainty and critical accounting judgment

In preparing these consolidated financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 1, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Climate change

The group is continually assessing and responding to the impact that climate change has on its assets and liabilities. In assessing the impact of climate change we have considered not just the impact on our asset base as a result of no action but the impact of our 2030 net zero route map has also been incorporated into our normal assessment of asset UEL. Nothing has been identified within our net zero plan which has the potential to impact on our existing assets base or their net book values.

Infrastructure assets within property plant and equipment, specifically in relation to the water mains network have a net book value of £3,171.9 million and an associated annual depreciation charge of £34.1 million (£3,188.9 million, £34.4 million 31 March 2025).

The impact of climate change on these assets is dependent on several factors, including but not limited to, the geology of the region these assets go through and the material they are made from. As part of our AMP8 investment programme we have begun replacement of our multi-AMP programme of removing 75% of our 8,241km of climate vulnerable mains by 2060. In the first year of AMP8 we have successfully increased the rate of water mains replacement by more than 4 times.

As weather events become more severe there is a risk of impairment to our assets. There have been no such impairments in the current financial year.

We have also set out the risks posed by climate change and how we will address them in our latest Climate Change Adaptation Report.

As a result of the impact of severe weather events there is the risk of impairment to our assets. There have been no such adjustments in the current financial year this therefore supporting our current UEL policy. This will be kept continuously under review to ensure appropriate treatment.

2. Key sources of estimation certainty and critical accounting judgment (continued)

a) Critical accounting judgments

The areas where the most critical judgements have been applied are as follows:

i *Capitalised expenditure*

Additions to intangible assets, and to property, plant and equipment, include £221.6 million (2025: £186.7 million) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefit will flow to the Group.

ii *Asset lives*

The property, plant and equipment used in the Group is primarily the infrastructure and operational assets of the regulated water business. Infrastructure and operational assets have estimated useful lives of between 30 and 160 years and the depreciation charge is clearly sensitive to the lives allocated to the various types of asset.

Asset lives are reviewed regularly and changed where necessary to reflect the current view on their remaining lives in light of technological change, prospective economic utilisation and the physical condition of the assets.

iii *Recognition of grants and contributions*

a) Income from connections to the water and wastewater network

The Group receives income from developers for new connections to the water and wastewater networks either in the form of cash or infrastructure assets. The significant components are as follows:

1) New connection charges £21.4 million (2025: £14.9 million) – developer request for the provision of new connections to the network.
2) Infrastructure charges £22.3 million (2025: £12.6 million) – developers' contribution to offsite network reinforcement as permitted by the Water Industry Act.
3) Self-lay, requisitions and adoption fees £23.5 million (2025: £12.7 million) – providing the developer with assistance in the construction of assets which enable the development to be connected to the network.
4) Adopted assets at nil consideration £39.1 million (2025: £34.0 million) – developer contributes assets on a nil consideration basis that have been installed on a new development.

Judgement is required when applying IFRS 15 'Revenue from contracts with customers' in determining the customer and the performance obligations to that customer. Specifically, judgement is required as to whether the income is in relation to the provision of the connection to the Group's infrastructure, allowing the completion of the construction of the property and it to be approved for sale, or to facilitate the ongoing provision of water and wastewater services to the properties in question.

2. Key sources of estimation uncertainty and critical accounting judgments (continued)

a) Critical accounting judgements (continued)

For 1 and 2 above, all communication is between ourselves and the developer/site owner and the agreement is signed by said developer/site owner. The agreements set out components of the charge and what is to be delivered. Our conclusion is therefore that the developer is the customer and our obligation to the developer is met when properties are connected to the network, and therefore this is considered the relevant trigger for income recognition. We believe the ongoing obligation to maintain the connection to the property is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer.

For 3 and 4 it is the developer who constructs and transfers the asset, and therefore similar to the above, the agreement is between ourselves and the developer. The occupants of the properties served are unaware of the transaction and indifferent to who is maintaining the asset, they receive no benefit from the transaction.

Our obligation is to inspect and adopt the assets. As such, the Group considers that the ongoing obligation to maintain the assets is a separate contract with the property owner (in most cases the household customer) and separate from the contract with the developer. Therefore, revenue from these streams should be recognised at a point in time when the contract with the developer is fulfilled; on connection, completion, or adoption.

Our obligations to maintain and reinforce our infrastructure do not constitute performance obligations as these are imposed on us by the regulator. A performance obligation involves a transfer of control of benefit from the seller to the customer; however, maintenance and reinforcement of the infrastructure does not transfer any benefit outside of Anglian Water, because the assets being maintained or reinforced are Anglian Water's own assets. The promise to the customer is to provide water/sewerage services, the promise to the developer is to provide a connection and there is no performance obligation in respect of upkeep of the assets.

b) Diversions

The Group also receives income from various authorities which is reimbursing the cost of diverting assets due to them presenting an obstruction to the construction or upgrade of infrastructure such as roads or rail. Diversion income within the year amounted to £12.1 million (2025: £15.0 million).

A similar revenue recognition approach is taken with diversions. The performance obligation is to undertake the diversion of the sewer or water main at the request of the relevant authority or agency. As developers typically pay in advance, the consideration received is initially recognised as deferred revenue and subsequently recognised as revenue over time, as the diversion works are carried out and the associated operational costs are incurred, reflecting the progressive satisfaction of the performance obligation.

2. Key sources of estimation uncertainty and critical accounting judgments (continued)

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The key areas involving estimation are discussed below:

i Retirement benefit actuarial assumptions

The Group operates a number of defined benefit schemes (which are closed to new members and future accruals), as well as a defined contribution scheme and an unfunded arrangement for former employees. Under IAS 19 'Employee Benefits', the Group has recognised an actuarial loss of £5.8 million (2025: gains of £30.4 million) in respect of the defined benefit schemes which affects other comprehensive income and net assets. The actuarial valuation of the scheme liabilities is reliant on key assumptions which include: the discount rate, salary inflation and life expectancy. The main assumptions and associated sensitivities are set out in note 21 of the financial statements.

ii Level 3 derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. Level 3 derivative financial instruments comprise CPI-linked inflation swaps and RPI-CPI basis swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments. The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 can be found in note 19.

c) Other area involving estimation

i *Expected credit loss on trade receivables*

IFRS 9 requires that historical loss rates are adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

Management apply judgement when determining impact of the wider economy on future cash collection (macro-economic).

2. Key sources of estimation uncertainty and critical accounting judgments (continued)

The extent to which future cash collections will be impacted by macro-economic trends is uncertain. Management have estimated the potential impact through scenario analysis considering the correlation between cash collection rates against a combination of unemployment rates and real household disposable income (RHDI). Office for Budget Responsibility, Office of National Statistics and Bank of England forecasts for these measures have then been utilised to forecast changes in future cash collection rates.

The Bank of England forecast at February 2026 now predicts unemployment to peak at 5.3%, and The Office for Budget Responsibility forecast for RHDI predicts a peak of £26,900 per person in the medium term. Based on management's calculations, this is consistent with predictions at March 2025 and the additional provision required against bills raised to the balance sheet date has increased to, at £6.8m, (2025: £3.1 million).

Sensitivity of +/- 1% for employment and -4% per person for RHDI has been modelled to assess the impact on the figure. +/- 1 has been used as this reflects a reasonable market movement based on historical and forecast data. Unemployment shows a range of +£5.1 million to -£12.5 million and RHDI shows a range of -£9.6 million to +£3.5 million when applying the sensitivity. This therefore gives a range from a low of -£12.5 million to a high of £5.1 million.

ii Measured income accrual

For Anglian Water the measured income accrual is an estimation of the amount of water and wastewater main charges unbilled at the year end. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon smart meter usage data and historical billing information. The calculation is sensitive to estimated consumption for measured domestic customers. For 2025/26 the average consumption for measured household customers was 100 cubic meters. A fall or rise of two cubic metres (2%) in average annual consumption will reduce or increase revenue by approximately £18.6 million respectively.

3. Segmental information

By class of business for the year ended 31 March 2026

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'.

At 31 March 2026 the Group was organised into the following main businesses:

- Anglian Water – regulated water and water recycling services provider to customers in the east of England and Hartlepool.
- Head Office and Other – comprises head office and other Group functions, including Property.

There has been no change in the basis of segmentation or in the measurement of segmental profit or loss in the year.

No operating segments have been aggregated to form the above reportable operating segments.

3. Segmental information (continued)

The Directors consider the Board to be the Group's chief operating decision maker in relation to segment reporting in accordance with IFRS 8 'Operating Segments'. Segmental performance is evaluated based on both profit and loss and cash flows (see table below). Segmental assets and liabilities do not form part of the Board's performance assessment and, as such, are not included in the segmental information.

Inter-segment revenues and profits are fully eliminated on consolidation and are shown separately in the following tables. The segment result represents operating profit.

By class of business for the year ended 31 March 2026

	Anglian Water £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue				
External	2,103.1	3.4	-	**2,106.5**
Inter-segment	-	0.2	(0.2)	**-**
	2,103.1	**3.6**	**(0.2)**	2,106.5
Segment result				
EBITDA	1,103.8	(29.5)	-	**1,074.3**
Depreciation and amortisation	(467.6)	-	-	**(467.6)**
	636.2	**(29.5)**	**-**	606.7
Cash flows				
Operating cash flow	1,014.0	(29.8)		**984.2**
Capital expenditure	(1,135.0)	(0.2)		**(1,135.2)**
Net debt excluding derivative financial instruments	**(8,293.1)**	**(936.4)**		**(9,229.5)**

3. Segmental information (continued)

By class of business for the year ended 31 March 2025

	Anglian Water £m	Head Office and Other £m	Inter-segment eliminations £m	**Total £m**
Revenue	1,749.3	13.0	-	1,762.3
External	-	12.4	(12.4)	-
	1,749.3	25.4	(12.4)	1,762.3
Segment result	920.0	(18.6)	-	901.4
EBITDA	(423.5)	-	-	(423.5)
Depreciation and amortisation	-	-	-	-
	496.5	(18.6)		477.9
Cash flows				
Operating cash flow	811.3	(11.6)		799.7
Capital expenditure	(1,068.2)	(0.7)		(1,068.9)
Net debt excluding derivative financial instruments	(7,721.1)	(1,059.7)		(8,780.8)

By geographical segment

The Group’s revenue, segment result and non-current assets are all derived from the United Kingdom.

3. Segmental information (continued)

Reconciliation of segmental information

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Segment result	**606.7**	477.9
Finance costs	**(519.8)**	(466.6)
Finance income	**69.7**	124.9
Fair value (losses)/gains on derivative financial instruments	**(96.2)**	62.9
Profit before tax from continuing operations	**60.4**	199.1
Total operating cash flow by segment	**984.2**	799.7
Income taxes received	**1.5**	1.4
Net cash flows from operating activities	**985.7**	801.1
Purchase of property, plant and equipment	**(920.6)**	(960.8)
Purchase of intangible assets	**(218.2)**	(109.6)
Proceeds from disposal of property, plant and equipment	**3.6**	1.5
Capital expenditure spend by segment	**(1,135.2)**	(1,068.9)
Cash and cash equivalents	**634.9**	642.5
Cash deposits	**908.6**	442.8
Borrowings due within one year	**(523.3)**	(988.1)
Borrowings due after more than one year	**(10,249.7)**	(8,878.0)
Net debt by segment	**(9,229.5)**	(8,780.8)
Derivative financial instruments [1]	**(718.7)**	(620.0)
Net debt	**(9,948.2)**	(9,400.8)

[1] Derivative financial instruments exclude the net asset of £10.6 million (2025: net liabilities of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt.

4. Revenue

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Water and water recycling services:		
Anglian Water		
Household - measured	**1,260.0**	1,046.7
Household - unmeasured	**267.5**	248.8
Non-household - measured	**385.8**	315.0
Grants and contributions	**121.1**	89.2
Other	**68.7**	49.6
	2,103.1	1,749.3
Property revenue	**3.4**	13.0
	2,106.5	1,762.3

The Group derives its revenue from contracts with customers for the transfer of goods and services at a point in time in the above revenue categories, with the exception of Household – unmeasured which is recorded on a straight-line basis throughout the year, see our accounting policy in note 1 for further details.

Included in Grants and contributions are adopted assets of £39.1 million (2025: £34.0 million) which are non-cash.

Other includes £33.0 million (2025: £28.2 million) of revenue related to non-appointed business activities.

The above analysis excludes other operating income and finance income, see note 6.

Revenue recognised which exceeds the amounts billed is recorded as a contract asset while payments received prior to delivering the service is recorded as a contract liability. Refer below for the movement in contract assets and liabilities:

4. Revenue (continued)

	Group and Company	
	2026	2025
	£m	£m
Contract liability		
At 1 April	**(331.5)**	(330.3)
Revenue recognised	**1,527.5**	1,295.5
Cash received in advance	**(1,580.0)**	(1,296.7)
At 31 March	**(383.9)**	(331.5)
Contract asset		
At 1 April	**421.3**	406.5
Revenue recognised	**1,645.8**	1,361.7
Amounts billed	**(1,572.5)**	(1,346.9)
At 31 March	**494.6**	421.3

5. Operating costs

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Raw materials and consumables	**48.9**	50.3
Staff costs	**418.4**	357.9
Research and development	**11.7**	8.7
Contribution to Anglian Water Assistance Fund	**0.6**	0.7
Short-term lease costs	**-**	5.7
Hired and contracted services	**398.5**	284.5
Rates	**77.8**	76.0
Power	**143.0**	144.6
Regulatory fees	**36.1**	32.1
Insurance	**16.2**	15.5
Vehicles and fuel	**30.4**	27.9
Other expenses	**30.5**	24.5
Own work capitalised	**(221.6)**	(186.9)
Profit on disposal of property, plant and equipment [1]	**(1.1)**	-
Operating costs before depreciation, amortisation and loss allowance for expected credit losses	**989.4**	841.5
Depreciation of property, plant and equipment	**407.4**	366.5
Amortisation of intangible assets	**60.2**	57.0
Depreciation and amortisation	**467.6**	423.5
Loss allowance for expected credit losses	**54.3**	36.2
Operating costs	**1,511.3**	1,301.2

[1] The profit on disposal of property, plant and equipment relates to various sales of surplus land and assets.

5. Operating Costs (continued)

During the year the Group obtained the following services from the Company's Auditor:

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Fees payable to the Company's Auditor for the audit of the consolidated financial statements	**0.1**	0.1
Fees payable to the Company's Auditor for the audit of the subsidiaries	**0.6**	0.6
Fees payable to the company's Auditor for other services		
Audit-related assurance services	**0.3**	0.3
	1.0	1.0

The Company's Auditor for the year ended 31 March 2025 and 31 March 2026 was Deloitte LLP. Audit related assurance services predominantly relate to regulatory reporting to Ofwat, review of the Group's half-year results, and other agreed-upon procedures throughout the year.

6. Net finance costs

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Finance income		
Interest income on short-term bank deposits	**51.4**	50.5
Amortisation of fair value adjustments	**12.8**	9.3
Defined benefit pension scheme interest	**5.5**	2.2
	69.7	62.0
Finance costs		
Interest expense on bank loans and overdrafts	**(29.4)**	(32.3)
Interest expense on other loans including financing expenses	**(365.7)**	(312.9)
Indexation	**(231.4)**	**(197.1)**
Amortisation of debt issue costs	**(9.7)**	(7.4)
Interest on leases	**(0.9)**	(1.0)
Unwinding of discount on provision	**(0.6)**	-
Total finance costs	**(637.7)**	(550.7)
Less: amounts capitalised on qualifying assets	**117.9**	84.1
	(519.8)	**(466.6)**
Fair value (losses) / gains on derivative financial instruments		
Hedge ineffectiveness on fair value hedges [(1)]	**1.7**	1.2
Derivative financial instruments not designated as hedges	**(97.3)**	64.2
Recycling of de-designated cash flow hedge relationship [(2)]	**(0.6)**	(2.5)
	(96.2)	**62.9**
Finance costs, including fair value (losses)/gains on derivative financial instruments	**(616.0)**	**(403.7)**
Net finance costs	**(546.3)**	**(341.7)**

(1) Indexation comprise of £130.4 million in borrowings (2025: £123.9 million) and £101.0 million in derivatives (2025: £73.2 million).

(2) Hedge ineffectiveness on fair value hedges comprises fair value gains on hedging instruments of £6.3 million (2025: gains of 14.1 million), offset by fair value losses of £4.6 million on hedged risks (2025: losses of £12.9 million).

(3) Please refer to note 23 for breakdown of hedging reserve.

7. Taxation

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Current tax:		
In respect of the current period	**(1.6)**	(0.6)
Total current tax credit	**(1.6)**	(0.6)
Deferred tax:		
Origination and reversal of temporary differences	**17.9**	35.8
Adjustments in respect of previous periods	**(2.5)**	12.1
Total deferred tax charge	**15.4**	47.9
Total tax charge on profit from continuing operations	**13.8**	47.3

The current tax charge for both years reflects tax payable in overseas territories. Tax losses arose in the United Kingdom due mainly because capital allowances exceed the depreciation charged in the accounts, as well as some income not being taxable and the availability of tax relief on pension contributions paid in the year. This is offset by disallowable costs and interest.

The deferred tax charge for both years mainly 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 deferred tax adjustments in respect of previous periods for both years relate mainly to the agreement of prior year tax computations.

The amounts included for tax liabilities in the financial statements include estimates and judgements. If the computations subsequently submitted to HMRC include different amounts then these differences are reflected as an adjustment in respect of prior years in the subsequent financial statements.

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a legislative framework, followed by detailed guidance sets, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom enacted the tax legislation related to the top-up tax in July 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 'International Tax Reform– Pillar Two Model Rules' were endorsed by the UK Endorsement Board on 19 July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a significant impact on the financial statements.

7. Taxation (continued)

The tax charge on the Group's profit before tax differs from the notional amount calculated by applying the rate of UK corporation tax of 25% (2025: 25%) to the profit before tax from continuing operations as follows:

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Profit before tax from continuing operations	**60.4**	136.2
Profit before tax from continuing operations at the standard rate of corporation tax in the UK of 25% (2025: 25%)	**15.1**	34.1
Effects of recurring items:		
Items not deductible for tax purposes		
Depreciation and losses on assets not eligible for tax relief	**0.6**	0.7
Disallowable expenditure	**0.7**	0.7
Items not taxable	**(0.1)**	(0.3)
	16.3	35.2
Effects of non-recurring items:		
Adjustments in respect of prior periods	**(2.5)**	12.1
Tax charge for the year	**13.8**	47.3

In addition to the tax charged to the income statement, the following amounts of tax relating to components of other comprehensive income were recognised:

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Deferred tax:		
Defined benefit pension schemes	**(1.4)**	7.7
Cash flow hedges	**0.4**	9.4
Total deferred tax (credit)/charge	**(1.0)**	17.1
Total tax (credit)/charge recognised in other comprehensive income	**(1.0)**	17.1

8. Employee information and Directors' emoluments

a) Employee information

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Staff costs		
Wages and salaries	**344.2**	299.3
Social security costs	**43.7**	31.7
Pension costs - defined contribution	**30.5**	26.9
	418.4	357.9

Staff costs for the year ended 31 March 2026 in the table above are shown inclusive of £134.3 million (2025: £110.7 million) of costs that have been capitalised, as shown within 'own work capitalised' in note 5.

Average monthly number of full-time equivalent persons (including Executive Directors) employed by the Group:

	Year ended 31 March 2026	Year ended 31 March 2025
Anglian Water	**6,053**	5,874
Other	**70**	72
	6,123	5,946

The Company

The Company has no employees (2025: none).

8. Employee information and Directors' emoluments (continued)

b) Directors' emoluments

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Aggregate emoluments	**2,777**	1,470

Aggregate emoluments of the Directors comprise salaries, taxable benefits, cash payments in lieu of company pension contributions and amounts payable under annual bonus schemes. No retirement benefits are accrued for Directors (2025: no Directors) under a defined benefit pension scheme. Retirement benefits are accruing to two Directors (2025: two Directors) under a defined contribution pension scheme. In addition to the aggregate emoluments above, certain Directors receive emoluments from other Anglian Water Group Limited Group undertakings.

c) Highest paid director

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Aggregate emoluments	**1,858**	574

9. Profit of the parent company

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss for the year of the Company was £20.8 million (2025: profit of £23.9 million).

10. Goodwill

	Group	
	2026	2025
	£m	£m
Cost		
At 1 April and 31 March	**935.4**	935.4
Accumulated impairment		
At 1 April and 31 March	**(489.6)**	(489.6)
Net book amount		
At 31 March	**445.8**	445.8

Allocation of goodwill

All goodwill is allocated to the Anglian Water business segment, the Group's UK regulated water and water recycling services provider.

Impairment testing of goodwill allocated to Anglian Water

The recoverable amount of the Anglian Water segment is determined based on a fair value less cost to sell methodology.

This calculation uses a multiple of Regulatory Capital Value (RCV) with reference to the recent transactions that have taken place in the sector and the market value of the listed companies in the sector. The basis applied has been deemed appropriate as it is consistent with the economic value as assessed by management and other market participants.

The current comparable transactions in the sector indicate that current multiples are 1.11x, although these have been between 1.2x and 1.7x RCV in recent years. The implied multiples for the listed water companies are also around 1.11x to 1.19x on a non-controlling basis, based on current market capitalisation.

Adopting a current market average RCV multiple of 1.11x to 31 March 2026 results in headroom of £1,494.3 million (2025: 1.10x, £1,118.1 million). The headroom at 31 March 2026 is eliminated at an RCV multiple of 0.99x (2025: 1.00x).

Goodwill is also assessed using forecast discounted cashflows which also demonstrates that there is headroom above the carrying value.

11. Other intangible assets

				Group
	Computer Software £m	Other intangibles £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2025	477.2	79.8	172.3	**729.3**
Additions	-	0.2	236.8	**237.0**
Transfer on commissioning	128.8	12.5	(141.3)	**-**
Disposals	(8.9)	-	-	**(8.9)**
At 31 March 2026	**597.1**	**92.5**	**267.8**	**957.4**
At 1 April 2024	436.6	53.8	138.4	**628.8**
Additions	-	-	117.6	**117.6**
Transfer on commissioning	41.2	42.5	(83.7)	**-**
Disposals	(0.6)	(16.5)	-	**(17.1)**
Disposal of subsidiary undertaking				
Exchange adjustments				**-**
At 31 March 2025	477.2	79.8	172.3	729.3
Accumulated amortisation				
At 1 April 2025	(381.8)	(30.2)	-	**(412.0)**
Charge for the year	(38.5)	(21.7)	-	**(60.2)**
Disposals	9.7	-	-	**9.7**
At 31 March 2026	**(410.6)**	**(51.9)**	**-**	**(462.5)**
At 1 April 2024	(345.9)	(26.2)	-	**(372.1)**
Charge for the year	(36.5)	(20.5)	-	**(57.0)**
Disposals	0.6	16.5	-	**17.1**
At 31 March 2025	(381.8)	(30.2)	-	**(412.0)**
Net book amount				
At 31 March 2026	**186.5**	**40.5**	**267.8**	**494.9**
At 31 March 2025	95.4	49.6	172.3	317.3

Included within intangible assets under construction are £29.3 million (2025: £111.2 million) relating to software systems under development and £239.0 million (2025: £60.9 million) relating to internally generated assets.

Included within computer software is the enterprise resource planning system SAP S/4HANA. The carrying amount of the asset at 31 March 2026 was £116.4 million (2025: £103.1 million, presented within intangible assets under construction) and the remaining amortisation period at the reporting date was 15 years.

Included in this intangible asset under construction balance is £169.1 million in relation to our planned build of two strategic reservoirs.

Other intangible assets mainly comprise capitalised development expenditure.

Included within additions above is £19.4 million (2025: £8.7 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.4% (2025: 6.6%).

11. Other intangible assets (continued)

Intangible assets with a cost of £8.9 million and a net book value of £0.1 million were disposed during the year (2025: £17.1 million, nil million net book value).

Other intangible assets mainly comprise capitalised development expenditure.

The Company

The Company has no intangible assets (2025: none).

12. Property, plant and equipment

						Group
	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Vehicles, mobile plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 April 2025	106.1	7,859.7	7,126.0	1,399.5	1,691.6	**18,182.9**
Additions	-	-	-	-	1,072.3	**1,072.3**
Transfers on commissioning	2.0	150.5	432.6	206.4	(791.5)	**-**
Disposals	(0.4)	(1.9)	(267.7)	(6.0)	-	**(276.0)**
At 31 March 2026	**107.7**	**8,008.3**	**7,290.9**	**1,599.9**	**1,972.4**	**18,979.2**
At 1 April 2024	98.8	7,701.8	6,969.5	1,234.2	1,225.6	17,229.9
Additions	-	-	-	-	1,067.5	1,067.5
Transfers on commissioning	9.0	158.2	203.2	231.1	(601.5)	-
Disposals	(1.7)	(0.3)	(46.7)	(65.8)	-	(114.5)
At 31 March 2025	106.1	7,859.7	7,126.0	1,399.5	1,691.6	18,182.9
Accumulated depreciation						
At 1 April 2025	(30.2)	(1,087.2)	(4,194.2)	(756.3)	-	**(6,067.9)**
Charge for the year	(4.2)	(63.0)	(238.0)	(102.2)	-	**(407.4)**
Disposals	-	1.1	267.3	(4.5)	-	**263.9**
At 31 March 2026	**(34.4)**	**(1,149.1)**	**(4,164.9)**	**(863.0)**	**-**	**(6,211.4)**
At 1 April 2024	(27.4)	(1,025.0)	(4,031.3)	(731.3)	-	(5,815.0)
Charge for the year	(4.5)	(62.5)	(209.2)	(90.3)	-	(366.5)
Disposals	1.7	0.3	46.3	65.3	-	113.6
At 31 March 2025	(30.2)	(1,087.2)	(4,194.2)	(756.3)	-	(6,067.9)
Net book amount						
At 31 March 2026	**73.3**	**6,859.2**	**3,126.0**	**736.9**	**1,972.4**	**12,767.8**
At 31 March 2025	75.9	6,772.5	2,931.8	643.2	1,691.6	12,115.0

Property, plant and equipment at 31 March 2026 includes land of £30.1 million (2025: £31.4 million), which is not subject to depreciation. Included within additions above is £97.6 million (2025: £76.3 million) of interest that has been capitalised on qualifying assets, at an average rate of 6.4% (2025: 6.6%)

12. Property, plant and equipment (continued)

Right-of-use assets held under leases

Included within the amounts shown above are the following amounts in relation to right-of-use assets held under leases:

	Group				
	Land and buildings £m	**Infra-structure assets £m**	**Operational assets £m**	**Vehicles, mobile plant and equipment £m**	**Total £m**
At 31 March 2026					
Opening net book value	24.4	5.0	33.2	6.9	**69.5**
Additions	0.2		0.5	0.4	**1.1**
Disposals	(0.8)		(0.2)	(0.5)	**(1.5)**
Depreciation charge	(2.4)	(0.1)	(1.2)	(2.6)	**(6.3)**
Depreciation on disposals				0.5	**0.5**
Net book value	**21.4**	**4.9**	**32.3**	**4.7**	**63.3**
At 31 March 2025					
Opening net book value	21.8	4.9	34.4	9.6	70.7
Additions	6.3	0.1	-	0.2	6.6
Disposals	(1.7)	-	-	(0.4)	(2.1)
Depreciation charge	(3.6)	-	(1.2)	(2.9)	(7.7)
Depreciation on disposals	1.6	-	-	0.4	2.0
Net book value	24.4	5.0	33.2	6.9	69.5

The Company

The Company has no property, plant and equipment (2025: none).

13. Investment properties

	Group	
	2026	2025
	£m	**£m**
Cost		
At 1 April	**0.4**	0.4
At 31 March	**0.4**	0.4
Accumulated depreciation		
At 1 April	**(0.2)**	(0.2)
Charge for the year	**-**	-
At 31 March	**(0.2)**	(0.2)
Net book amount		
At 31 March	**0.2**	0.2

Investment properties are accounted for using the cost model, in line with the accounting policy for property, plant and equipment.

The fair value of investment properties is not materially different from their book value.

The Company

The Company has no investment properties (2025: none).

14. Investments

	Group		Company	
	2026	2025	**2026**	2025
	£m	£m	**£m**	£m
Non-current				
Subsidiary undertakings	**-**	-	**3,711.8**	3,541.8
	-	-	**3,711.8**	3,541.8
Current				
Cash deposits	**908.6**	442.8	**664.4**	5.0
	908.6	442.8	**664.4**	5.0

Cash deposits disclosed within investments represent short-term bank deposits with maturities at the point of deposit of three to six months.

a) Joint ventures

A full listing of Group's joint ventures can be found in note 31, none of which are material to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed.

14. Investments (continued)

b) Subsidiary undertakings

	Company	
	Shares in subsidiary undertakings £m	**Total £m**
Cost		
At 1 April 2025	3,541.8	3,541.8
Additions	170.0	170.0
At 31 March 2026	**3,711.8**	**3,711.8**
Provision for impairment		
At 1 April 2024, at 31 March 2025 and at 31 March 2026	-	-
Net book amount		
At 31 March 2026		
Non-current asset investments	3,711.8	3,711.8
	3,711.8	**3,711.8**
At 31 March 2025		
Non-current asset investments	3,541.8	3,541.8
	3,541.8	**3,541.8**

The Directors are of the opinion that the value of the investments is supported by the underlying assets.

Subsidiary undertakings are listed in note 31.

15. Trade and other receivables

	Group		Company	
	2026	2025	**2026**	2025
	£m	£m	**£m**	£m
Trade receivables	**491.1**	428.5	**-**	-
Loss allowance for expected credit losses	**(280.0)**	(238.9)	**-**	-
Net trade receivables	**211.1**	189.6	**-**	-
Amounts receivable from group undertakings	**1.5**	6.0	**63.4**	24.8
Other amounts receivable	**40.6**	34.1	**0.5**	0.5
Prepayments	**15.4**	13.6	**-**	
Accrued income	**494.6**	421.3	**-**	**-**
	763.2	664.6	**63.9**	**25.3**

Accrued income as at 31 March 2026 includes water and water recycling income not yet billed of £494.6 million (2025: £421.3 million).

Of the £491.1 million trade receivables, £471.9 million (2025: £416.4 million) relates to Anglian Water Services residential customers, £1.4 million (2025: £2.7 million) relates to Anglian Water Services non-household retailer balances and the remaining balance relates to developer services and other receivables. The majority of non-household customers are billed in arrears and are therefore included within accrued income above.

Other amounts receivable includes £28.0 million VAT debtor (2025: £22.1 million) and various other sundry debtors.

There is no fixed payment date for amounts owed by Group undertakings from the Company and no interest is applied. Amounts are payable on demand.

15. Trade and other receivables (continued)

The Group manages its risk from trading through the effective management of customer relationships. By far the most significant business unit of the Group is Anglian Water, which represents 99.9% of the Group's revenue and 99.6% of its net trade receivables. Concentrations of credit risk with respect to household trade receivables are limited due to the Anglian Water customer base consisting of a large number of unrelated households. The Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises including domestic dwellings. However, allowance is made by the water regulator in the price limits at each price review for a proportion of debt deemed to be irrecoverable. The Directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables.

Following the introduction of market reform on 1 April 2017, the provision of water and wastewater services to non-household customers was transferred to a relatively small number of licenced retailers. Anglian Water bills the retailers on a monthly basis, and they are contractually obliged to pay in full within one month and therefore the credit risk is limited to one month's revenue relating to non-household customers.

The principal retailer that Anglian Water transacts with is Wave Ltd, with £nil receivables (2024: £nil) and £18.3 million of income accrued at 31 March 2026 (2025: £14.9 million).

The movement on the expected credit loss provision, all of which relates to trade receivables, was as follows:

	Group	
	2026	2025
	£m	£m
At 1 April	**238.9**	212.1
Loss allowance for expected credit losses	**54.3**	36.2
Amounts written off during the year	**(13.2)**	(9.4)
Amounts recovered during the year	**-**	-
At 31 March	**280.0**	238.9

15. Trade and other receivables (continued)

The following table details the risk profile of trade receivables and accrued income based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments. The majority of non-household customers are billed in arrears and are therefore included within accrued income.

There is no fixed payment date for amounts owed by Group undertakings and no interest is applied. Amounts are payable on demand.

			Group and company	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	**£m**	**£m**	**£m**
At 31 March 2026				
Not past due	1.5%	560.2	(8.3)	551.9
Up to 1 year past due	37.2%	121.7	(45.3)	76.4
Up to 2 years past due	54.7%	67.1	(36.7)	30.4
Up to 3 years past due	62.2%	51.6	(32.1)	19.5
Up to 4 years past due	70.9%	41.6	(29.5)	12.1
Up to 5 years past due	72.0%	37.8	(27.2)	10.6
Up to 6 years past due	85.1%	30.9	(26.3)	4.6
More than 7 years past due	100.0%	74.8	(74.8)	-
Miscellaneous loss allowance adjustments			0.2	0.2
		985.7	**(280.0)**	**705.7**

			Group and company	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	**£m**	**£m**	**£m**
At 31 March 2025				
Not past due	1.5%	458.3	(6.9)	451.4
Up to 1 year past due	34.3%	117.1	(40.1)	77.0
Up to 2 years past due	53.2%	62.4	(33.2)	29.2
Up to 3 years past due	63.9%	47.6	(30.4)	17.2
Up to 4 years past due	66.2%	41.4	(27.4)	14.0
Up to 5 years past due	79.7%	36.0	(28.6)	7.4
Up to 6 years past due	77.7%	31.0	(24.1)	6.9
More than 7 years past due	100.0%	56.0	(56.0)	-
Miscellaneous loss allowance adjustments			7.8	7.8
		849.8	**(238.9)**	**610.9**

16. Analysis of net debt

						Group
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents[1]	investments - cash deposits	Borrowings	Derivative financial instruments[2]	Total from activities	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 April 2025	642.5	442.8	(9,866.1)	(620.0)	(10,486.1)	(9,400.8)
Cash flows						
Interest paid	(372.5)	-	-	-	-	**(372.5)**
Issue costs paid	(21.0)	-	21.0	-	21.0	**-**
Interest	(0.9)	-	-	-	-	**(0.9)**
Increase in amounts borrowed	1,820.0	-	(1,820.0)	-	(1,820.0)	**-**
Repayment of amounts borrowed	(1,047.4)	-	1,047.4	-	1,047.4	**-**
Repayment of principal on derivatives	(100.7)			100.7	100.7	**-**
Receipt of principal on derivatives	4.7	-	-	(4.7)	(4.7)	**-**
Repayment of principal on leases	(6.0)	-	6.0	-	6.0	**-**
Proceeds from issue of ordinary	300.0					**300.0**
Non-financing cash flows [3]	(583.8)	465.8	-	-	-	**(118.0)**
	(7.6)	465.8	(745.6)	96.0	(649.6)	**(191.4)**
Movement in interest accrual on	-	-	(34.3)	-	(34.3)	**(34.3)**
New lease agreements	-	-	(0.4)	-	(0.4)	**(0.4)**
Amortisation of issue costs	-	-	(9.7)	-	(9.7)	**(9.7)**
Amortisation of fair value	-	-	12.8	-	12.8	**12.8**
Indexation of borrowings and RPI	-	-	(130.4)	(101.0)	(231.4)	**(231.4)**
Foreign exchange gains and (losses)	-	-	11.4	(11.4)	-	**-**
Fair value gains and (losses)	-	-	(10.7)	(82.3)	(93.0)	**(93.0)**
At 31 March 2026	**634.9**	**908.6**	**(10,773.0)**	**(718.7)**	**(11,491.7)**	**(9,948.2)**
Net debt at 31 March 2026						
Non-current assets	-	-	-	105.0	105.0	**105.0**
Current assets	634.9	908.6	-	10.7	10.7	**1,554.2**
Current liabilities	-	-	(523.3)	(1.7)	(525.0)	**(525.0)**
Non-current liabilities	-	-	(10,249.7)	(832.7)	(11,082.4)	**(11,082.4)**
	634.9	**908.6**	**(10,773.0)**	**(718.7)**	**(11,491.7)**	**(9,948.2)**

16. Analysis of net debt (continued)

						Group
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents[1]	investments - cash deposits	Borrowings	Derivative financial Instruments[2]	Total from activities	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 April 2024	505.7	552.1	(9,097.2)	(633.9)	(9,731.1)	(8,673.3)
Cash flows						
Interest paid	(279.9)	-	-	-	-	(279.9)
Issue costs paid	(25.6)	-	24.7	-	24.7	(0.9)
Interest on leases	(1.0)	-	-	-	-	(1.0)
Increase in amounts borrowed	1,036.0	-	(1,036.0)	-	(1,036.0)	-
Repayment of amounts borrowed	(419.3)	-	419.3	-	419.3	-
Repayment of principal on derivatives	(85.0)			85.0	85.0	
Receipt of principal on derivatives	67.1			(67.1)	(67.1)	
Repayment of principal on leases	(6.4)	-	6.4	-	6.4	-
Non-financing cash flows [3]	(149.1)	(109.3)	-	-	-	(258.4)
	136.8	(109.3)	(585.6)	17.9	(567.7)	(540.2)
Movement in interest accrual on	-	-	(60.1)	-	(60.1)	(60.1)
New lease agreements	-	-	(6.6)	-	(6.6)	(6.6)
Termination of leases	-	-	-	-	-	-
Amortisation of issue costs	-	-	(7.4)	-	(7.4)	(7.4)
Amortisation of fair value	-	-	9.3	-	9.3	9.3
Indexation of borrowings and RPI	-	-	(123.9)	(73.2)	(197.1)	(197.1)
Waiver of inter-company loan	-	-	-	-	-	-
Foreign exchange gains and (losses)			22.4	(22.4)	-	
Fair value gains and (losses)	-	-	(17.0)	91.6	74.6	74.6
At 31 March 2025	642.5	442.8	(9,866.1)	(620.0)	(10,486.1)	(9,400.8)

(1) Included within cash and cash equivalents is £11.4 million (2025: £7.3 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund;

(2) Derivative financial instruments exclude the net asset of £10.6 million (2025: liability of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;

(3) Non-financing cash flows comprise: net cash flows used in operating activities of £985.7 million (2025: £801.1 million), less net cash from in investing activities of £1,549.6 million (2025: £909.2 million) and dividends paid of £20.0 million (2025: £41.0 million).

16. Analysis of net debt (continued)

Energy hedges, excluded from net debt, are included within derivative financial instruments as follows:

	2026	2025
	£m	£m
Non-current assets	**6.1**	1.3
Current assets	**5.0**	0.9
Current liabilities	**-**	(0.8)
Non-current liabilities	**(0.5)**	(2.1)
	10.6	(0.7)

Current asset investments above comprise £908.6 million (2025: £442.8 million) of short-term cash deposits with an original maturity of more than three months.

At 31 March 2026, £552.9 million (2025: £589.0 million) of the Group's cash and cash equivalents and £200.0 million (2025: £430.0 million) of the short-term deposits were held by Anglian Water and its financing subsidiary. In order for these amounts to be made available to the rest of the Group, Anglian Water Services Limited must satisfy certain covenants, which were put in place on 30 July 2002 following a financial restructuring, prior to declaring dividends. A further £0.2 million (2025: £0.2 million) of the Group's cash and cash equivalents was held as collateral for outstanding loan notes. In addition, £1.4 million (2025: £2.1 million) of the Group's cash and cash equivalents and £3.9 million (2025: £2.7 million) of the short-term deposits were held by Rutland Insurance Limited (the Group's captive insurance company) in order to maintain its required solvency ratio.

16. Analysis of net debt (continued)

						Company
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents[1] £m	investments - cash deposits £m	Borrowings £m	Derivative financial instruments [2] £m	Total liabilities from financing activities	**Total £m**
At 1 April 2025	26.1	5.0	(1,070.2)	-	(1,070.2)	(1,039.1)
Cash flows						
Interest paid	(40.2)	-	-	-	-	**(40.2)**
Issue costs paid	(9.2)	-	9.2	-	9.2	**-**
Increase in amounts borrowed	873.8	-	(873.8)	-	(873.8)	**-**
Repayment of amounts borrowed	(305.1)	-	305.1	-	305.1	**-**
Proceeds from issue of ordinary shares	300.0			-	-	**300.0**
Non-financing cash flows [3]	(823.7)	659.4	-	-	-	**(164.3)**
	(4.4)	659.4	(559.5)	-	(559.5)	**95.5**
Movement in interest accrual on debt	-	-	(22.7)	-	(22.7)	**(22.7)**
Amortisation of issue costs	-	-	(2.2)	-	(2.2)	**(2.2)**
At 31 March 2026	**21.7**	**664.4**	**(1,654.6)**	**-**	**(1,654.6)**	**(968.5)**
Net debt at 31 March 2026 comprises:						
Non-current assets	-	-	-	-	-	**-**
Current assets	47.9	664.4	-	-	-	**712.3**
Current liabilities	(26.2)	-	(33.3)	-	(33.3)	**(59.5)**
Non-current liabilities	-	-	(1,621.3)	-	(1,621.3)	**(1,621.3)**
	21.7	**664.4**	**(1,654.6)**	**-**	**(1,654.6)**	**(968.5)**

16. Analysis of net debt (continued)

						Company
	Current asset		Liabilities from financing activities			
	Net cash and cash equivalents[1]	investments - cash deposits	Borrowings	Derivative financial instruments[2]	Total liabilities from financing activities	Total
	£m	£m	£m	£m		£m
At 1 April 2024	-	-	(1,021.3)	-	(1,021.3)	(1,021.3)
Cash flows						
Interest paid	(44.1)	-	-	-	-	(44.1)
Issue costs paid	-	-	-	-	-	-
Increase in amounts borrowed	115.3	-	(115.3)	-	(115.3)	-
Repayment of amounts borrowed	(70.0)	-	70.0	-	70.0	-
Non-financing cash flows [3]	24.9	5.0	-	-	-	29.9
	26.1	5.0	(45.3)	-	(45.3)	(14.2)
Movement in interest accrual on debt	-	-	(0.8)	-	(0.8)	(0.8)
Amortisation of issue costs	-	-	(2.8)	-	(2.8)	(2.8)
At 31 March 2025	26.1	5.0	(1,070.2)	-	(1,070.2)	(1,039.1)

(1) Included within cash and cash equivalents is £11.4 million (2025: £7.3 million) of cash which is ring fenced to be used to fund projects awarded by Ofwat in relation to their innovation fund.

(2) Derivative financial instruments exclude the net asset of £10.6 million (2025: liability of £0.7 million) in respect of the fair value of energy hedges, as these are not classified as part of net debt;

(3) Non-financing cash flows comprise: net cash flows used in operating activities of £38.8 million (2025: £1.0 million), less net cash from in investing activities of £764.9 million (2025: £66.9 million) and dividends paid of £20.0 million (2025: £41.0 million).

17. Trade and other payables

	Group		Company	
	2026	2025	**2026**	2025
	£m	£m	**£m**	£m
Trade payables	**47.4**	55.0	**26.2**	29.3
Capital creditors and accruals	**154.2**	143.2	**-**	-
Receipts in advance	**403.0**	375.7	**-**	-
Amounts owed to group undertakings	**1.5**	4.7	**-**	-
Other taxes and social security	**9.1**	7.5	**-**	-
Accruals and deferred income	**135.0**	126.1	**-**	-
Other payables	**9.5**	7.9	**-**	-
	759.7	720.1	**26.2**	29.3

Receipts in advance includes £383.9 million (2025: £331.5 million) relating to amounts received from customers for water and sewerage charges in respect of work bills that fall due in the following year.

Accruals and deferred income is made up of £118.1 million accruals (2025: £120.3 million) with the remainder attributable to the deferred income.

Amounts relating to capital creditors and accruals have been separately presented in the above table to aid consistency with the presentation required by Ofwat in the Annual Performance Report of Anglian Water Services Limited.

The Directors consider that the carrying values of trade and other payables are not materially different from their fair values.

There is no fixed payment date for amounts owed to Group undertakings and no interest is applied. Amounts are payable on demand.

18. Loans and other borrowings

	Group		Company	
	2026	**2025**	**2026**	2025
	£m	£m	**£m**	£m
£250 million 1.625% fixed rate 2025	**-**	249.4	-	-
£200 million 4.5% fixed rate 2026	**-**	198.9	-	-
£55 million 2.93% fixed rate fixed rate 2026	**55.7**	55.6	-	-
US$150 million 3.29% fixed rate 2026	**114.9**	115.7	-	-
£20 million 2.93% fixed rate 2026	**20.2**	20.2	-	-
US$35 million 1.16% fixed rate 2026	**26.1**	25.9	-	-
£75 million EIB amortising 0.53% RPI index-linked 2027	**12.9**	24.8	-	-
£75 million EIB amortising 0.79% RPI index-linked 2027	**12.9**	24.8	-	-
£200 million 2.6225% fixed rate 2027	**198.3**	196.0	-	-
£250 million 4.5% fixed rate 2027	**254.7**	254.3	-	-
£150 million EIB amortising 0% RPI index-linked 2028	**50.0**	72.3	-	-
£73.3 million 4.394% fixed rate 2028	**70.7**	69.0	-	-
£200 million 6.625% fixed rate 2029	**-**	207.6	-	-
£85 million 2.88% fixed rate 2029	**85.1**	85.1	-	-
US$53 million 4.27% fixed rate 2029	**40.2**	41.1	-	-
£65 million EIB amortising 0.41% RPI index-linked 2029	**31.6**	40.5	-	-
£65 million 2.87% fixed rate 2029	**65.7**	65.6	-	-
£125 million EIB amortising 0.1% RPI index-linked 2029	**70.0**	86.6	-	-
£300 million 2.75% fixed rate 2029	**302.0**	301.6	-	-
£75 million floating rate 2029	**75.9**	76.0	-	-
£60 million EIB amortising 0.01% RPI index-linked 2030	**38.2**	46.0	-	-
£246 million 6.293% fixed rate 2030	**261.4**	261.5	-	-
£25 million 3.0% fixed rate 2031	**25.0**	25.0	-	-
£35 million floating rate fixed rate 2031	**34.9**	34.8	-	-
£300 million 5.875% fixed rate 2031	**522.6**	311.7	-	-
£200 million wrapped 3.07% RPI index-linked 2032	**484.7**	469.0	-	-
£60 million wrapped 3.07% RPI index-linked 2032	**131.6**	127.7	-	-
C$ 350 million 4.525% fixed rate 2032	**189.8**	187.7	-	-
£75 million floating rate 2032	**75.6**	75.7	-	-
£50 million 2.05% RPI index-linked 2033	**84.6**	81.6	-	-
£420 million 5.375% fixed rate 2033	**423.3**	-	-	-
£25 million 6.875% fixed rate 2034	**25.1**	25.1	-	-
JPY 8.5 billion 1.917% fixed rate 2034	**40.3**	43.6	-	-
£402 million 2.4% RPI index-linked 2035	**608.7**	576.6	-	-
£50 million 1.76% fixed rate 2035	**50.1**	50.0	-	-
£26.1 million 0.01% CPI index-linked 2035 - 1	**36.1**	35.4	-	-
£26.1 million 0.01% CPI index-linked 2035 - 2	**36.0**	35.2	-	-
£35 million 2.14% fixed rate 2036	**25.3**	25.0	-	-
£40 million 2.14% fixed rate 2036	**28.9**	28.6	-	-
£242 million 6.07% fixed rate 2037	**247.8**	247.8	-	-
£24 million 6.07% fixed rate 2037	**24.6**	24.6	-	-
JPY 7 billion 0.855% fixed rate 2039	**33.3**	36.1	-	-
Sub-total carried forward	**4,914.8**	4,959.7	-	-

18. Loans and other borrowings (continued)

	2026 £m	2025 £m	2026 £m	2025 £m
Sub-total brought forward	**4,914.8**	4,959.7	**-**	-
£560 million 6.0% fixed rate 2039	**579.2**	578.9	**-**	-
£50 million 6.05% fixed rate 2039	**50.8**	50.8	**-**	-
£65 million amortising 0.835% CPI index-	**78.5**	81.0	**-**	-
£100 million 2.427% CPI index-linked 2040	**108.1**	105.0	**-**	-
£100 million amortising 3.017% CPIH index-	**115.3**	111.2	**-**	-
JPY 7 billion 0.85% fixed rate 2040	**18.7**	23.9	**-**	-
£300 million 6.25% fixed rate 2041	**303.8**	-	**-**	-
£35 million 1.141% RPI index-linked 2042	**57.9**	55.8	**-**	-
£110 million floating rate 2043	**110.4**	110.4	**-**	-
£575 million 5.75% fixed rate 2043	**585.1**	592.9	**-**	-
£700 million 6.25% fixed rate 2044	**714.6**	714.3	**-**	-
£130 million 2.262% RPI index-linked 2045	**241.2**	232.6	**-**	-
£50 million 1.7% RPI index-linked 2046 - 1	**109.6**	105.7	**-**	-
£50 million 1.7% RPI index-linked 2046 - 2	**109.1**	105.7	**-**	-
£60 million 1.7903% RPI index-linked 2049	**134.2**	129.7	**-**	-
£50 million 1.52% RPI index-linked 2055	**98.3**	94.8	**-**	-
£40 million 1.7164% RPI index-linked 2056	**90.4**	87.4	**-**	-
£50 million 1.6777% RPI index-linked 2056	**112.6**	108.8	**-**	-
£50 million 1.3825% RPI index-linked 2056	**103.8**	100.1	**-**	-
£100 million wrapped floating rate 2057	**100.6**	100.7	**-**	-
£100 million 1.3784% RPI index-linked 2057	**207.8**	200.3	**-**	-
£75 million 1.449% RPI index-linked 2062	**147.4**	142.2	**-**	-
IFRS 16 leases	**28.2**	33.9	**-**	-
Liquidity & Emergency facilities	**(2.8)**	(1.8)	**-**	-
£240 million 4.0% fixed rate bond 2026	**-**	240.4	**-**	240.4
£100 million floating term facility 2027	**101.2**	100.9	**101.2**	100.9
£30 million floating term facility 2027 - 1	**-**	30.9	**-**	30.9
£30 million floating term facility 2027 - 2	**30.0**	29.9	**30.0**	29.9
£300 million 2.0% fixed rate bond 2028	**301.8**	300.9	**301.8**	300.9
£105 million 2.2% private placements 2028	**105.4**	105.3	**105.4**	105.3
£100 million 2.37% private placements 2031	**100.6**	100.6	**100.6**	100.6
£450 million 6.75% fixed rate bond 2031	**568.3**	-	**568.3**	-
£100 million 6.96% private placement 2033	**100.4**	100.3	**100.4**	100.3
£350 million 6.375% fixed rate bond 2033	**347.9**	-	**347.9**	-
Liquidity Facilities OAL	**(1.3)**	31.5	**(1.2)**	31.5
Loan notes	**0.2**	0.2	**0.2**	0.2
Other loans	**0.9**	1.2	**-**	-
Total loans and other borrowings	**10,773.0**	9,866.1	**1,654.6**	1,040.9
Included in:				
Current liabilities	**523.3**	988.1	**33.3**	282.4
Non-current liabilities	**10,249.7**	8,878.0	**1,621.3**	758.5
Of which are leases:				
Current liabilities	**6.8**	7.2	**-**	-
Non-current liabilities	**21.4**	26.7	**-**	-

18. Loans and other borrowings (continued)

The value of the capital and interest elements of the index-linked loans is linked to movements in inflation. The increase in the capital value of index-linked loans during the year of £130.4 million (2025: £123.9 million) has been taken to the income statement as part of interest payable.

These loans are shown net of issue costs, discount and premium on issue of loans of £65.7 million (2025: £55.9 million). The issue costs, discount and premium are amortised at the effective interest rate based on the carrying amount of debt over the life of the underlying instruments.

A security agreement dated 30 July 2002 between Anglian Water Services Financing Plc, Anglian Water Services Limited, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Holdings Limited and Deutsche Trustee Company Limited (as Agent and Trustee for itself and each of the Finance Parties to the Global Secured Medium Term Note Programme) created a fixed and floating charge over the assets of Anglian Water Services Limited to the extent permissible under the Water Industry Act 1991. In addition there is a fixed charge over the issued share capital of Anglian Water Services Financing Plc, Anglian Water Services Limited and Anglian Water Services UK Parent Limited. At 31 March 2026, this charge applies to £9,046.0 million (2025: £8,740.1 million) of the debt listed above.

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) created 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 2026, this charge applies to £1,635.0 million (2025: £1,037.0 million) of the debt listed above.

Loans and other borrowing liabilities disclosed within borrowings on the balance sheet are the only instruments designated as fair value hedge items by the Group.

All of the company’s borrowings are payable to Anglian Water (Osprey) Financing Plc, but on terms set out above.

18. Loans and other borrowings (continued)

The table below details the impact of fair value hedge adjustments on the instruments subject to fair value hedge accounting:

	Group		
	Carrying value £m	Proportion hedged %	Accumulated hedge adjustment [2] £m
2026			
US$150 million 3.29% fixed rate 2026	114.9	76	0.1
US$35 million 1.16% fixed rate 2026	26.1	100	0.4
£200 million 2.6225% fixed rate 2027	198.3	41	3.0
£73.3 million 4.394% fixed rate 2028	70.7	100	4.2
£246 million 6.293% fixed rate 2030	254.5	20	1.1
£35 million 2.14% fixed rate 2036	25.3	100	9.8
£40 million 2.14% fixed rate 2036	28.9	100	11.2
JPY 7 billion 0.85% fixed rate 2040	18.7	100	14.4
	737.4		**44.2**
2025			
£250 million 1.625% fixed rate 2025	249.4	100	3.0
£200 million 4.5% fixed rate 2026	198.9	50	1.8
US$150 million 3.29% fixed rate 2026	115.7	76	1.9
US$35 million 1.16% fixed rate 2026	25.9	100	1.2
£200 million 2.6225% fixed rate 2027	196.0	41	5.1
£73.3 million 4.394% fixed rate 2028	69.0	100	5.8
£246 million 6.293% fixed rate 2030	253.0	20	2.4
£35 million 2.14% fixed rate 2036	25.0	100	10.1
£40 million 2.14% fixed rate 2036	28.6	100	11.6
JPY 7 billion 0.85% fixed rate 2040	25.8	100	12.0
	1,187.3		**54.9**

[1] The accumulated hedge adjustment noted above is included within the carrying value of each instrument. The movement in the accumulated hedge adjustment is shown within fair value losses on derivative financial instruments in the income statement.

19. Financial instruments

Financial assets by category

	Assets at fair value through profit and loss £m	Derivatives used for hedging £m	Assets at amortised cost and cash equivalents £m	Investments at amortised cost £m	Group Total £m
At 31 March 2026					
Investments					
Current - cash deposits	-	-	-	908.6	**908.6**
Cash and cash equivalents					
Current	-	-	634.9	-	**634.9**
Trade and other receivables					
Current	-	-	719.8	-	**719.8**
Derivative financial instruments					
Current	-	15.7	-	-	**15.7**
Non-current	103.1	8.0	-	-	**111.1**
	103.1	**23.7**	**1,354.7**	**908.6**	**2,390.1**
At 31 March 2025					
Investments					
Current - cash deposits	-	-	-	442.8	442.8
Cash and cash equivalents					
Current	-	-	642.5	-	642.5
Trade and other receivables					
Current	-	-	628.8	-	628.8
Derivative financial instruments					
Current	-	0.9	-	-	0.9
Non-current	152.2	16.1	-	-	168.3
	152.2	17.0	1,271.3	442.8	1,883.3

Trade and other receivables above exclude prepayments and VAT.

19. **Financial instruments** (continued)

Financial assets by category (continued)

					Company
	Assets at fair value through profit and loss	**Derivatives used for hedging**	**Assets at amortised cost and cash equivalents**	**Investments at amortised cost**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 31 March 2026					
Investments					
Current - cash deposits	-	-	-	664.4	**664.4**
Non-current	-	-	-	3,711.8	**3,711.8**
Cash and cash equivalents					
Current	-	-	47.9	-	**47.9**
Trade and other receivables					
Current	-	-	63.7	-	**63.7**
	-	**-**	**111.6**	**4,376.2**	**4,487.8**
At 31 March 2025					
Investments					
Current - cash deposits	-	-	-	5.0	5.0
Non-current	-	-	-	3,541.8	3,541.8
Cash and cash equivalents					
Current	-	-	26.1	-	26.1
Trade and other receivables					
Current	-	-	25.1	-	25.1
	-	-	51.2	3,546.8	3,598.0

Trade and other receivables above exclude prepayments and VAT.

19. Financial instruments (continued)

Financial liabilities by category (continued)

				Group
	Liabilities at fair value through profit and loss £m	**Derivatives used for hedging £m**	**Other liabilities held at amortised cost £m**	**Total £m**
At 31 March 2026				
Borrowings				
Current	-	-	523.3	**523.3**
Non-current	-	-	10,249.7	**10,249.7**
Trade and other payables				
Current	-	-	330.6	**330.6**
Derivative financial instruments				
Current	0.6	1.1	-	**1.7**
Non-current	743.4	89.8	-	**833.2**
	744.0	**90.9**	**11,103.6**	**11,938.5**
At 31 March 2025				
Borrowings				
Current	-	-	988.1	988.1
Non-current	-	-	8,878.0	8,878.0
Trade and other payables				
Current	-	-	331.2	331.2
Derivative financial instruments				
Current	2.4	5.9	-	8.3
Non-current	697.1	84.5	-	781.6
	699.5	90.4	10,197.3	10,987.2

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

19. Financial instruments (continued)

Financial liabilities by category

				Company
	Liabilities at fair value through profit and loss £m	**Derivatives used for hedging £m**	**Other liabilities held at amortised cost £m**	**Total £m**
At 31 March 2026				
Borrowings				
Current	-	-	33.3	**33.3**
Non-current	-	-	1,621.3	**1,621.3**
Trade and other payables				
Current	-	-	26.2	**26.2**
	-	**-**	**1,680.8**	**1,680.8**
At 31 March 2025				
Borrowings				
Current	-	-	282.3	282.3
Non-current	-	-	758.6	758.6
Trade and other payables				
Current	-	-	29.3	29.3
	-	-	1,070.2	1,070.2

Trade and other payables above exclude receipts in advance, other taxes and deferred income.

19. **Financial instruments** (continued)

Derivative financial instruments

				Group
		2026		2025
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Designated as cash flow hedges				
Interest rate swaps	**-**	**-**	-	(0.4)
Cross currency interest rate swaps	**4.1**	**(34.9)**	6.2	(24.7)
Energy swaps	**11.1**	**(0.5)**	2.2	(2.9)
	15.2	**(35.4)**	8.4	(28.0)
Designated as fair value hedges				
Interest rate swaps	**-**	**(28.4)**	-	(39.2)
Cross currency interest rate swaps	**8.5**	**(27.1)**	8.6	(23.2)
	8.5	**(55.5)**	8.6	(62.4)
Derivative financial instruments designated as hedges	**23.7**	**(90.9)**	17.0	(90.4)
Derivative financial instruments not designated as hedges				
Interest rate swaps	**46.2**	**(86.0)**	51.1	(91.0)
RPI swaps	**47.4**	**(320.4)**	69.8	(390.7)
CPI swaps	**9.5**	**(319.1)**	31.3	(202.9)
Basis swaps	**-**	**(18.5)**	-	(14.9)
Total derivative financial instruments	**126.8**	**(834.9)**	169.2	(789.9)
Derivative financial instruments can be analysed as follows:				
Current	**15.7**	**(1.7)**	0.9	(8.3)
Non-current	**111.1**	**(833.2)**	168.3	(781.6)
	126.8	**(834.9)**	169.2	(789.9)

At 31 March 2026, the fixed interest rates vary from 1.70% to 5.88%, floating rates vary from SONIA plus 11.20 bps to SONIA plus 326.36 bps, RPI-linked interest rates vary from 1.27% to 2.12% plus RPI and CPI-linked interest rates vary from negative 1.21% plus CPI to 3.35% plus CPI. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on interest rate and cross-currency interest rate swap contracts will be continuously released to the income statement within finance costs in line with the repayment of the related borrowings. Gains and losses recognised in other comprehensive income and accumulated in the cash flow hedge reserve on energy hedges will be released to the income statement within operating costs in line with the expiry of the power season to which the gains and losses relate.

The Company

The Company has no derivative financial instruments (2025: none).

19. Financial instruments (continued)

In accordance with IFRS 9, the Group 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 income statement for gains or losses on embedded derivatives for the year ended 31 March 2026 (2025: £nil).

Leases

The minimum lease payments in respect of all leases fall due as follows:

	Group	
	2026	2025
	£m	£m
Within one year	**7.6**	7.3
Between two and five years	**13.3**	17.9
After five years	**14.3**	16.2
	35.2	41.4
Future finance charges on leases	**(7.0)**	(7.5)
Present value of lease liabilities	**28.2**	33.9

19. **Financial instruments** (continued)

Fair value of financial assets and liabilities

				Group
		2026		2025
	Carrying value	**Fair value**	Carrying value	Fair value
	£m	**£m**	£m	£m
Cash and cash equivalents	**634.9**	**634.9**	642.5	642.5
Current asset investments - cash deposits	**908.6**	**908.6**	442.8	442.8
Borrowings				
Current	**(523.3)**	**(521.8)**	(988.1)	(988.4)
Non-current	**(10,249.7)**	**(9,280.5)**	(8,878.0)	(8,200.2)
Interest and cross currency interest rate swaps - assets				
Current	**10.7**	**10.7**	-	-
Non-current	**48.1**	**48.1**	65.9	65.9
Interest and cross currency interest rate swaps - liabilities				
Current	**(1.7)**	**(1.7)**	(7.5)	(7.5)
Non-current	**(174.7)**	**(174.7)**	(171.0)	(171.0)
RPI swaps - assets				
Non-current	**47.4**	**47.4**	69.8	69.8
RPI swaps - liabilities				
Current	**-**	**-**	-	-
Non-current	**(320.4)**	**(320.4)**	(390.7)	(390.7)
CPI swaps - assets				
Non-current	**9.5**	**9.5**	31.3	31.3
CPI swaps - liabilities				
Non-current	**(319.1)**	**(319.1)**	(202.9)	(202.9)
Basis swaps - assets				
Non-current	**-**	**-**	-	-
Basis swaps - liabilities				
Non-current	**(18.5)**	**(18.5)**	(14.9)	(14.9)
Net debt	**(9,948.2)**	**(8,977.5)**	(9,400.8)	(8,723.3)
Energy derivatives - assets				
Current	**5.0**	**5.0**	0.9	0.9
Non-current	**6.1**	**6.1**	1.3	1.3
Energy derivatives - liabilities				
Current	**-**	**-**	(0.8)	(0.8)
Non-current	**(0.5)**	**(0.5)**	(2.1)	(2.1)
	(9,937.6)	**(8,966.9)**	(9,401.5)	(8,724.0)

19. Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

	Company			
	2026		2025	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Cash and cash equivalents	**47.9**	**47.9**	26.1	26.1
Current asset investments - cash deposits	**664.4**	**664.4**	5.0	5.0
Borrowings				
Current	**(33.3)**	**(33.0)**	(282.3)	(281.2)
Non-current	**(1,621.3)**	**(1,647.2)**	(758.6)	(726.9)
Net debt	**(942.3)**	**(967.9)**	(1,009.8)	(977.0)

The fair value of loans and other borrowings represents the market value of publicly traded debt instruments or, if in respect of debt not publicly traded, the cost which the Group would incur if it elected to transfer these borrowings, calculated by discounting future cash flows at prevailing rates including credit spreads experienced on publicly traded debt instruments.

The fair value of interest rate derivative financial instruments is determined using discounted cash flow methodology with reference to discounted estimated future cash flows using observable yield curves. The fair value of cross-currency interest rate derivatives is determined using discounted cash flow methodology, with the foreign currency legs calculated with reference to observable foreign interest rate yield curves and the foreign exchange rate as at 31 March. The fair value of the Group's energy derivatives is calculated using discounted cash flow analysis, with reference to observable market energy prices at 31 March.

Fair values of other non-current investments, non-current trade and other receivables and non-current trade and other payables have been estimated as being materially equal to carrying value.

Derivative transactions expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements which provide protection in the event of counterparty rating downgrade or default. The Group only enters into derivative transactions with banks of high credit standing (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided.

In accordance with IFRS 13 'Fair Value Measurement', the financial instruments carried at fair value on the balance sheet have been classified as either level 2 or level 3 for fair valuation purposes. Both classifications are valued by reference to valuation techniques using observable inputs other than quoted prices in active markets. Level 2 instruments are all instruments not linked to CPI and were valued using discounted cash flow method based on observable inputs. The fair value is then adjusted for credit risk. The level 3 instrument valuation relates to CPI-linked transactions where inputs are obtained from a less liquid market. In both cases, valuations have been obtained by discounting the estimated future cash flows at a rate that reflects credit risk.

19. Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

There have been no transfers between level 1, level 2 and level 3 fair value measurements in the year. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer occurred.

Level 3 derivative financial instruments

Level 3 derivative financial instruments comprise CPI-linked inflation swaps and RPI-CPI basis swaps which are traded based on a spread to liquid RPI inflation markets often referred to as 'the wedge'. As the market for CPI swaps is still developing, the wedge is not currently observable in a liquid market and as such these swaps have been classified as level 3 instruments.

Movements in the year to 31 March for assets and liabilities measured at fair value using level 3 valuation inputs are presented below:

	2026	2025
	£m	£m
At 1 April	**(186.5)**	(186.6)
Net (losses)/gains for the period	**(82.5)**	19.9
Settlements	**(59.0)**	(19.8)
At 31 March	**(328.0)**	(186.5)

Gains and losses in the period are recognised in the income statement.

The impact (on a post-tax basis) on the income statement of reasonably possible changes in the CPI inflation rate assumptions used in valuing instruments classified as level 3 within the fair value hierarchy are as follows:

	2026	2025
	£m	£m
Gain/(loss)		
1% increase in inflation rates	**(162.7)**	(116.9)
1% decrease in inflation rates	**145.7**	103.2

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

19. Financial instruments (continued)

Control of treasury

The treasury team, which reports directly to the Chief Financial Officer, substantially manages the financing, including debt, interest costs and foreign exchange for the Group. Treasury policy continues to be focused on the efficient and effective management of cash and financial resources within the Group. The activities of the treasury function include the following:

- ensure that lenders' covenants are met;
- secure funds through a balanced approach to financial markets and maturities;
- manage interest rates to minimise financial exposures and minimise interest costs;
- invest temporary surplus cash to best advantage at minimal financial risk;
- maintain an excellent reputation with providers of finance and rating agencies;
- enhance control of financial resources;
- monitor counterparty credit exposure.

Financing structure

Every five years the Company, along with all other Water and Sewage Companies, submits its business plan to the regulator Ofwat setting out what it believes it needs to run the business for the next 5 year period, known as an AMP. Ofwat then assesses these plans in order to determine the revenue it will allow companies to charge customers.

In setting the allowed revenue Ofwat determines the efficient operating costs of the business. In order to fund the significant capital investment of the business it would be unfair to expect the current customers to fund the costs of assets that will deliver services for many years, especially as these costs can fluctuate year on year. Therefore, alongside increased cashflows from higher bills, companies raise money from both debt and equity investors to fund this investment. The investment set out in the business plan forms what is known as the Regulatory Capital Value (RCV) of the Company, Ofwat allows companies to recover the value of RCV through revenues via a depreciation charge. To enable long term investment, Ofwat also allows a fair return on the investment to be included in those revenues.

In determining that fair return Ofwat has a duty under the Water Industry Act to ensure that the sector is financeable in the long term and is able to attract that investment. In order to do that Ofwat uses a "notional" company concept to determine a weighted average cost of capital (WACC) which is then applied across the sector. Actual companies have an opportunity to outperform our underperform against the determination, actual companies also have differing capital structures.

Through this regulatory regime the Group generates operating cash flow to service the day to day operations of the business, including capital maintenance and servicing of debt and equity. The Group seeks external investment from both debt and equity markets to fund growth (capital enhancement) and refinance existing debt in order to maintain a desired net debt to capital value ratio. Given the structure of the funding arrangement and relatively stable customer base, which includes a level of inflation protection, the business generates stable operating cash flows.

19. Financial instruments (continued)

The Group's regulated water and water recycling business, Anglian Water Services Limited, is funded predominately by debt in the form of long-term bonds and other debt instruments through its financing subsidiary Anglian Water Services Financing Plc. Raising large amounts of debt in advance is not cost efficient and would not enable the company to operate within the notional cost of capital included in the business plan. The Group therefore raises debt multiple times a year in the form of new debt or the refinancing of maturing debt. Given this financing structure it is not unusual to have net current liabilities as this debt becomes due and the company uses bank facilities to manage this position.

The weighted average length to maturity of the Company's debt is 12.2 years (31 March 2025: 12.3 years). At 31 March 2026, Anglian Water's net debt to capital value ratio (net debt as defined in the Common Terms Agreement expressed as a percentage of Anglian Water's regulated capital value) was 69.7% (2025: 71.1%).

The Group has also raised finance within Osprey Holdco Limited, and Osprey Acquisitions Limited through its financing subsidiary Anglian Water (Osprey) Financing Plc.

Borrowing covenants

The Group's borrowings are raised by Osprey Holdco Limited, Osprey Acquisitions Limited, Anglian Water (Osprey) Financing Plc and Anglian Water Services Financing Plc. The 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. There were no covenant breaches in the year. Please refer to compliance certificate sent to security trustee and uploaded on our website for detailed covenants.

Management of financial risk

Financial risks faced by the Group include funding, interest rate, contractual, currency, liquidity and credit risks. The Group 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, including the Chief Financial Officer and the Group Treasurer, meets regularly with the specific remit of reviewing treasury matters. Relevant treasury matters are reported to the board.

The Group aims to meet its funding requirements primarily through accessing a range of financial markets such as public bond markets, private placements, bank loans and finance leases. Surplus cash is invested in short-term bank deposits, commercial paper, certificates of deposit, treasury bills and AAA rated money funds.

The Group also enters into derivative transactions (comprising currency, index-linked, interest rate and energy swaps) to economically manage the interest, currency and commodity risks to which the Group is exposed.

The Group operates with debt/RCV gearing around the low 70%s, with a shareholder supported plan to deleverage the Group to a level of c65% by the end of AMP8, with the balance from equity. This reflects the focus on seeking to maintain strong investment grade credit ratings at the Group, and the shareholders' long-term strategy was most recently evidenced through an equity investment of £500 million.

19. Financial instruments (continued)

a) Market risk

i) Foreign currency

The Group has currency exposures resulting from debt raised in currencies other than sterling and very small purchases in foreign currencies. The Group's foreign exchange policy allows for a range of hedge instruments, including forward foreign exchange, swaps and options, to hedge such exposures. All hedges are undertaken for commercial reasons with the objective of minimising the impact of exchange rate fluctuations on net assets and profits. The Group has no material unhedged monetary assets and liabilities denominated in a currency different from the local currency of the particular operation and has no material net exposure to movements in currency rates.

Where exposures arise out of debt issuances in currencies other than sterling, this risk is hedged using cross currency interest rate swaps on the date the debt issuance is contracted. The Group assesses the economic relationship by comparing the currency cash flows on the underlying debt item with the currency cash flows on the hedge instrument to ensure an exact offset of the specific foreign currency flows of the debt is achieved. This results in a notional hedge ratio of one for all foreign currency hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied to manage foreign currency risks as appropriate and detailed below.

19. Financial instruments (continued)

a) Market risk (continued)

i) Foreign currency (continued)

				Group
	Within one year m	Between one and five years m	Between five and 25 years m	Total m
At 31 March 2026				
Foreign currency borrowings - hedged item				
JPY	-	-	22,500.0	**22,500.0**
USD	185.0	53.0	-	**238.0**
CAD	-	-	350.0	**350.0**
Cross currency interest rate swap - cashflow hedge				
JPY	-	-	(15,500.0)	**(15,500.0)**
USD	(36.0)	(53.0)	-	**(89.0)**
CAD	-	-	(350.0)	**(350.0)**
Cross currency interest rate swap - fair value hedge				
JPY	-	-	(7,000.0)	**(7,000.0)**
USD	(149.0)	-	-	**(149.0)**
CAD	-	-	-	**-**
Net currency exposure	**-**	**-**	**-**	**-**
Weighted average spot rate				
JPY	-		154.4	**-**
USD	1.4	1.3		**-**
CAD	-		1.6	**-**
At 31 March 2025				
Foreign currency borrowings - hedged item				
JPY	-	-	22,500.0	22,500.0
USD	-	238.0	-	238.0
CAD	-	-	350.0	350.0
Cross currency interest rate swap - cashflow hedge				
JPY	-	-	(15,500.0)	(15,500.0)
USD	-	(89.0)	-	(89.0)
CAD	-	-	(350.0)	(350.0)
Cross currency interest rate swap - fair value hedge				
JPY	-	-	(7,000.0)	(7,000.0)
USD	-	(149.0)	-	(149.0)
Net currency exposure	-	-	-	-
Weighted average spot rate				
JPY	-	-	154.4	**-**
USD	-	1.4	-	**-**
CAD	-	-	1.6	**-**

19. Financial instruments (continued)

a) Market risk (continued)

i) Foreign currency *(continued)*

Hedge ineffectiveness on currency hedging primarily results from situations where we have taken the economic decision (in line with Treasury policy) to change our fixed and floating portfolio mix. Where this has required existing hedged positions to be changed, the existing hedge is de-designated and the replacement hedge will generate effectiveness. This ineffectiveness represents the difference between the amortisation of the effective balance of the hedge on the date of de-designation (released on a straight line basis) and the dynamic change in the value of the derivative as it trends to zero. In addition, ineffectiveness can result from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk).

Fair valuation movements related to foreign currency basis which forms part of the pricing of cross currency interest rate swaps, are treated as a cost of hedging for all foreign currency hedge designations within the Group. As such, it is excluded from hedge relationships and is only a source of ineffectiveness where hedge accounting has been interrupted.

The changes in fair value of foreign currency basis spread, accumulated in the cash flow hedge reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

ii) Interest rate and inflation rate risk

The Group’s policy for the management of interest rate risk is to achieve a balanced mix of funding at indexed (to RPI or CPI), fixed and floating rates of interest. To guard against the adverse movements in interest rates having a detrimental impact on the business and to enable covenanted obligations and credit ratings to be met, the overall underlying debt portfolio is maintained at between 45 and 55% of RCV for index-linked debt and between 5% and 15% for floating rate debt, with the remaining being fixed rate. Within these hedging levels, the Group endeavours to obtain the finest rates (lowest borrowing and finest depositing rates) consistent with ensuring that the relevant treasury objectives are met in full, i.e. the provision of adequate finance for Anglian Water Services Group at all times and maintaining security of principal on investments.

The Group’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. Treasury manages its interest rate risk by monitoring market rates in relation to the debt (and investment) portfolios, analysing the effect of likely movements in interest rates and taking action as deemed appropriate, within the hedging limits outlined above.

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk *(continued)*

The table below summarises the impact of derivatives on interest rate and inflation risks within the debt portfolio:

				Group
	Debt position £m	Swap impact £m	Post swap position £m	Effective interest rate %
At 31 March 2026				
Fixed	(6,885.7)	3,225.5	(3,660.2)	5.8
Floating	(525.0)	(685.8)	(1,210.8)	5.9
Index-linked	(3,229.5)	(2,812.9)	(6,042.4)	6.2
Leases	(28.2)	-	(28.2)	3.0
	(10,668.4)	**(273.2)**	**(10,941.6)**	
At 31 March 2025				
Fixed	(5,955.7)	2,246.5	(3,709.2)	5.4
Floating	(587.0)	(711.8)	(1,298.8)	6.8
Index-linked	(3,193.9)	(1,834.9)	(5,028.8)	5.5
Leases	(33.9)	-	(33.9)	3.0
	(9,770.5)	(300.2)	(10,070.7)	

Where exposures arising out of debt issuances are swapped this risk is hedged using cross currency interest rate swaps, interest rate swaps or inflation swaps. The Group assesses the economic relationship by comparing the cash flows on the underlying debt instrument with the offsetting cash flows on the hedge to ensure an exact offset of the specified notional value of the debt is achieved. This results in a notional hedge ratio of one for all interest rate hedge relationships. Both cash flow hedge accounting and fair value hedge accounting are applied as appropriate.

Derivatives that do not qualify for hedge accounting primarily consist of those relationships which swap debt into inflation. The table below outlines the Group's exposures to interest rates from derivative swaps in isolation (excluding offsetting debt instrument cashflows).

19. **Financial instruments** (continued)

a) **Market risk** (continued)

ii) Interest rate and inflation rate risk (continued)

							Group
	Within one year £m	Between one and five years £m	Between five and 25 years £m	After 25 years £m	Mark to market £m	Interest rate (weighted average) payable	receivable
At 31 March 2026							
Interest rate swaps							
Floating to fixed	-	-	350.0	-	0.4	5.2	4.8
Fixed to floating	50.0	154.5	1,145.0	-	(83.1)	5.8	5.3
Fixed to fixed	100.0	481.3	250.0	-	14.5	3.0	2.5
Inflation swaps							
Fixed to CPI	-	465.0	1,405.9	-	(279.9)	5.9	5.1
Floating to CPI	-	50.4	100.0	-	(26.8)	4.2	4.5
Fixed to RPI	-	-	100.0	-	(2.8)	6.3	6.0
Floating to RPI	-	175.0	50.0	190.9	(258.2)	5.8	4.5
RPI to Floating	-	-	97.4	-	(12.0)	5.5	5.9
RPI to CPI	-	1,750.0	-	-	(18.5)	4.6	4.2
Fixed to CPIH	-	-	100.0	-	(2.9)	3.8	2.1
Cross currency swaps							
JPY	-	-	145.8	-	(46.4)	4.6	1.3
USD	129.7	40.1	-	-	12.6	4.4	3.2
CAD	-	-	224.8	-	(15.5)	3.8	4.5
Total	**279.7**	**3,116.3**	**3,968.9**	**190.9**	**(718.6)**		
At 31 March 2025							
Interest rate swaps							
Floating to fixed	25.0	-	350.0	-	(6.5)	5.2	5.7
Fixed to floating	525.0	204.5	845.0	-	(83.0)	6.1	3.8
Fixed to fixed	-	581.3	250.0	-	10.0	3.0	2.5
Inflation swaps							
Fixed to CPI	-	315.0	550.9	-	(167.7)	4.2	4.6
Floating to CPI	-	-	250.4	-	(3.9)	2.6	5.3
Fixed to RPI	-	-	100.0	-	3.0	5.4	6.0
Floating to RPI	-	-	225.0	190.9	(306.5)	4.9	5.4
RPI to Floating	-	-	97.4	-	(18.6)	6.4	5.0
RPI to CPI	-	-	1,750.0	-	(14.9)	3.5	3.3
Floating to fixed	74.0	-	-	-	1.2	1.5	5.0
Cross currency swaps							
JPY	-	-	145.8	-	(36.5)	4.9	1.3
USD	-	169.8	-	-	14.8	5.0	3.2
CAD	-	-	224.8	-	(11.4)	3.8	4.5
Total	624.0	1,270.6	4,789.3	190.9	(620.0)		

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk *(continued)*

We follow critical terms match approach for assessing hedge effectiveness. Hedge ineffectiveness can result from counterparty credit risk (which is present in the derivative but not in the hedged risk).

The maturity profile of Interest rate swaps in a cash flow hedge or fair value hedge relationship are given below:

							Group and Company
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Mark to market £m**	**Interest rate (weighted average) payable**	**receivable**
At 31 March 2026							
Interest rate swaps							
Floating to fixed - Cash							
Fixed to floating- Fair	50.0	154.5	75.0	-	(28.4)	5.3	2.3
At 31 March 2025							
Interest rate swaps							
Floating to fixed - Cash	25.0	-	-	-	(0.4)	4.1	5.2
Fixed to floating - Fair	350.0	204.5	75.0	-	(39.2)	5.5	1.8

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging derivatives. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The sensitivity of the Group's profits and equity, including the impact on derivative financial instruments, to potential changes in interest rates at 31 March is as follows:

		Group
	2026 £m	2025 £m
Increase/(decrease) in equity		
1% increase in interest rates	**1.4**	0.2
1% decrease in interest rates	**(1.5)**	(0.1)
Increase/(decrease) in profit before tax		
1% increase in interest rates	**14.5**	37.3
1% decrease in interest rates	**(8.6)**	(39.5)

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk *(continued)*

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

The following assumptions were made in calculating the interest rate sensitivity analysis:

- cash flow and fair value hedge relationships remain effective;
- the main fair value sensitivity to interest rates is in relation to inflation-linked derivatives;
- cash flow sensitivity is calculated on floating interest rate net debt; and
- all other factors are held constant.

Debt instruments

The following analysis shows the impact of a 1% change in RPI and a 1% change in CPI over the 12-month period to the reporting date on index-linked debt instruments.

The finance cost of the Group's index-linked debt instruments and derivatives varies with changes in inflation rather than interest rates. These instruments form an economic hedge with the Group's revenues and regulatory assets, which are linked to RPI and CPI-H inflation.

Inflation risk is reported monthly to the Finance, Treasury and Energy Policy Group, which manages inflation risk by identifying opportunities to amend the economic hedge currently in place where deemed necessary.

The sensitivity at 31 March of the Group's profit before tax to changes in RPI and CPI on debt and derivative instruments is set out in the following tables:

		Group
	2026	2025
	£m	£m
Increase/(decrease) in profit before tax		
1% increase in inflation	**(28.2)**	(28.4)
1% decrease in inflation	**28.1**	28.3

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

19. Financial instruments (continued)

a) Market risk (continued)

ii) Interest rate and inflation rate risk *(continued)*

RPI-linked derivatives

The fair values of the Group's RPI-linked derivatives are based on estimated future cash flows, discounted to the reporting date, and these will be impacted by an increase or decrease in RPI rates as shown in the following table. The sensitivity to CPI rates has been included in the level 3 disclosure and as such has not been repeated.

	Group	
	2026	2025
	£m	£m
Increase/(decrease) in profit before tax		
1% increase in RPI	**(81.1)**	(96.2)
1% decrease in RPI	**78.8**	89.9

Given the long-term maturity of the financial instruments that make up the portfolio, despite high levels of inflation in the current environment, 1% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change in the long term.

iii) Commodity price risk

The Group recovers its electricity costs through revenue, set in real terms by Ofwat, to cover costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the Group to volatility in its operating cash flow.

The Group's policy is to manage this risk either through forward purchases to fix the cost of future blocks of electricity with the contracted energy supplier, through the purchase of wholesale electricity swaps with financial counterparties, or through direct generation. Where swap contracts are utilised, the Group designates all the swaps in cash flow hedge relationships.

				Group
	Within one year	**Between one and five years**	**Between five and 25 years**	**Mark to market**
	MW	**MW**	**MW**	**£m**
At 31 March 2026				
Electricity swap	**121.6**	**86.1**	**-**	**10.5**
At 31 March 2025				
Electricity swap	105.5	78.0	-	(0.7)

Hedge ineffectiveness primarily results from counterparty credit risk (which is present in the derivative but cannot be modelled as part of the hedged risk). There is no hedge ineffectiveness on any of our swap contracts.

19. Financial instruments (continued)

a) Market risk (continued)

iii) Commodity price risk *(continued)*

Assuming all energy hedges were in effective hedging relationships, a 10% increase/decrease in commodity prices would have the following impact:

	Group	
	2026	2025
	£m	£m
Increase/(decrease) in equity		
10% increase in original prices	**7.6**	6.1
10% decrease in original prices	**(7.6)**	(6.1)

10% has been used for sensitivity analysis as this represents a reasonable alternative market movement, as well as a useful benchmark change.

b) Credit risk

Credit risk arises principally from trading and treasury activities. From a trading perspective, the Group has no significant concentrations of credit risk due to minimising the risk through the effective management of customer relationships and through the collateralisation inherent in the licensing of business retail activities. The Group's largest trade receivable balance is in Anglian Water Services Limited, whose operating licence prevents the disconnection of water supply to domestic customers even where bills are unpaid. Irrecoverable debt is taken into consideration as part of the price review process by Ofwat, and therefore no additional provision is considered necessary in excess of the provision for expected credit loss allowance included in note 15.

Placements of cash on deposit expose the Group to credit risk against the counterparties concerned. The Group has credit protection measures in place within agreements that provide protection in the event of counterparty rating downgrade or default. The Group only places cash deposits with banks of upper investment grade (as measured by reputable rating agencies) and also seeks to diversify exposure such that concentration with individual banks is avoided. The credit rating applied to all counterparties is reviewed monthly and on an ongoing basis.

The Group's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme. There have been a recent downgrades across the sector reflecting the regulatory landscape, but these are not company specific.

All cash and cash deposits are held with institutions with a minimum of two short-term ratings of P1/A1/F1 or higher, or in the case of money market funds with a minimum of two ratings of Aaam MR1+/AAAm/AAAmmf or higher.

19. Financial instruments (continued)

b) Credit risk (continued)

In the case of derivatives, the following table sets out the Group's financial assets and liabilities and the impact of any enforceable master netting arrangements.

Financial assets and liabilities on different transactions are only reported net if the transactions are with the same counterparty, a legal right of offset exists and the cash flows are intended to be settled on a net basis. Amounts that do not meet the criteria for offsetting on the balance sheet but could be settled net in the event of default of either party have been reflected in the offsetting column below.

Group policy requires that transactions are only executed with counterparties which are both (a) from the lending Group and (b) rated at least A- (long-term) or A1 (short-term) by Standard & Poor's, Moody's or Fitch.

				Group
	Gross carrying amounts £m	**Net amount presented in the balance sheet £m**	**Offsetting not presented in the balance sheet £m**	**Net amount £m**
At 31 March 2026				
Derivative financial assets	126.8	126.8	(61.5)	**65.3**
Derivative financial liabilities	(834.9)	(834.9)	61.5	**(773.4)**
At 31 March 2025				
Derivative financial assets	169.2	169.2	17.8	187.0
Derivative financial liabilities	(789.9)	(789.9)	(17.8)	(807.7)

19. Financial instruments (continued)

b) Credit risk (continued)

Gross amounts offset represent equal and opposite transactions with the same counterparties and same terms on which no settlements are paid. Offsetting not presented in the balance sheet reflects the extent to which derivative assets and liabilities could be offset with the same counterparty in the event of counterparty default.

At 31 March, the maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset in the Group balance sheet:

	Group	
	2026	2025
	£m	£m
Cash and cash equivalents	**634.9**	642.5
Trade and other receivables	**763.2**	664.6
Investments - cash deposits	**908.6**	442.8
Derivative financial assets	**126.8**	169.2

	Company	
	2026	2025
	£m	£m
Cash and cash equivalents	**47.9**	26.1
Trade and other receivables	**63.9**	25.3
Investments - cash deposits	**664.4**	5.0

Note 2c(i) details the assessment made for the expected credit losses for trade and other receivables. None of the other financial assets are credit impaired.

The Company, as part of the Anglian Water Services Financing Group, guarantees unconditionally and irrevocably all the borrowings and derivatives of Anglian Water Services Financing Plc, which at 31 March 2026 amounted to £9,948.4 million (2025: £9,595.3 million). The borrowings of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are also guaranteed unconditionally and irrevocably by the Company. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited had no outstanding indebtedness at 31 March 2026 (2025: £nil).

During the period to 31 March 2026, there has been no change to the Group's position from that disclosed in the 31 March 2025 consolidated financial statements.

c) Capital risk management

The prime responsibility of the Group's treasury function is the efficient and effective management of financial resources within the Group, i.e. the provision of adequate finance and liquidity at all times while maintaining security of principal. The treasury function will actively seek opportunities to raise debt, to reduce the cost of funding and the cost of hedging interest rate and foreign exchange risk while maintaining a risk-averse position in its liquidity management and in its control of currency and interest rate exposures. The Group does not have externally imposed capital requirements.

The Group monitors its capital structure principally through the level of net debt and associated borrowing metrics. Further information on the Group's net debt position and movements during the year is provided in Note 14 (Analysis of net debt).

19. Financial instruments (continued)

c) Capital risk management (continued)

It is the Group's policy to maintain sufficient cash and/or borrowing facilities to meet short-term commitments and to provide working capital support/flexibility in treasury operations in the event of short-term difficulties in the capital markets.

The treasury team actively maintain a good financial reputation with rating agencies, investors, lenders and other creditors, and aims to maintain the relevant key financial ratios used by the credit rating agencies to determine the respective credit ratings. Anglian Water's financial metrics are at a level to maintain an investment grade credit rating and be able to raise debt to fund its investment programme.

d) Liquidity risk

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.

As noted in the Financing Structure section, 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 (see our Long term viability statement). In addition, management note Ofwat's statutory duty to ensure that the notional company is financeable. Management believe that to meet this duty the return for the notional company needs to be sufficient to enable it to be able to access the necessary debt and equity to deliver its business plan both over the current 5 year regulatory period but also into the future taking consideration the long term planning cycle, as well as to be able to maintain a strong investment grade credit rating throughout.

The Group's borrowing facilities of £1,880.0 million (2025: £1,690.5 million), as set out below. In June 2025 the Group entered into a 3 year facility totalling £1,100.0 million. The Group has sufficient liquidity within the assessment period.

19. Financial instruments (continued)

d) Liquidity risk (continued)

The Group has the following undrawn committed borrowing facilities available at 31 March in respect of which all conditions precedent had been met at that date:

		Group
	2026	2025
	£m	£m
Expires:		
Within one year	**480.0**	557.5
Between one and two years	**-**	833.0
Between two and five years	**1,400.0**	300.0
	1,880.0	1,690.5

The Group's undrawn borrowing facilities of £1,880.0 million (2025: £1,690.5 million) comprise Class A debt service reserve facilities totalling £294.0 million provided by HSBC Bank Plc, Sumitomo Mitsui Banking Corporation and Assured Guaranty; a £146.0 million operating and capital maintenance expenditure reserve facility provided by Barclays Bank Plc, BNP Paribas Plc, Lloyds TSB Bank Plc and Bank of Nova Scotia; two syndicated loan facilities totalling £1.1 billion for working capital and capital expenditure requirements managed by Barclays Bank Plc in the role of facility agent and syndicated to a pool of relationship banks.

In addition, Osprey Acquisitions Limited Group's undrawn borrowing facilities, additionally, consists of a syndicated £250 million revolving loan facility for general corporate requirements provided by National Westminster Bank Plc and syndicated to certain other banks; a bilateral facility of £50.0 million with MUFG Bank and a bilateral facility of £40.0 million with HSBC Bank Plc for general corporate purposes.

19. Financial instruments (continued)

d) Liquidity risk (continued)

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity Groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payable:

					Group
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Total £m**
At 31 March 2026					
Trade and other payables	(330.6)	-	-	-	**(330.6)**
Borrowings	(730.8)	(3,651.0)	(11,528.0)	(2,425.3)	**(18,335.1)**
Derivative financial instruments (net settled)	(40.0)	(172.5)	(891.5)	(323.3)	**(1,427.3)**
Derivative financial instruments (gross settled outflow)	(147.5)	(103.0)	(433.1)	-	**(683.6)**
Derivative financial instruments (gross settled inflow)	153.5	83.3	317.8	-	**554.6**
Leases	(7.6)	(13.3)	(10.6)	(3.7)	**(35.2)**
	(1,103.0)	**(3,856.5)**	**(12,545.4)**	**(2,752.3)**	**(20,257.2)**
At 31 March 2025					
Trade and other payables	(331.2)	-	-	-	(331.2)
Borrowings	(1,179.2)	(3,571.6)	(9,765.9)	(2,279.3)	(16,796.0)
Derivative financial instruments (net settled)	(98.8)	(198.0)	(809.0)	(280.7)	(1,386.5)
Derivative financial instruments (gross settled outflow)	(26.1)	(237.1)	(452.3)	-	(715.5)
Derivative financial instruments (gross settled inflow)	15.9	231.5	335.4	-	582.8
Leases	(7.3)	(17.9)	(12.7)	(3.5)	(41.4)
	(1,626.7)	(3,793.1)	(10,704.5)	(2,563.5)	(18,687.8)

					Company
	Within one year £m	**Between one and five years £m**	**Between five and 25 years £m**	**After 25 years £m**	**Total £m**
At 31 March 2026					
Trade and other payables	(26.2)	-	-	-	**(26.2)**
Borrowings	(74.2)	(830.4)	(1,220.4)	-	**(2,125.0)**
	(100.4)	**(830.4)**	**(1,220.4)**	**-**	**(2,151.2)**
At 31 March 2025					
Trade and other payables	(29.3)	-	-	-	(29.3)
Borrowings	(311.2)	(643.8)	(225.6)	-	(1,180.6)
	(340.5)	(643.8)	(225.6)	-	(1,209.9)

20. Deferred tax

						Group
	Accelerated tax depreciation £m	**Financial instruments £m**	**Retirement benefit obligation £m**	**Tax losses carried forward £m**	**Other £m**	**Total £m**
At 1 April 2025	2,123.9	(14.7)	23.3	(626.0)	(9.8)	**1,496.7**
Charged/(credited) directly to income statement	126.7	(20.8)	2.0	(89.3)	(3.2)	**15.4**
Charged/(credited) directly to other comprehensive income	-	0.4	(1.4)	-	-	**(1.0)**
At 31 March 2026	**2,250.6**	**(35.1)**	**23.9**	**(715.3)**	**(13.0)**	**1,511.1**
At 1 April 2024	1,998.8	(42.2)	8.3	(526.0)	(7.2)	1,431.7
Charged/(credited) directly to income statement	125.1	18.1	7.3	(100.0)	(2.6)	47.9
Charged directly to other comprehensive income	-	9.4	7.7	-	-	17.1
At 31 March 2025	2,123.9	(14.7)	23.3	(626.0)	(9.8)	1,496.7

Financial modelling of future income streams indicate that there will be taxable profits available in future years against which these deferred tax assets can be recognized.

Deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The Group has the following deferred tax assets that are not recognised in the financial statements:

		Group
	2026 £m	2025 £m
Corporate interest restrictions	**25.5**	25.5

New legislation was introduced from April 2017, restricting the amount of interest that a Group can offset against its tax liabilities in any year. Any amounts restricted are available to carry forward against future tax liabilities, so long as the company has the capacity to do so. The Directors believe it is uncertain that the Group will have the capacity to utilise this disallowed interest, and therefore the Group has not recognised a deferred tax asset in respect of these restrictions.

The Company

The Company has the following deferred tax assets that are not recognised in the financial statements:

		Company
	2026 £m	**2025** £m
Losses carried forward	**58.6**	46.3

The Company has losses available to carry forward against future tax liabilities. However, we believe it is uncertain that the Company will have the capacity to do so.

21. Net retirement benefit surplus

Pension arrangements for the majority of the company’s UK employees are of the funded defined benefit type through the AWG Pension Scheme (“AWGPS”), a funded defined benefit pension scheme in the UK. The AWGPS comprises the Main section and the Hartlepool section (a defined benefit scheme for the employees of the former Hartlepool Water Limited, where the pension scheme was transferred on 1 April 2000 which is now a section of the AWGPS).

The AWGPS is established as an occupational trust and is governed by trust law and applicable pensions legislation. In accordance with UK law, the assets of the scheme are held separately from those of the Group and other participating employers. The scheme is administered by the Trustees, who are responsible for the governance of the scheme, the administration of benefits, the investment of scheme assets and obtaining actuarial valuations at least every three years. The Trustees work with participating employers to agree funding arrangements and employer contribution requirements.

Funding requirements are determined based on actuarial valuations and are agreed between the Trustees and participating employers. The objective of the funding arrangements is to ensure that sufficient assets are available to meet the scheme's obligations as they fall due.

The company

also manages an unfunded pension arrangement which has been valued by independent actuaries in accordance with the requirements of IAS19 Employee Benefits as at 31 March 2026. The provision for unfunded pension obligations relates to the cost of enhancements of former employees, over and above their entitlement in the Company’s pension schemes. The majority of these employees ceased their employment following redundancy programmes principally between 10 and 20 years ago. These pension enhancements are payable until the death of these former employees (or their dependants) and payments are expected to be made over approximately 25 years.

The assets and liabilities relating to the defined benefit scheme for the employees of the former Hartlepool Water Limited are held in a segregated section of the AWGPS. Hartlepool Water Limited was acquired in July 1997, with trade and assets transferred to Anglian Water on 1 April 2000. However, as the Trustees assess the funding requirements of the Hartlepool section separately from the rest of AWGPS, the Hartlepool section has been separately disclosed in the tables below.

On 23 May 2022 a buy-out of the Hartlepool section was completed resulting in a settlement of liabilities. However, we note there are still some residual assets in the section.

Within the scheme, employees are entitled to retirement benefits based on their final salary and length of service at the time of leaving, or closure of, the schemes, payable on attainment of retirement age (or earlier death).

On 31 March 2018, following a period of consultation with representatives of all employees, the defined benefit sections of the AWGPS (including the Hartlepool section) were closed for future accruals. From 1 April 2018 all employees now have the option to participate in a new high quality defined contribution scheme which offers an equitable scheme with more flexible benefits.

21. Net retirement benefit surplus (continued)

Full actuarial valuations as at 31 March 2023 have been completed for the AWGPS Main and Hartlepool sections, the results of which have been used as a basis for the IAS 19 'Employee Benefits' disclosures as at 31 March 2026.

The Group has a plan in place with the scheme's trustees to address the funding deficit for the Main Section of the AWGPS by 2026, through a series of annual deficit recovery contributions.

During the year, the Group contributed £nil (2025: £24.5 million) deficit reduction payments. There were no deficit reduction payments (2025: none) for the Hartlepool Section due to the buy out.

Contributions to MPLAP, including an allowance for expenses, were £nil (2025: £nil) during the year.

In the year to 31 March 2027 employers' contributions are expected to be £nil.

The approximate weighted average duration of all defined benefit obligations for AWGPS is 12 years.

In determining the amount of any net defined benefit asset recognised, the Group considers the requirements of the asset ceiling under IAS 19. Any surplus recognised is limited to the extent that it is recoverable through refunds from the scheme or reductions in future contributions. The Group has concluded it has an unconditional right to a surplus once all member benefits have been paid.

There is one defined contribution scheme which operates predominantly in the UK, and contributions to this scheme amounted to £28.9 million (2025: £25.5 million). There is £nil outstanding balance on the defined contribution scheme at year end (2025: £nil).

The Virgin Media Ltd v NTL Pension Trustees II Court ruling

On 16 June 2023, the High Court handed down its decision in The Virgin Media Ltd v NTL Pension Trustees II which concerned the correct interpretation of section 37 of the Pension Schemes Act 1993. Subsequently Virgin Media Ltd filed an appeal, the hearing for which took place on 26 and 27 June 2024 and on 25 July 2024, it was announced that the Court of Appeal upheld the High Court ruling. The Court of Appeal's ruling confirms that a section 37 confirmation was required where an alteration to a scheme's rules affected pension benefits attributable to past or future service benefits related to section 9(2B) rights between 6 April 1997 until the end of contracting-out on 5 April 2016.

On 1 September 2025, the Pensions Minister published draft amendments to the Pension Scheme Bill that would enable companies to retrospectively obtain written confirmation that historic benefits changes met the necessary standards. These amendments were subsequently enacted and came into force on 29 April 2026. Based on the review previously undertaken with the Trustee and the Scheme Actuary the Group does not consider it appropriate to record a provision in the accounts.

21. Net retirement benefit surplus (continued)

a) Principal actuarial assumptions

The liabilities of the Group's pension schemes have been valued using the projected unit method and using the following assumptions:

	Group	
	2026	2025
	% pa	% pa
Discount rate	**6.0**	5.8
Inflation rate		
RPI	**3.4**	3.3
CPI	**3.1**	2.9[1]/2.5[2]
Increases to deferred benefits during deferment		
RPI	**3.4**	3.3
CPI	**3.1[1]/2.8[2]**	2.9[1]/2.5[2]
Increases to inflation related pensions in payment [1]		
RPI	**3.3**	3.2
CPI	**3.0[1]/N/A[2]**	2.8[1]/N/A[2]

	years	**years**
Longevity at age 65 for current pensioners (years)		
Men	**21.5[1]/21.8[2]**	21.6[1]/21.5[2]
Women	**23.8[1]/24.1[2]**	24.2[1]/24.0[2]
Longevity at age 65 for future pensioners (years)		
Men	**22.8[1]/23.1[2]**	22.9[1]/22.7[2]
Women	**25.2[1]/25.5[2]**	25.6[1]/25.3[2]

(1) Pension increases shown are capped at 5%
(2) The life expectancy shown for future pensioners is for those reaching 65 in 2045;
(3) AWGPS and unfunded pensioners only

21. Net retirement benefit surplus (continued)

b) Sensitivity analysis

The following table sets out the sensitivity of the liabilities within the schemes to changes in the financial and demographic assumptions.

					Group and company
	Change in assumption	AWGPS £m	MPLAP £m	Unfunded pensions £m	Total £m
At 31 March 2025					
Discount rate	**+/- 0.5 %**	**-49/54**	**-7/8**	**-1/1**	**-57/63**
Rate of RPI inflation	**+/- 0.5 %**	**45/-42**	**3/-3**	**1/-1**	**49/-46**
Life expectancy	**+/- 1 year**	**28/-28**	**5/-5**	**1/-1**	**34/-34**
At 31 March 2024					
Discount rate	+/- 0.5 %	-50/55	-7/8	-1/1	-58/64
Rate of RPI inflation	+/- 0.5 %	49/-45	4/-4	1/-1	53/-50
Life expectancy	+/- 1 year	27/-27	5/-5	1/-1	33/-34

(1) Due to rounding, some rows may not add up to the total.

Changes to market conditions that influence the assumptions above may also have an impact on the value of the schemes' investment holdings. The extent to which these are managed is discussed in section (c) below. The sensitivities in the table above have been calculated by changing the key assumption and leaving all others fixed, with the exception of the RPI inflation assumption, which has a corresponding impact on Consumer Prices Index ('CPI') inflation, pension increases and salary increases due to the way the assumptions are derived. These changes in assumptions represent a reasonable alternative range, as well as a useful benchmark change.

c) Risk and risk management

The Group's defined benefit pension schemes, in common with the majority of such schemes in the UK, have a number of areas of risk. These areas of risk, and the ways in which the Group manages them, are set out below.

The risks are considered below from both a funding perspective (which drives the cash commitments of the Group) and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Asset volatility

For the purpose of setting the contribution requirements, the calculation of the value of the liabilities uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. Under IAS 19, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields.

The schemes hold a proportion of their assets in return-seeking funds. The return on these assets may be volatile and are not correlated to the value of the liabilities. This means that the deficit may be volatile in the shorter term, which may lead to an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the balance sheet.

21. Net retirement benefit surplus (continued)

c) Risk and risk management (continued)

Asset volatility (continued)

The Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. The schemes' other assets are well diversified by investing in a range of asset classes including government bonds and corporate bonds. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long-term objectives.

Change in bond yields

A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds and liability-driven investments is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

Price inflation

The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). A significant proportion of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature (corporate bonds and government bonds), or have an indirect link to inflation (equities).

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

21. Net retirement benefit surplus (continued)

d) Amounts recognised in comprehensive income

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2026					
Amounts credited/(charged) to finance					
Interest income on scheme assets	55.6	0.1	7.5	-	**63.2**
Interest cost on scheme liabilities	(48.7)	-	(7.5)	(1.5)	**(57.7)**
Net interest income/(expense)	**6.9**	**0.1**	**-**	**(1.5)**	**5.5**
Amounts credited/(charged) to the income	**6.9**	**0.1**	**-**	**(1.5)**	**5.5**
Amounts (charged)/credited to other comprehensive income					
Return on plan assets (excluding amounts included in net interest)	(1.4)	(0.1)	(0.5)	-	**(2.0)**
Actuarial gains/(losses) arising from:					
Changes in financial assumptions	9.5	-	(0.5)	0.2	**9.2**
Experience adjustments	(12.6)	-	(0.3)	-	**(12.9)**
Net charge to other comprehensive income	**(4.5)**	**(0.1)**	**(1.3)**	**0.2**	**(5.7)**

	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2025					
Amounts charged to staff costs within operating profit:					
Amounts credited/(charged) to finance costs:					
Interest income on scheme assets	50.2	-	6.8	-	57.0
Interest cost on scheme liabilities	(46.6)	-	(6.8)	(1.4)	(54.8)
Net interest income/(expense)	3.6	-	-	(1.4)	2.2
Amounts credited/(charged) to the income statement	3.6	-	-	(1.4)	2.2
Amounts credited/(charged) to other comprehensive income:					
Return on plan assets (excluding amounts included in net interest)	(96.3)	-	(11.6)	-	(107.9)
Actuarial gains/(losses) arising from:					
Changes in financial assumptions	122.0	-	19.0	2.7	143.7
Experience adjustments	2.1	-	(7.4)	-	(5.3)
Net (charge)/credit to other comprehensive income	27.8	-	-	2.7	30.5

21. Net retirement benefit surplus (continued)

e) Amounts recognised in the balance sheet

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
2026					
Equities	-	-	-	-	-
Corporate bonds	623.5	-	-		**623.5**
Government bonds	430.0				**430.0**
Property	38.8	-	-	-	**38.8**
Alternatives	12.2	-	-	-	**12.2**
Pooled LDI Investments (with def of LDI)	75.4	-	-	-	**75.4**
Derivatives	(29.6)	-	-	-	**(29.6)**
Repurchases	(228.2)	-	-	-	**(228.2)**
Insurance contract	-	-	133.0	-	**133.0**
Cash and cash equivalents	59.5	1.1	0.5	-	**61.1**
Total assets	981.6	1.1	133.5	-	**1,116.2**
Present value of scheme liabilities	(862.4)	-	(133.0)	(25.2)	**(1,020.6)**
Net pension deficit	**119.2**	**1.1**	**0.5**	**(25.2)**	95.6
Comprising:					
Pension schemes with a net surplus, included in non-current assets	119.2	1.1	0.5	-	**120.8**
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(25.2)	**(25.2)**
	119.2	**1.1**	**0.5**	**(25.2)**	**95.6**

21. Net retirement benefit surplus (continued)

e) Amounts recognised in the balance sheet (continued)

					Group
	AWGPS	**Hartlepool**	**MPLAP**	**Unfunded pensions**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
2025					
Equities	-	-	-	-	-
Corporate bonds	443.9	-	-		443.9
Government bonds	489.3				489.3
Property	-	-	-	-	-
Alternatives	98.3	0.7	0.7	-	99.7
Pooled LDI Investments (with def of LDI)	76.0	-	-	-	76.0
Derivatives	(11.3)	-	-	-	(11.3)
Repurchases	(262.8)	-	-	-	(262.8)
Insurance contract	-	-	132.9	-	132.9
Cash and cash equivalents	149.8	0.4	1.1	-	151.3
Total assets	983.2	1.1	134.7	-	1,119.0
Present value of scheme liabilities	(866.4)	-	(132.8)	(26.6)	(1,025.8)
Net pension surplus	116.8	1.1	1.9	(26.6)	93.2
Comprising:					
Pension schemes with a net surplus, included in non-current assets	116.8	1.1	1.9	-	119.8
Pension schemes with a net deficit, included in non-current liabilities	-	-	-	(26.6)	(26.6)
	116.8	1.1	1.9	(26.6)	93.2

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. Most of the assets have quoted prices in active markets, but there are corporate bonds, alternative investments and insurance contracts, which are unquoted amounting to £1.3 million (2025: £8.3 million).

21. Net retirement benefit surplus (continued)

f) Reconciliation of fair value of scheme assets

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
At 1 April 2025	983.2	1.1	134.7	-	1,119.0
Interest income on scheme assets	55.6	0.1	7.5	-	**63.2**
Employers' contributions	-	-	-	2.8	**2.8**
Benefits paid	(55.8)	-	(8.2)	(2.8)	**(66.8)**
Return on plan assets (excluding interest income)	(1.4)	(0.1)	(0.5)	-	**(2.0)**
At 31 March 2026	**981.6**	**1.1**	**133.5**	**-**	**1,116.2**
At 1 April 2024	1,061.5	1.1	146.0	-	1,208.6
Interest income on scheme assets	50.2	-	6.8	-	57.0
Employers' contributions	24.5	-	-	2.8	27.3
Benefits paid	(56.7)	-	(6.5)	(2.8)	(66.0)
Return on plan assets (excluding interest income)	(96.3)	-	(11.6)	-	(107.9)
At 31 March 2025	983.2	1.1	134.7	-	1,119.0

21. Net retirement benefit surplus (continued)

g) Reconciliation of scheme liabilities

					Group
	AWGPS	Hartlepool	MPLAP	Unfunded pensions	Total
	£m	£m	£m	£m	£m
At 1 April 2025	(866.4)	-	(132.8)	(26.6)	**(1,025.8)**
Interest cost on scheme liabilities	(48.7)	-	(7.5)	(1.5)	**(57.7)**
Benefits paid	55.8	-	8.1	2.7	**66.6**
Actuarial losses	(3.1)	-	(0.8)	0.2	**(3.7)**
At 31 March 2026	**(862.4)**	**-**	**(133.0)**	**(25.2)**	**(1,020.6)**
At 1 April 2024	(999.0)	-	(145.6)	(30.8)	(1,175.4)
Interest cost on scheme liabilities	(46.6)	-	(6.8)	(1.4)	(54.8)
Benefits paid	55.1	-	8.0	2.9	66.0
Actuarial losses	124.1	-	11.6	2.7	138.4
At 31 March 2025	(866.4)	-	(132.8)	(26.6)	(1,025.8)

22. Share capital

				Group and Company
	2026	**2026**	2025	2025
	No. of shares	**£m**	No. of shares	£m
Authorised, issued and fully paid				
87,615,751,949 ordinary shares of 1 pence	**87,615,751,949**	**876.2**	87,615,751,849	876.2
	87,615,751,949	**876.2**	87,615,751,849	876.2

On 1 September 2025 Osprey Investco Limited, the immediate parent of Osprey Acquisitions Limited, subscribed for 100 additional ordinary shares with a nominal value of £0.01 each at a subscription price of £3.0 million per share, resulting in a total share premium of £300.0 million. The funds were paid to the subsidiary of Osprey Acquisitions Limited, Anglian Water (Osprey) Financing plc, where they were used to repay a £240m bond which matured in March 2026, as well as the repayment of drawn bank revolving credit facilities.

There was a movement in the number of shares allotted, issued and fully paid during the year, following a new issue of shares amounting to £300.0 million.

During the year ended 31 March 2026, dividend of £20.0 million (£0.0002 per share) were paid by the Company to its immediate parent undertaking, Osprey Investco Limited (2025: 41.0 million at £0.0005 per share). See note 30 for details of dividends declared after the year end.

23. Hedging reserve

	2026	2025
	£m	£m
At 1 April	**46.0**	14.9
Gains on energy cash flow hedges	**7.6**	6.5
Losses on other cash flow hedges	**(18.0)**	(2.4)
Amounts transferred to the income statement relating to existing cash flow hedges	**7.2**	15.7
Amounts transferred to the income statement from discontinued cash flow hedges	**0.6**	2.5
Exchange movement on hedging instruments related to debt in cash flow hedges	**5.9**	19.2
Deferred tax movement on cash flow hedges	**(0.7)**	(10.4)
At 31 March	**48.6**	46.0

Cost of hedging reserve

	2026	2025
	£m	£m
At 1 April	**(3.3)**	(0.4)
Losses on cash hedge relationships	**(1.1)**	(3.9)
Deferred tax movement on hedge relationships	**0.3**	1.0
At 31 March	**(4.1)**	(3.3)

The hedging reserve represents the cumulative effective portion of gains and losses arising on the change in fair value of hedging instruments, excluding those fair value movements identified as costs of hedging within the specific hedge relationship. The cost of hedging reserve captures the movement in the fair value of the cost of hedging component.

The Company

The Company has no hedging reserve (2025: none).

The table below provides additional information in relation to the annual movements and cumulative closing positions on the cash flow hedge reserves.

						Group
	Annual movements		**Cumulative reserves**			
	Hedged item gain/(loss)	**Hedge ineffectiveness gain/(loss)**	**Total reserves continuing**	**Total hedge reserves discontinued**	**Deferred on hedge reserves**	**Total hedge reserves**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 31 March 2026						
Cash flow hedge of interest rate risk	**(0.6)**	**-**	**39.4**	**19.7**	**(14.6)**	**44.5**
At 31 March 2025						
Cash flow hedge of interest rate risk	14.3	-	38.0	18.9	(14.2)	42.7

24. Capital commitments

The Group has a substantial long-term investment programme within Anglian Water, which includes expenditure to meet regulatory requirements, shortfalls in performance and condition, and to provide for new demand and growth. The commitments shown below reflect the value outstanding of orders placed at 31 March.

	Group	
	2026	2025
	£m	£m
Property, plant and equipment	**266.8**	354.8
Intangible assets	**39.9**	54.9
	306.7	409.7

The Group has committed to an additional £57 million of capital expenditure in relation to Excess Flow Management Plans, which aim to reduce or optimise wastewater flow in at least eight river catchments, in line with IAS16, these costs will be accounted for as incurred.

The Company

The Company has no such commitments (2025: none).

25. Lease arrangements

The Group leases various items of property, plant and equipment. Right-of-use assets are included within property, plant and equipment on the balance sheet, further details can be found in note 12. Lease liabilities are included within borrowings on the balance sheet, further details can be found in note 18.

	Group	
	2026	2025
	£m	£m
Additions to right-of-use assets	**1.1**	6.6
Depreciation charge for right-of-use assets	**(6.3)**	(7.7)
Carrying amount of right-of-use assets	**63.3**	69.5
Interest expense on lease liabilities	**(0.9)**	(1.0)
Expense relating to short-term leases	**-**	5.7
Total cash outflow for leases comprising interest and capital payments	**(6.9)**	(7.4)
Reconciliation of lease liability		
Contractual undiscounted cash flows	**35.2**	41.4
Effect of discounting	**(7.0)**	(7.5)
Lease liability	**28.2**	33.9

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

A maturity analysis of lease liabilities is included within note 19.

25. Lease arrangements (continued)

Leases recognised as debt under IFRS 16 can be analysed as follows:

	Group	
	Interest	IFRS debt
	£m	£m
At 31 March 2026		
CTA leases	**0.2**	**4.6**
Non-CTA leases (Permitted indebtedness)	**0.7**	**23.6**
At 31 March 2025		
CTA leases	0.3	6.9
Non-CTA leases (Permitted indebtedness)	0.7	27.0

Permitted indebtedness is a category of debt (defined in the CTA) within the Group which captures leases previously considered as operating leases prior to IFRS 16 which do not qualify as secured creditors. All interest has been paid/(received) in the year. There are no material lease payments with variable payment features

The Group leases certain items of plant and equipment, as well as vehicles, under short-term leases. The Group does not typically lease low value assets and therefore no material costs were incurred individually or in aggregate in relation to such assets.

26. Contingencies

The proceedings brought by Prof Roberts in 2023 against Anglian Water (and 5 other WASCs) alleged inflated charges and were refused certification by the Competition Appeal Tribunal in 2025, meaning the Claimant’s claim was unable to progress. The Claimant has since challenged this refusal however it was upheld by the Court of Appeal in 2026 on the basis that the issues fall within the regulatory regime rather than competition law. The Claimant has now sought permission to appeal to the Supreme Court with a decision on the same anticipated in the autumn. Until the claim is certified, the Claimant has not met the required criteria to progress the claim.

The Group also remains subject to ongoing investigations by the Environment Agency in relation to compliance with certain regulatory obligations, including matters connected to flow to full treatment (“FFT”). At the reporting date, these investigations remain ongoing and it is not currently possible to reliably estimate the timing or amount of any potential financial consequences.

As is normal for a company of this size and nature, it is subject to a number of other claims, disputes and litigation, these will be recognised as a provision if the required thresholds for recognition are met. The directors consider an appropriate position has been taken in reflecting such items in these financial statements at this time.

27. Ultimate parent undertaking and controlling party

Osprey Acquisitions Limited is a limited liability company incorporated and domiciled in England and Wales.

Following a reorganisation in May 2021, the company's immediate parent undertaking is now Osprey Investco Limited, a company registered in England and Wales.

The Directors consider Anglian Water Group Limited to be the ultimate parent undertaking and controlling party. Anglian Water Group Ltd is itself owned by a consortium of investors consisting of: CPP Investment Board Private Holdings (6) Inc., Global InfraCo (HK) E. Limited, First Sentier Investors (Luxembourg) Infrastructure (B) GP S.a.r.l. as managing general partner of Infrastructure Lux (B) SCSp, Camulodunum Investments Ltd, and Platinum Globe A 2013 RSC Limited.

Osprey Holdco Limited is the parent company of the smallest Group to consolidate the financial statements of the company, and Anglian Water Group Limited is the parent company of the largest Group to consolidate the financial statements of the company. Copies of the Anglian Water Group Limited financial statements can be obtained from the Company Secretary, at the registered office, Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU.

28. Related party transactions

a) Transactions with shareholders

The consortium of investors owning Anglian Water Group Limited are considered to be related parties of the company as they each have the ability to influence the financial and operating policies of both the company and the Group.

During the year to 31 March 2026 there were no other transactions with the shareholders of the ultimate parent undertaking.

b) Transactions with key management

Key management personnel comprise all the Directors and members of the Executive Committee during the year. In prior years a scheme was in place to encourage investment in the Group by key management on equivalent basis as the consortium of shareholders. However, individuals were not invited to participate during the year (2025: £nil was invested). No repayment was made in the year as part of this scheme.

Remuneration of key management personnel

	Group	
	2026	2025
	£m	£m
Short-term employee benefits	**8.6**	7.1
Post-employment benefits	**0.5**	0.6
	9.1	7.7

28. Related party transactions (continued)

c) Transactions with joint ventures

During the year the Group did not trade with its joint ventures (2025: £nil). At 31 March 2026 there were no balances due from joint ventures (2025: £nil).

d) Parent company

The Company's related party transactions are summarised below:

	2026	2025
	£m	£m
Management fees paid to		
Fellow subsidiaries of Anglian Water Group Limited	**0.1**	0.1
Interest charged by		
Subsidiaries	**61.9**	43.5
Dividends received from		
Subsidiaries	**50.0**	70.6
Dividends paid to		
Parent company	**(20.0)**	(41.0)
Loans and other borrowings due to		
Subsidiaries	**(1,654.6)**	(1,040.9)

29. Alternative performance measures

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 and have been consistently applied within each year presented in these financial statements.

a) EBITDA

Calculated as profit before net finance costs, tax, depreciation, and amortisation to give a measure of the company's overall financial performance. Each element of this APM is shown on the face of the income statement.

		Group
	2026	2025
	£m	£m
EBITDA	**1,074.3**	901.4
Net finance costs	**(546.3)**	(341.7)
Tax charge	**(13.8)**	(47.3)
Depreciation & amortisation	**(467.6)**	(423.5)
Profit for the period	**46.6**	88.9

29. **Alternative performance measures** (continued)

b) Adjusted finance costs

Calculated as net finance costs excluding fair value gains on derivative financial instruments. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance

	Group	
	2026	2025
	£m	£m
Adjusted finance costs	**(450.1)**	(404.6)
Fair value (losses)/gains on derivative financial instruments	**(96.2)**	62.9
Net Finance costs, including fair value gains on derivative financial instruments	**(546.3)**	(341.7)

c) Adjusted loss before tax/Profit before fair value gains

Calculated as profit before tax excluding fair value gains on derivative financial instruments. The calculation is shown on the face of the income statement. These fair value gains are volatile, non-cash movements that distort the actual underlying economic performance.

	Group	
	2026	2025
	£m	£m
Adjusted profit before tax/Profit before fair value gains/(losses)	**156.6**	73.2
Tax charge	**(13.8)**	(47.3)
Fair value (losses)/gains on derivative financial instruments	**(96.2)**	62.9
Profit for the period	**46.6**	88.8

d) Adjusted net debt

Adjusted net debt comprises borrowings, net cash and cash equivalents, and derivative financial instruments (excluding those in respect of fair value energy hedges). This measure is used because it provides additional useful information in respect of the financing of the business. See note 18 and below.

	Group	
	2026	2025
	£m	£m
Net cash and cash equivalents	**634.9**	642.5
Current asset investments	**908.6**	442.8
Borrowings	**(10,773.0)**	(9,866.1)
Net debt excluding derivatives	**(9,229.5)**	(8,780.8)
Derivatives	**(708.1)**	(620.7)
Less: energy derivatives	**10.6**	(0.7)
Adjusted net debt	**(9,948.2)**	(9,400.8)

29. Alternative performance measures (continued)

As Anglian Water Services Limited accounts for the vast majority of the Group, the day-to-day operation of the business is predominantly managed by employees of Anglian Water Services Limited. Due to this relationship, the Group's values and reputation are highly integrated with that of Anglian Water Services Limited and therefore interested parties should read the disclosure below, which is an extract from the Anglian Water Services Limited annual integrated report (AIR). As such, the alternative performance measures referenced below refer to Anglian Water Services Limited.

e) Interest cover

Interest cover is the ability of the Company to pay interest of on its outstanding debt out of operating cash flows. The table below shows the operating cash value less RCV depreciation, compared to the net interest paid during the year to show the interest cover.

		Group
	2026	2025
	£m	£m
Operating cash	**1,014.0**	811.1
RCV run off	**(502.9)**	(501.5)
	511.1	309.6
Interest cash	**(274.4)**	(180.2)
Interest cover ratio	**1.9**	1.7

f) Capital investment

Capital investment is the total property, plant, and equipment, and intangibles additions less capitalized interest, adopted assets, and capital additions in the non-appointed business. This is used as a measure to help us monitor how we are achieving our Business Plan commitments.

		Group
	2026	2025
	£m	£m
Property, plant and equipment additions	**1,062.0**	1,067.5
Intangible additions	**237.5**	117.5
Capitalised interest	**(117.9)**	(84.1)
Adopted assets	**(39.1)**	(34.0)
Non-appointed business	**(1.0)**	(1.0)
Items shown as stock	**(6.0)**	14.7
Capital investment	**1,135.5**	1,080.6

29. Alternative performance measures (continued)

g) Free cash flow

Free cash flow is used in determining cash conversion and is calculated as cash from operating activities, less net interest of cash deposits, less capital maintenance.

	Group	
	2026	2025
	£m	£m
Operating cash	**1,014.0**	811.3
Interest cash	**(274.4)**	(180.2)
Less: net interest (income)/costs excluded under CTA	**(31.7)**	(13.5)
Capital maintenance	**(437.7)**	(424.0)
Free cash flow	**270.2**	193.6

30. Events after the balance sheet date

On 24 June 2026, the Board agreed to recommend a final dividend of £42.0 million (£0.0479 per ordinary share) which is expected to be paid on 25 June 2026.

Other than the above there have been no events between the balance sheet date, and the date on which the year end report was approved by the Board, which would require adjustment to the condensed financial statements or any additional disclosures.

31. Group undertakings

The Group’s subsidiary undertakings at 31 March 2026 are shown below. Unless otherwise disclosed, all subsidiary undertakings are incorporated in the UK, are 100% owned, and with a share class of ordinary shares.

	Registered office	Percentage holding
Owned directly by Osprey Acquisitions Limited		
Anglian Water (Osprey) Financing Plc	a	
AWG Parent Co Limited	a	
All subsidiary undertakings		
Alexander Morrison Limited	b	
Ambury Developments Limited	a	
Anglian Water Direct Limited	a	
Anglian Water International Holdings Limited	a	
Anglian Water Services Financing Plc	a	
Anglian Water Services Holdings Limited	a	
Anglian Water Services Limited	a	
Anglian Water Services UK Parent Co Limited	a	
AWG Business Centres Limited	a	
AWG Corporate Services Limited	a	
AWG Group Limited	a	
AWG Land Holdings Limited	a	
AWG Outlet Centers Limited	b	
AWG Parent Co Limited	a	
AWG Property Director Limited	a	
AWG Property Limited	b	
AWG Residential Limited	b	
AWG Shelf 11 Limited	b	
Cambuslang Retail Portfolio Limited	b	
Chester (1995) Limited	a	97%
CS Amenities Limited	a	

31. Group undertakings (continued)

	Registered office	Percentage holding
All subsidiary undertakings (continued)		
DMWS 819 Limited	b	
DMWS 822 Limited	b	
DMWS 823 Limited	b	
DMWS 824 LLP (1)	b	
Edmund Homes Limited	a	
Graham Street Airdrie Retail Portfolio Limited	b	
Macrocom (743) Limited	b	
Morrison (Oldco) Limited	b	
Morrison Glosha Limited	b	
Morrison International Limited	b	
Morrison Property Investments Limited	b	
Rutland Insurance Limited	b	
Valuetype Limited	a	
Wave Holdings Limited	b	
Wave Water Limited	a	

31. Group undertakings (continued)

	Registered office	Percentage holding
Joint ventures		
City Road Properties (Chester) Limited	a	50%
Crowwood Grange Estates Limited	b	50%
Hollowstone Limited	a	50%
Kings Waterfront Properties Limited	a	50%
Morrison Gwent Limited	a	50%
Morrison Properties Limited	b	50%
Morrison Residential Properties Limited	b	50%

(1) The principal place of business of these companies is the same as the registered office address.

Registered offices

a) Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU, United Kingdom.

b) PO Box 33, Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey, Channel Islands.

For all companies, the registered office is located in the country of incorporation.

Dissolved companies

During the year ended 31 March 2026, the following Group subsidiaries were dissolved:

Company Name	**Date of Dissolution**
AWG Central Services Limited	3 June 2025

Independent auditor’s report to the members of Osprey Acquisitions Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Osprey Acquisitions Limited (the ‘parent company’) and its subsidiaries (the ‘group’) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 March 2026 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of comprehensive income;
- the group and company balance sheets;
- the group and company statements of changes in equity;
- the group and company cash flow statement;
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 group and the parent 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtained an understanding of the relevant controls over the cashflow forecasting and going concern assessment;
- understood the group's process to model the impact of going concern and agreed relevant data points in the model to supporting documentation;
- understood and challenged the sufficiency of the period the Directors' have assessed for the purposes of going concern and whether that was appropriate;
- assessed the sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by the group;
- evaluated underlying agreements for new debts and revolving credit facilities raised during the year to assess whether terms are consistent with management's forecasts;
- recalculated and assessed the amount of headroom in the forecasts (liquidity and covenants) and recalculated compliance with covenants during the year ended 31 March 2026 and throughout the going concern assessment period;
- challenged the sensitivity analysis including downside risks prepared by the group in the context of operational performance challenges, increased spend on capital projects, cyber risk and the broader socio-economic conditions; and
- assessed the appropriateness of the disclosures in the financial statements.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of Management, Internal Audit, the Audit Committee, and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation and the licence conditions imposed by The Water Services Regulation Authority (OFWAT); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group’s ability to operate or to avoid a material penalty. This included Environmental Agency Regulations.

We discussed among the audit engagement team, and relevant internal specialists such as tax, financial instrument valuations, pensions, environmental, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

In addressing the risk of fraud through bad debt provisioning, we did the following:

- obtained an understanding of the relevant controls within the bad debt provision estimation process;
- utilised data analytics to perform a recalculation of debtor ageing to verify the accuracy of information within the aged debt report in order to assess whether customers are accurately categorised based on information within Management’s financial reporting system;
- challenged the base bad debt provision by agreeing the recoverability assumptions to cash collection rates and tested the mechanical accuracy of the calculation;
- assessed whether any discrepancies exist between the provision recognised and that supported by other macro-economic indicators that may impact the ability of customers to make payments;
- assessed whether the provision has been calculated in line with the policy of the group and with IFRS 9 ‘Financial Instruments’; and
- assessed the accuracy and completeness of the cash collection trends used in the provision rate calculation by reconciling billing and SAP data and tested a sample of cash collections both during the year and post period end.

In addressing the risk of fraud in respect of the inappropriate capitalisation of costs, we:

- obtained an understanding of, and tested, relevant controls around the classification of costs as capital expenditure;
- reviewed the group’s capitalisation policy to understand any changes in the current year and to determine compliance with the relevant accounting standards;
- tested a sample of costs capitalised in the year to confirm these meet the criteria for capitalisation by inspecting invoices or other supporting documents, making direct enquiries of project managers, and understanding the nature of the items selected to determine the appropriate accounting treatment including the level of estimation associated with accruals at the balance sheet date;
- evaluated management’s capitalisation criteria for new software and related customisation and configuration costs, and tested a sample of these items by inspecting invoices, licence

agreements or other supporting documents to confirm the appropriate accounting treatment has been applied;
- recalculated the expected capitalised borrowing costs in the year, based on the value of qualifying assets and average cost of debt, to assess whether the group's figure was reasonable;
- evaluated the timeliness of asset commissioning upon project completion and the resulting manual adjustments for operationally commissioned assets not yet commissioned in the fixed asset register, including associated catch-up depreciation, by obtaining evidence to support the commissioning of sampled projects to corroborate the overall level of manual adjustments made in the year; and
- recalculated the expected depreciation charge in the year based on the value of each asset class and weighted average useful economic life, to assess whether the group's figure was reasonable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by 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 Ofwat.

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

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.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Kate Hadley (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

24 June 2026