

Registration number: 07476767

# Anglian Water (Osprey) Financing Plc

Directors' Report and Financial Statements

for the Period from 22 December 2010 to 31 March 2011

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

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**Anglian Water (Osprey) Financing Plc**  
**Company Information**

<b>Directors</b>	Mr S R J Longhurst Sir A A Montague CBE Mr P Simpson
<b>Registered office</b>	Anglian House Ambury Road Huntingdon Cambridgeshire PE29 3NZ
<b>Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Birmingham

**Anglian Water (Osprey) Financing Plc**  
**Directors' Report for the Period from 22 December 2010 to 31 March 2011**

The directors present their report and the financial statements for the period from 22 December 2010 to 31 March 2011.

**Incorporation**

The company was incorporated on 22 December 2010.

**Directors of the company**

The directors who held office during the period were as follows:

Mr S R J Longhurst (appointed 22 December 2010)

Sir A A Montague CBE (appointed 22 December 2010)

Mr P Simpson (appointed 22 December 2010)

**Principal activity**

The principal activity of the company is the provision of financing facilities to the Anglian Water Group through the raising of listed debt.

**Policy and practice on payment of creditors**

The company does not have any trade creditors.

**Business review**

***Fair review of the business***

The company was incorporated on 22 December 2010 and issued a £350m bond on 31 January 2011 and entered into the various financing documents required on the same day. The proceeds of the bond issue were immediately lent to Osprey Acquisitions Limited on terms the same as the external debt

***Principal risks and uncertainties***

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the group and are not managed separately

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

### **Directors' Report for the Period from 22 December 2010 to 31 March 2011**

..... *continued*

#### **Financial instruments**

##### ***Objectives and policies***

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

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

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

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

##### **Borrowing covenants**

Borrowings raised by the company are guaranteed by Osprey Acquisitions Limited. 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.

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

###### **Interest rate risk**

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

###### **Liquidity risk**

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

#### **Directors' liabilities**

The company maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its directors. The company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purpose of section 234 ((2) – (6)) of the Companies Act 2006

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

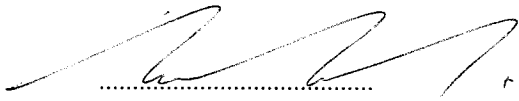
**Anglian Water (Osprey) Financing Plc**  
**Directors' Report for the Period from 22 December 2010 to 31 March 2011**

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**Reappointment of auditors**

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Approved by the Board on ~~27 July 2011~~ and signed on its behalf by:



.....  
Mr S R J Longhurst  
Director

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

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

We have audited the financial statements of Anglian Water (Osprey) Financing Plc for the period from 22 December 2010 to 31 March 2011, which comprise the Profit and Loss Account, the Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

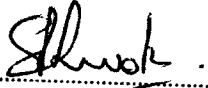
**Independent Auditor's Report to the Members of  
Anglian Water (Osprey) Financing Plc**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



.....  
Stephen Snook (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors

Birmingham

Date: 27/7/11

**Anglian Water (Osprey) Financing Plc**  
**Profit and Loss Account for the Period from 22 December 2010 to 31 March 2011**

	Note	22 December 2010 to 31 March 2011 £ 000
Turnover		-
Cost of sales		-
Gross profit/(loss)		-
Administrative expenses		-
Other operating income		19
Operating profit		19
Profit on ordinary activities before investment income and interest		19
Interest received from fellow group undertaking		4,151
Interest payable and similar charges	4	(4,151)
Profit on ordinary activities before taxation		19
Tax on profit or loss on ordinary activities	5	(5)
Profit for the financial period		14

Turnover and operating profit derive wholly from continuing operations.

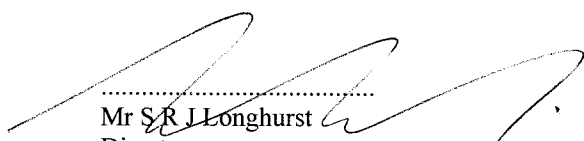
The company has no recognised gains or losses for the period other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

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

**Anglian Water (Osprey) Financing Plc**  
**(Registration number: 07476767)**  
**Balance Sheet at 31 March 2011**

	Note	31 March 2011 £ 000
<b>Fixed assets</b>		
Investments	6	350,000
<b>Current assets</b>		
Debtors	7	4,170
Cash at bank and in hand		13
		4,183
Creditors: Amounts falling due within one year	8	(4,156)
Net current assets		27
Total assets less current liabilities		350,027
Creditors: Amounts falling due after more than one year	9	(350,000)
Net assets		27
<b>Capital and reserves</b>		
Called up share capital	11	13
Profit and loss account	13	14
		27

Approved by the Board on 27.1.2012 and signed on its behalf by:

  
 .....  
 Mr S.R.J. Longhurst  
 Director

## Anglian Water (Osprey) Financing Plc

### Notes to the Financial Statements for the Period from 22 December 2010 to 31 March 2011

#### 1 Accounting policies

##### Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

The following principal accounting policies and estimation techniques have been applied to the financial statements.

##### Exemption from preparing a cash flow statement

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group headed by Osprey Holdco Limited.

##### Fixed asset investments

Investments held as fixed assets represents loans to the immediate parent undertaking (Osprey Acquisitions Limited) and reflects the "back-to-back" arrangement with the company.

##### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. Borrowings are stated at the fair value of the consideration received after deduction of transaction costs. Transaction costs and finance charges are charged to the profit and loss account at constant yield basis over the term of the borrowings. Transaction costs are classified as other financial liabilities and are measured at amortised cost.

#### 2 Operating profit

The fees for audit services were borne by another group undertaking with no recharge to the company.

#### 3 Directors' emoluments and employee information

None of the directors received any emoluments for their services to the company.

There were no employees of the company during the period.

#### 4 Interest payable and similar charges

	22 December 2010 to 31 March 2011 £ 000
Interest on other loans	4,151
	<hr/>
	4,151
	<hr/> <hr/>

**Anglian Water (Osprey) Financing Plc**

**Notes to the Financial Statements for the Period from 22 December 2010 to 31 March 2011**

..... *continued*

**5 Taxation**

**Tax on profit on ordinary activities**

**22 December  
2010 to 31  
March 2011  
£ 000**

**Current tax**

Corporation tax charge

5

Tax on profit on ordinary activities is the same as the standard rate of corporation tax in the UK of 28%.

**Factors that may affect future tax charges**

During the year, as a result of the change in the UK corporation tax rate from 28% to 26% that is effective from 1 April 2011, all relevant deferred tax balances have been re-measured. Further changes to the UK corporation tax rate were announced in the June 2010 and March 2011 Budgets which propose to reduce the rate by 1 per cent per annum to 23% by 1 April 2014. These changes, which are expected to be enacted separately each year, had not been substantively enacted at the balance sheet date and therefore have not been recognised in these financial statements.

**6 Investments held as fixed assets**

**31 March  
2011  
£ 000**

Loans to group undertakings and participating interests

350,000

**Loans to group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>	<b>Total £ 000</b>
Additions	<u>350,000</u>	<u>350,000</u>
At 31 March 2011	<u>350,000</u>	<u>350,000</u>

## Anglian Water (Osprey) Financing Plc

### Notes to the Financial Statements for the Period from 22 December 2010 to 31 March 2011

..... *continued*

The investment addition in the period is a £350,000,000.00 loan which is interest bearing at 7% per annum and has a repayment date of 2018, the remaining balance is the interest on that loan due as at 31 March 2011.

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

The estimated fair value of the receivable is £351,750,000.00 based on the market price of the liability which has the same terms.

#### 7 Debtors

	31 March 2011 £ 000
Amounts owed by group undertakings	4,170
	4,170
	4,170

#### 8 Creditors: Amounts falling due within one year

	31 March 2011 £ 000
Corporation tax	5
Other creditors	4,151
	4,156
	4,156

#### 9 Creditors: Amounts falling due after more than one year

	31 March 2011 £ 000
Other loans	350,000
The following amounts are due after more than five years:	350,000
After more than five years not by instalments	350,000
	350,000

The loan is secured and is interest bearing at 7% per annum and has a repayment date of 2018.

**Anglian Water (Osprey) Financing Plc**  
**Notes to the Financial Statements for the Period from 22 December 2010 to 31 March**  
**2011**

..... *continued*

**10 Financial instruments**

**Loans and other borrowings**

	<b>31 March</b>
	<b>2011</b>
	<b>£ 000</b>
£350,000,000.00 7.0% fixed rate 2018 (a) (b)	354,151
Less amounts included in creditors due within one year	(4,151)
Loans and other borrowings falling due after more than one year	350,000

a) A security agreement dated 31 January 2011 between Anglian Water (Osprey) Financing Plc, Osprey Acquisitions Limited and Deutsche Trustee Company Limited (as agent and trustee for itself and each of the Finance Parties to the Guaranteed Secured Medium term Note Programme) creates a fixed and floating charge over the assets of Anglian Water (Osprey) Financing Plc and Osprey Acquisitions Limited. In addition there is a fixed charge over the issued share capital of Anglian Water (Osprey) Financing Plc and AWG Parent Co Limited. At 31 March 2011 this charge applies to £354.2 million of the debt listed above.

b) This instrument is not exposed to interest rate risk as the interest rate is fixed at 7.0%.

Debt issue costs of £7.1 million are excluded from the amounts disclosed and are borne by the parent company, Osprey Acquisitions Limited.

## Anglian Water (Osprey) Financing Plc

### Notes to the Financial Statements for the Period from 22 December 2010 to 31 March 2011

..... *continued*

#### Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

	<b>31 March 2011 Other financial assets £ 000</b>
<b>Assets per the balance sheet</b>	
Cash at bank and in hand	13
Current asset receivable - interest due on loan to immediate parent undertaking	4,151
Investments - loan to immediate parent undertaking	350,000
Total	<u>354,164</u>

#### Liabilities per the balance sheet

	<b>31 March 2011 Other financial liabilities £ 000</b>
Borrowings	(354,151)
Total	<u>(354,151)</u>

The effective interest rates at the balance sheet dates were GBP fixed 7.0%.

There is no credit risk as the investment loan is to the company's immediate parent undertaking.

In accordance with Financial Reporting Standard (FRS) 26 "Financial Instruments: Measurement", the company 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. No such items have been identified.

## Anglian Water (Osprey) Financing Plc

### Notes to the Financial Statements for the Period from 22 December 2010 to 31 March 2011

..... *continued*

#### Fair value of financial assets and liabilities

	2011 Book value £ 000	2011 Fair Value £ 000
Cash at bank and in hand	13	13
Short term borrowings	(4,151)	(4,151)
Long term borrowing	(350,000)	(347,599)
	(354,138)	(351,737)
Fixed asset investments	354,151	351,750

The estimated fair value of the quoted borrowings is based on a period end mid-market quoted price.

#### Maturity of financial liabilities

	Debt £ 000
Less than one year	4,151
Greater than 5 years	350,000
Total	354,151

#### Borrowing facilities

The company has negotiated a £125,000,000.00 borrowing facility provided by Royal Bank of Scotland Plc and syndicated to certain other banks. It comprises a £100,000,000.00 term loan facility and a £25,000,000.00 revolving loan facility. The effective date of the facility was 31 January 2011, however it cannot be drawn down until the existing £125,000,000.00 bank facility in Osprey Acquisitions Limited (due to mature in October 2011) is cancelled.

The table below analyses the company's financial liabilities 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 future interest payable.

	Less than 1 year	Between 1 and 5 year	Between 5 and 25 years
At 31 March 2011 (£ 000)			
Borrowing	(24,500)	(98,000)	(399,000)

**Anglian Water (Osprey) Financing Plc**  
**Notes to the Financial Statements for the Period from 22 December 2010 to 31 March**  
**2011**

..... *continued*

**11 Share capital**

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

	<b>31 March 2011</b>	
	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	50,000	12,501

**New shares allotted**

During the period 50,000 Ordinary shares having an aggregate nominal value of £50,000 were allotted for an aggregate consideration of £12,501.

**12 Reconciliation of movement in shareholders' funds**

	<b>22 December 2010 to 31 March 2011 £ 000</b>
Profit attributable to the members of the company	14
New share capital allotted	13
Net addition to shareholders' funds	27
Shareholders' funds at end of period	27

**13 Reserves**

	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
Profit for the period	14	14

**14 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by Osprey Holdco Limited.

**Anglian Water (Osprey) Financing Plc**  
**Notes to the Financial Statements for the Period from 22 December 2010 to 31 March**  
**2011**

..... *continued*

**15 Ultimate parent undertaking and controlling party**

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

Osprey Acquisitions Limited is the parent company of the smallest group to consolidate the financial statements of the company, copies of which can be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE29 3NZ.

Anglian Water Group Limited is the parent company of the largest group to consolidate the financial statements of the company, copies of which can be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE29 3NZ.

The Directors consider Anglian Water Group Limited, a company registered in Jersey, to be the ultimate parent undertaking and controlling party. Anglian Water Group Limited is itself owned and controlled by a consortium of investors consisting of the Canada Pension Plan Investment Board, Colonial First State Global Asset Management, Industry Funds Management (IFM), and 3i .