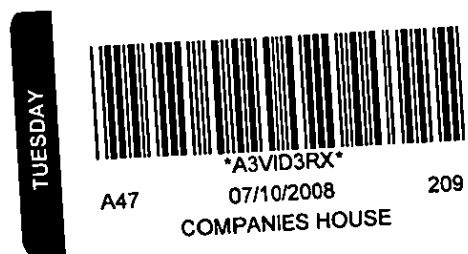




Osprey Water Services Limited

**Annual report and financial statements
for the year ended 31 March 2008**

Registered number 3017251



Osprey Water Services Limited

Directors' Report for the year ended 31 March 2008

The Directors present their report together with the audited financial statements for the year ended 31 March 2008

Principal activities

The principal activities of the company comprise the operation of an on-site effluent treatment plant. All of the activities are carried out in the United Kingdom.

Review of business and future developments

The board considers the results for the year to be satisfactory.

Cost of sales has increased due to increases in effluent tankering and disposal costs. Under the terms of the contract, these costs may be passed on to the customer. Consequently, turnover has increased during the year but profit margins have reduced. During the year the company has applied for and was given a license to supply water in Scotland. The cost of this application is included in administrative expenses.

The Directors expect turnover to increase during 2008-09 as customers are acquired in Scotland. Costs are also expected to increase significantly as a result of supplying the Scottish customers and the set up costs associated with entering this new market.

Results and dividends

The results for the year ended 31 March 2008 are set out in the profit and loss account on page 4. Dividends of 109.29 pence per share, totalling £800,000 were paid during the year (2007: £nil).

Principal risks and uncertainties

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

Key performance indicators

Given the straightforward nature of the business, the company's Directors are of the opinion that analysis using KPI's has limited value for an understanding of the development or performance of the business. The profit margin and significant factors affecting it are reviewed on a regular basis. The profit margin has decreased this year as a result of increasing in effluent disposal costs.

Directors

The current Directors of the company are as follows:

D J Cooke
K J Ensell
P Trussell

Financial risk management

All the company's financial risks are governed by Group policies and procedures. These policies and procedures are discussed within Osprey Holdco Limited consolidated group accounts.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period that 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. The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 March 2008 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

Osprey Water Services Limited

Directors' Report for the year ended 31 March 2008

Statement of disclosure of information to auditors

In the case of each of the persons who are Directors at the time when the report is approved under section 234ZA the following applies

- a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) he has taken all the steps that he should ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The company has dispensed with the holding of Annual General Meetings pursuant to the transitional arrangements and saving provisions of the Companies Act 2006. The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to stay in office and a resolution that they be reappointed will be proposed to the Board.

By order of the board,



K J Ensell
Director

14 August 2008

Registered office Anglian House, Ambury Road, Huntingdon, PE29 3NZ
Registered number 3017251

Independent auditors report to the members of Osprey Water Services Limited

We have audited the financial statements of Osprey Water Services Limited for the year ended 31 March 2008, which comprise the profit and loss account, the statement of movement in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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 where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 August 2008

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Osprey Water Services Limited

Profit and loss account

for the year ended 31 March 2008

Notes	2008 £000	2007 £000
2 Turnover	208	178
Cost of sales	(114)	(67)
Gross profit	94	111
Administrative expenses	(18)	(7)
3 Operating profit	76	104
4 Interest receivable	58	69
Profit on ordinary activities before taxation	134	173
5 Tax charge on profit on ordinary activities	(38)	(50)
12 Profit for the financial year	96	123

All the above results relate to continuing operations

The company has no other gains and losses and therefore a statement of total recognised gains and losses has not been prepared

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

Osprey Water Services Limited

Statement of movement in total shareholders' funds for the year ended 31 March 2008

	2008 £000	2007 £000
Opening shareholders' funds at 1 April	1,591	1,468
Profit for the financial year	96	123
Dividends paid	(800)	-
Closing shareholders' funds at 31 March	887	1,591

Osprey Water Services Limited

Balance sheet


as at 31 March 2008

Notes		2008 £000	2007 £000
	Fixed assets		
7	Tangible assets	39	21
	Current assets		
8	Debtors	825	71
	Cash at bank and in hand	152	1,568
		977	1,639
9	Creditors, amounts falling due within one year	(129)	(69)
	Net current assets	848	1,570
	Net assets	887	1,591
	Capital and reserves		
11	Called up share capital	732	732
12	Share premium account	8	8
12	Profit and loss account	147	851
	Total shareholders' funds	887	1,591

The notes on pages 7 to 11 form part of these financial statements

The financial statements were approved by the board of directors on 14 August 2008 and signed on its behalf by

K J Ensell
director



Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2008

1 Accounting policies

The principal accounting policies are summarised below. All have been applied consistently throughout the year and the preceding year, except as detailed below.

a) Basic accounting principles

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985.

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

b) Cash flow statement

The company is a wholly owned subsidiary of Osprey Holdco Limited and is included in the consolidated financial statements of Osprey Holdco Limited. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996).

c) Turnover

Turnover represents the income receivable (excluding value added tax) in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out.

d) Tangible fixed assets and depreciation

Fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Fixed plant	7 years
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Interest costs are not capitalised into the cost of fixed assets.

e) Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise and are undiscounted.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future years.

Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2008

2 Segmental analysis

All results are derived from a single class of business within the United Kingdom

3 Operating profit

Operating profit is stated after charging
Depreciation –own assets
Fees paid to auditors
- for audit work

2008 £000	2007 £000
11	12
1	1

4 Interest receivable

Interest receivable re inter-company loan
Bank interest receivable and similar income

2008 £000	2007 £000
30	-
28	69
58	69

5 Tax charge on profit on ordinary activities

The tax charge for the year comprised:

UK tax – current year charge
UK tax – adjustment in respect of prior years

Tax on profit on ordinary activities

Tax on profit on ordinary activities comprises

UK Corporation tax at 30 per cent (2007 30 per cent)
Adjustments in respect of prior years
Total current tax charge

2008 £000	2007 £000
40	52
(2)	(2)
38	50
40	53
(2)	(2)
38	51

Deferred tax (note 10)

Charge for timing differences arising in the year
Total deferred tax credit

-	(1)
-	(1)

Tax on profit on ordinary activities

38	50
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Adjustments in respect of prior years arise from the agreement of prior year tax computations

Factors affecting tax charge for the year

The tax assessed for the year is lower (2007 lower) than the standard rate of corporation tax in the UK (30 per cent) The differences are explained below

	2008 £000	2007 £000
Profit on ordinary activities before taxation	134	173
Profit on ordinary activities at the standard UK rate of tax (30 per cent)	40	52
Effects of		
Depreciation for the year in excess of capital allowances	-	1
Adjustments to the tax charge in respect of prior years	(2)	(2)
Current tax charge for the year	38	51

Factors that may affect future tax charges

The Finance Act 2007 has reduced the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 There is no effect on the company of this change in tax rate in this financial year

Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2008

6 Employee information

No staff were employed by the company during this or the previous year

Directors remuneration

None of the directors received remuneration from Osprey Water Services Limited for the years ended 31 March 2008 and 31 March 2007. During the year, £6,318 was paid to Anglian Water Services Ltd in respect of the services of the directors (2007 £5,771)

7 Tangible fixed assets

	Fixed plant £000
Cost	
At 1 April 2007	79
Additions	29
At 31 March 2008	108
Depreciation	
At 1 April 2007	58
Charge for the year	11
At 31 March 2008	69
Net book value	
At 31 March 2008	39
At 31 March 2007	21

8 Debtors

	2008 £000	2007 £000
Amount falling due within one year		
Inter-company loan	755	-
Trade debtors	35	34
Prepayments and accrued income	20	34
Other Debtors	14	2
Deferred tax asset (see note 10)	1	1
	825	71

The inter-company loan attracts interest at base rate minus 0.25% and is repayable on demand

9 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Corporation tax	86	48
Accruals and deferred income	43	21
	129	69

Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2008

10 Deferred taxation

	2008 £000	2007 £000
At 1 April – asset	1	-
Credit for the year	-	1
At 31 March - asset	1	1

	2008 £000	2007 £000
Accelerated capital allowances	1	1
Undiscounted deferred tax asset	1	1

There are no unrecognised deferred tax assets

Further to the proposed corporation tax change announced in the recent Budget, deferred tax reversing after 1 April 2008 will be recognised at a rate of 28% as opposed to the existing rate of 30%. This will result in a reduction in the deferred tax asset/liability and a corresponding charge/credit to the P&L account. The impact is not expected to be material.

11 Called up share capital

	2008 £000	2007 £000
Authorised		
10,000,000 ordinary shares of 10 pence each	1,000	1,000
Allotted, issued and fully paid		
7,320,000 ordinary shares of 10 pence each	732	732

12 Reserves

	Share premium account £000	Profit and loss reserve £000	Total £000
At 1 April 2007	8	851	859
Profit for the year	-	96	96
Dividends paid	-	(800)	(800)
At 31 March 2008	8	147	155

13 Contingent liabilities

The company has a cross guarantee arrangement relating to certain group companies' accounts at Barclays Bank Plc. Net indebtedness under this arrangement at 31 March 2008 was £nil (2007 £nil).

14 Related party transactions

As a wholly owned subsidiary of Anglian Water Group Limited, advantage has been taken of the exemption granted in FRS 8 not to disclose related party transactions with other members of the group.

Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2008

15 Ultimate parent undertaking

The company's immediate parent undertaking is AWG Group Limited, a company registered in England and Wales

The smallest group for which consolidated accounts are prepared that incorporate the company's results is headed by Osprey Acquisitions Limited, a company incorporated in the United Kingdom

Osprey Holdco 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 (formerly Osprey Jersey Holdco Limited), a company registered in Jersey, to be the ultimate parent company. Anglian Water Group Limited is itself owned by a consortium of investors consisting of the Canada Pension Plan Investment Board, Colonial First State Global Asset Management, Industry Funds Management, and 3i Group Plc