



Osprey Water Services Limited

**Annual report and financial statements for the year
ended 31 March 2009**

Registered number 3017251

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Osprey Water Services Limited

Directors' Report for the year ended 31 March 2009

The Directors present their report together with the audited financial statements of the company for the year ended 31 March 2009.

Principal activities

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

Review of business and future developments

The board consider the results for the year to be satisfactory, with the loss arising as a result of the sales and marketing costs, necessary for growing the water retail market in Scotland.

Turnover and cost of sales has increased significantly due to increased activity in the water retail market in Scotland, together with increases in effluent tankering and disposal costs.

The Directors expect turnover to increase during 2009-10 as additional market share is acquired in Scotland. Costs are also expected to increase significantly as a consequence of supplying these new customers.

Results and dividends

The results for the year ended 31 March 2009 are set out in the profit and loss account on page 4. No Dividends were paid in the year (2008: 109.29 pence per share totalling £800,000).

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 on a customer by customer basis. The profit margin has decreased this year as a result of increases in effluent disposal costs and the impact of growing the water retail market in Scotland.

Directors

The current Directors of the company both during the year and up to the date of signing of the financial statements are as follows:

K J Ensell

D J Cooke (resigned 1st October 2008)

P Trussell (resigned 1st October 2008)

T Bower (appointed 30th September 2008)

N Manning (appointed 30th September 2008)

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 in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and 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). The financial statements are required by law to 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.

Osprey Water Services Limited

Directors' Report for the year ended 31 March 2009 (continued)

In preparing those financial statements, the Directors are required to:

- ♦ Select suitable accounting policies and then apply them consistently;
- ♦ Make judgements and 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
- ♦ Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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.

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 1985. 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.

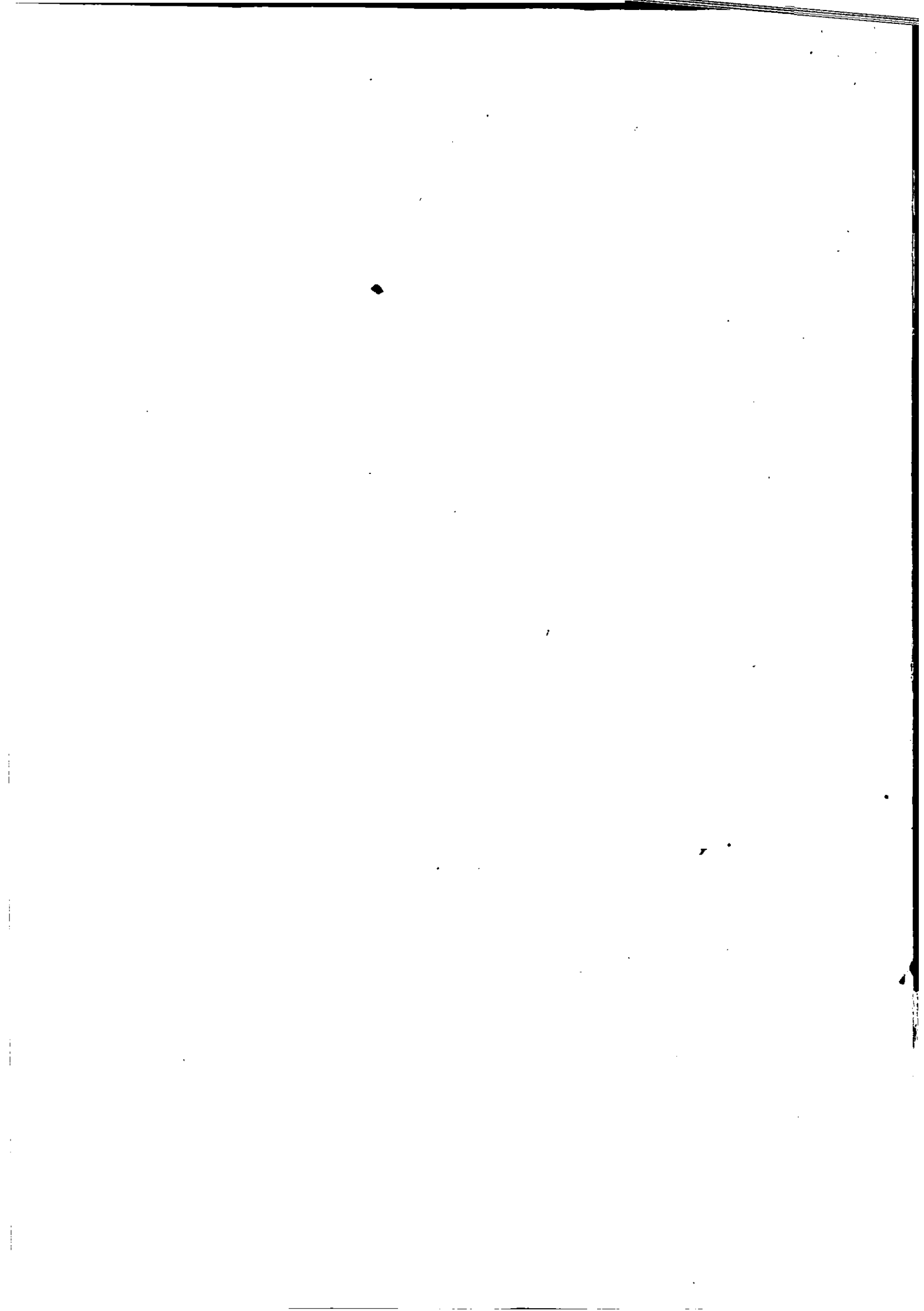
By order of the board,

.....
K J Ensell
Director



26 October 2009

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



Osprey Water Services Limited

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 2009, 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 laws 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.

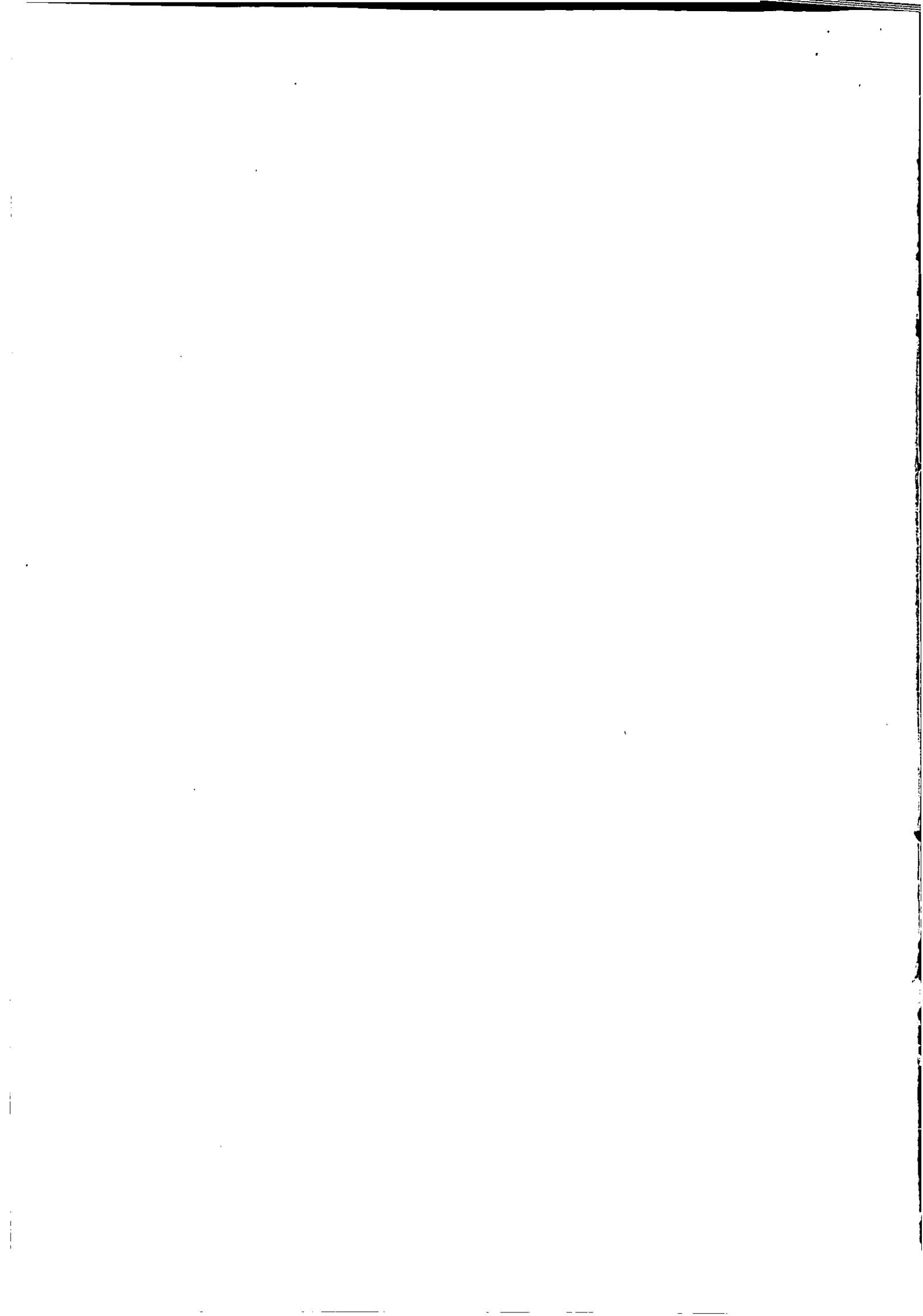
Opinion

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 2009 and of its loss 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

30 November 2009



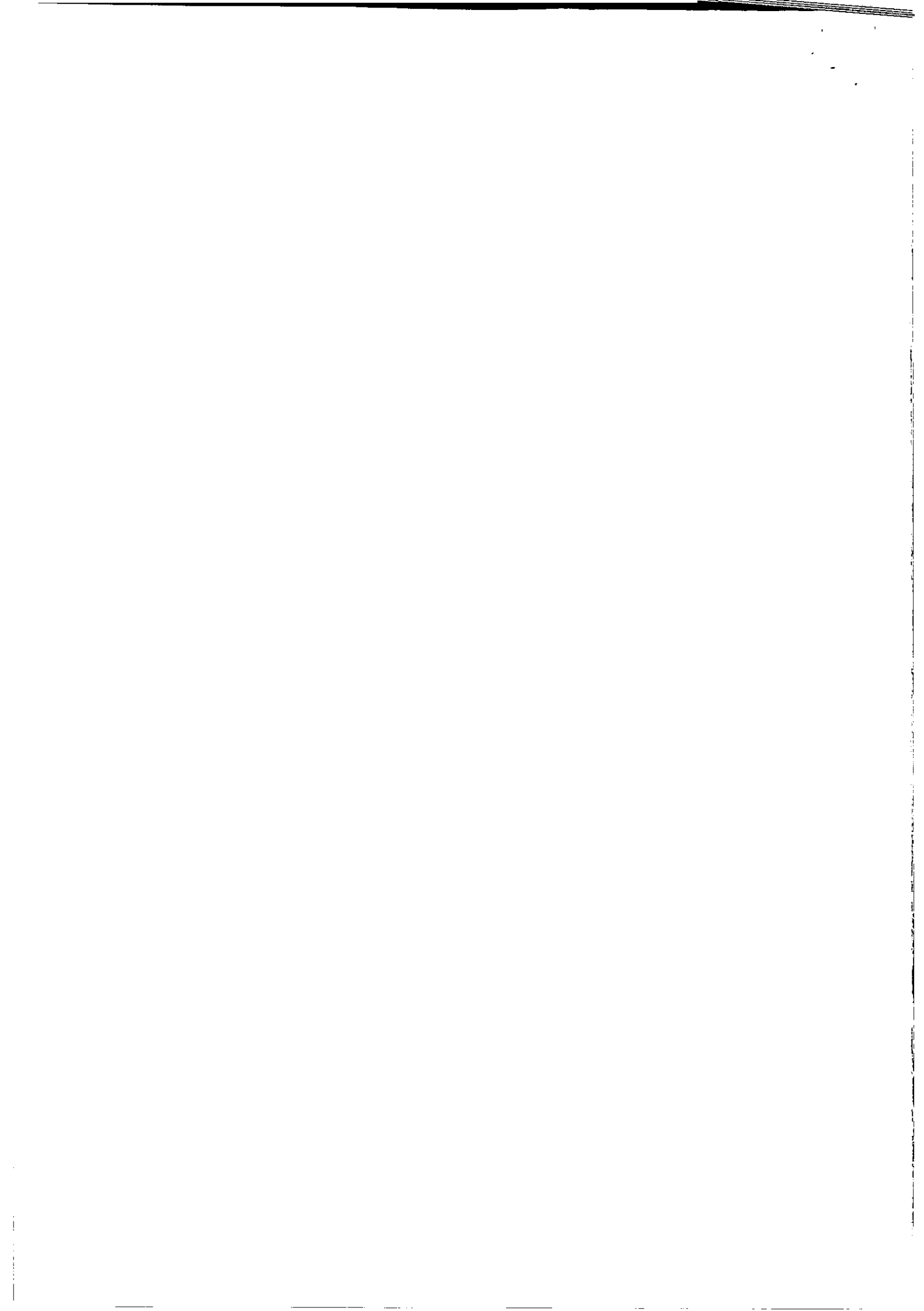
Osprey Water Services Limited
Profit and loss account
for the year ended 31 March 2009

Notes	2009 £000	2008 £000
2 Turnover	498	208
Cost of sales	(399)	(114)
Gross profit	99	94
Administrative expenses	(152)	(18)
3 Operating (loss)/profit	(53)	76
4 Interest receivable and similar income	32	58
(Loss)/profit on ordinary activities before taxation	(21)	134
5 Tax credit/(charge) on (loss)/profit on ordinary activities	5	(38)
12 (Loss)/profit for the financial year	(16)	96

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.

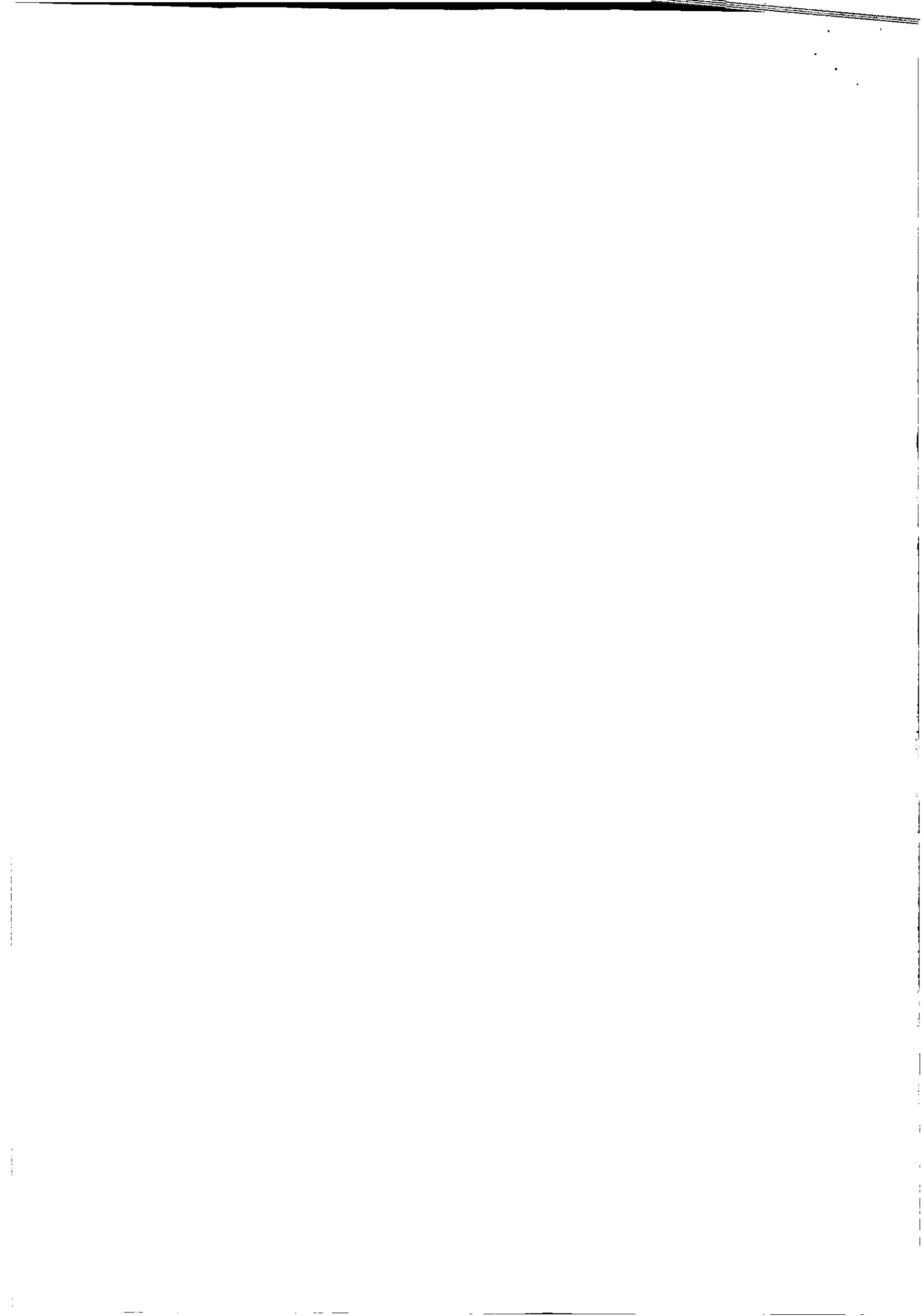
There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial years stated above and their historical cost equivalents.



Osprey Water Services Limited

Statement of movements in total shareholders' funds for the year ended 31 March 2009

	2009 £000	2008 £000
Opening shareholders' funds at 1 April	887	1,591
(Loss)/profit for the financial year	(16)	96
Dividends paid	-	(800)
Closing shareholders' funds at 31 March	871	887



Osprey Water Services Limited
Balance sheet
as at 31 March 2009

Notes		2009 £000	2008- £000
	Fixed assets		
7	Tangible assets	31	39
	Current assets		
8	Debtors	889	825
	Cash at bank and in hand	104	152
		993	977
9	Creditors: amounts falling due within one year	(153)	(129)
	Net current assets	840	848
	Net assets	871	887
	Capital and reserves		
11	Called up share capital	732	732
12	Share premium account	8	8
12	Profit and loss account	131	147
	Total shareholders' funds	871	887

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

The financial statements were approved by the board of directors on 26 October 2009 and signed on its behalf by :

K J Ensell
director



Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2009

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. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 the remaining life of the contract. The expected useful lives of the assets to the business are reassessed periodically in the light of experience, and are principally as follows:

Fixed plant	5 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 measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date and is undiscounted.

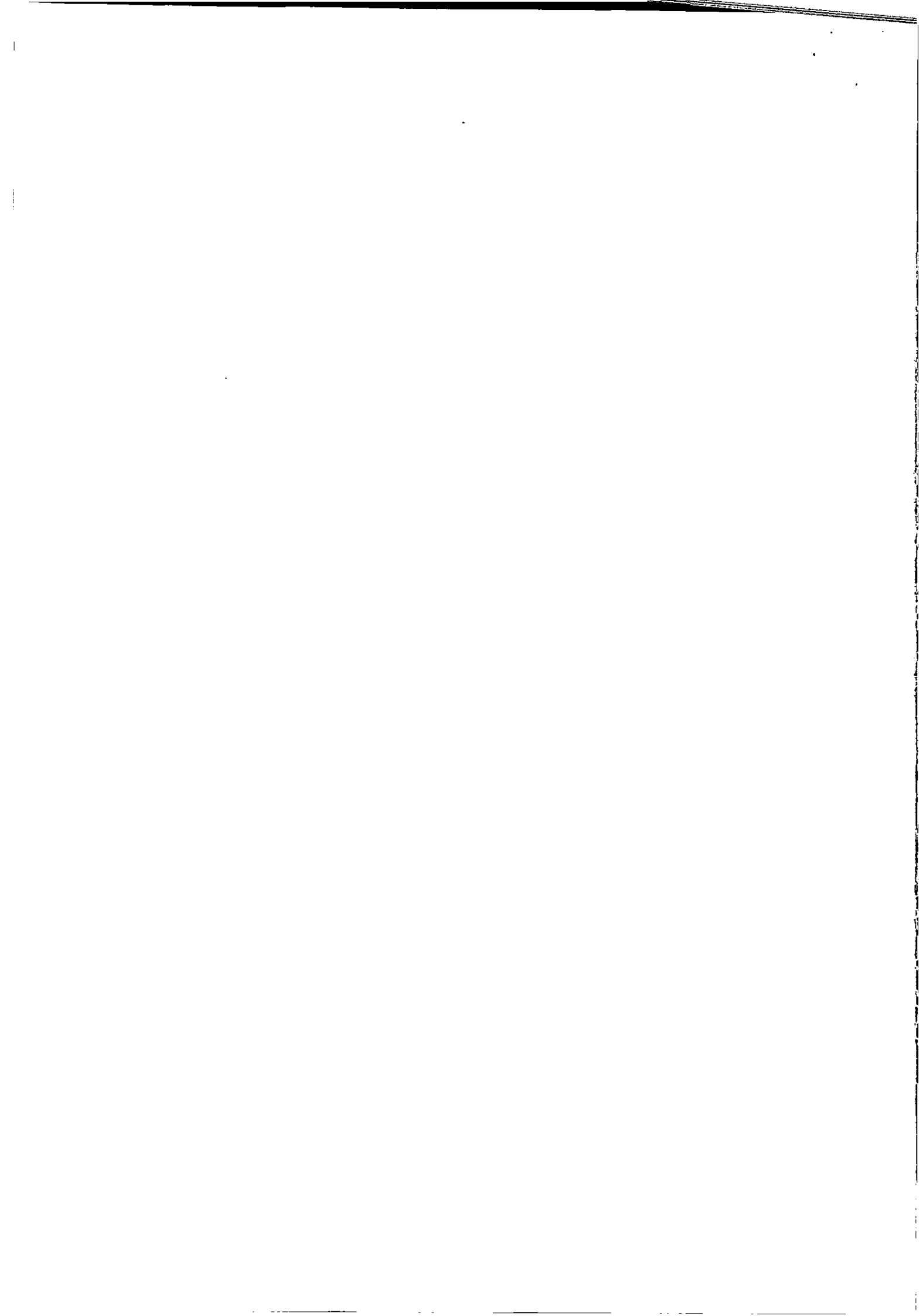
Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

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.

f) Pensions

Defined contribution Schemes

The cost of defined contribution schemes is charged to the profit and loss account in the year in which the contributions become payable.



Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2009 (continued)

2. Segmental analysis

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

3. Operating loss/profit

Operating (loss)/profit is stated after charging:

Depreciation –own assets

Fees paid to auditors:

- for audit work

2009 £000	2008 £000
8	11
1	1

4. Interest receivable and similar income

Interest receivable on inter-company loan

Bank interest receivable and similar income

2009 £000	2008 £000
26	30
6	28
32	58

5. Tax (credit)/charge on (loss)/profit on ordinary activities

The tax (credit)/charge for the year comprised:

UK tax – current year (credit)/charge

UK tax – adjustment in respect of prior years

Tax on (loss)/profit on ordinary activities

2009 £000	2008 £000
(6)	40
1	(2)
(5)	38

Tax on (loss)/profit on ordinary activities comprises:

UK Corporation tax at 28 per cent (2008: 30 per cent)

Adjustments in respect of prior years

Total current tax (credit)/charge

2009 £000	2008 £000
(6)	40
-	(2)
(6)	38

Deferred tax (note 10)

Adjustments in respect of prior years

Total deferred tax charge

2009 £000	2008 £000
1	-
1	-

Tax on (loss)/profit on ordinary activities

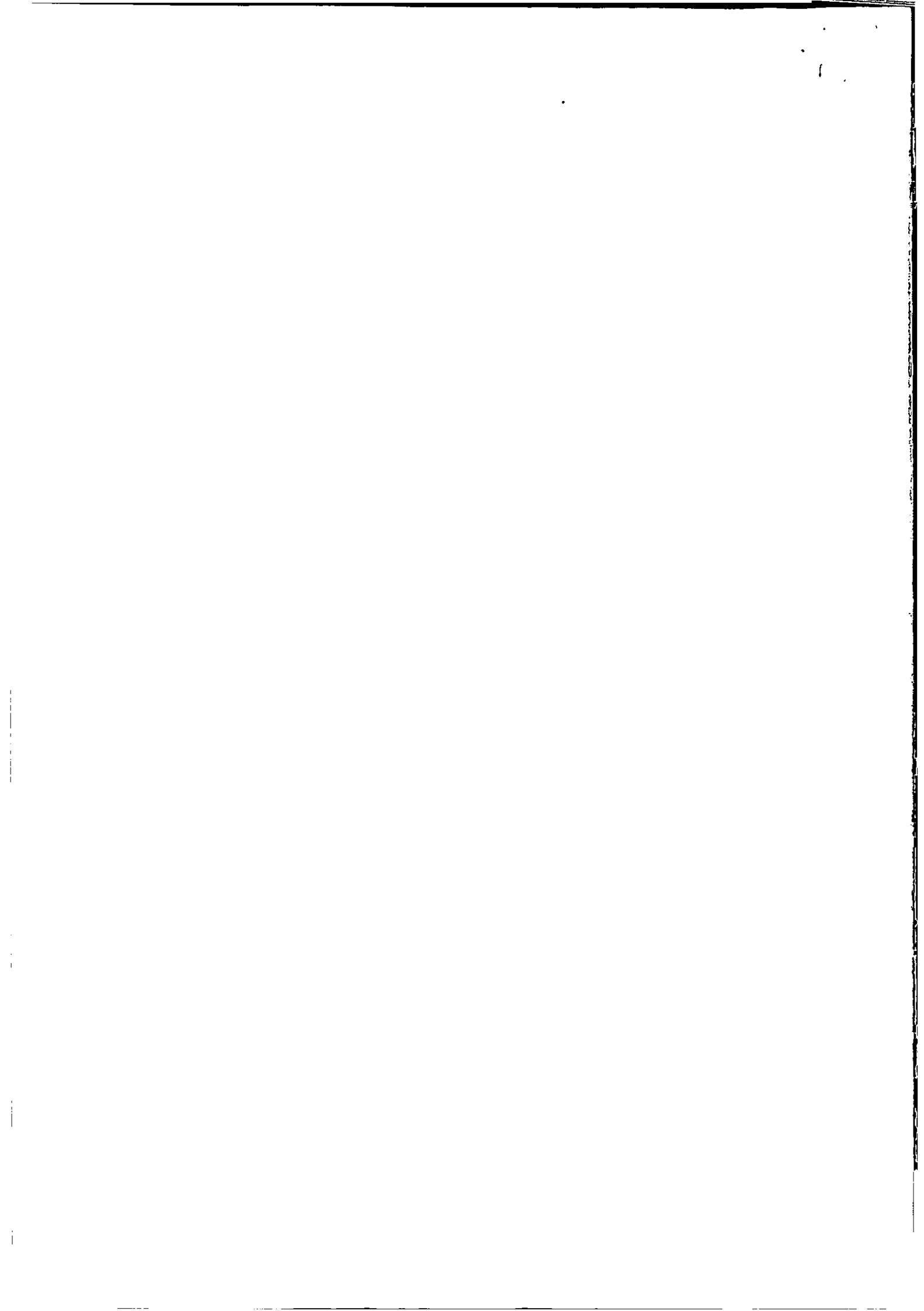
2009 £000	2008 £000
(5)	38

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

Factors affecting tax credit/charge for the year

The tax assessed for the year is equal (2008: lower) than the standard rate of corporation tax in the UK (28 per cent) (2008: 30 per cent). The differences are explained below:

	2009 £000	2008 £000
(Loss)/Profit on ordinary activities before taxation	(21)	134
(Loss)/Profit on ordinary activities at the standard UK rate of tax (28 per cent) (2008: 30 per cent)	(6)	40
Effects of:		
Adjustments to the tax charge in respect of prior years	1	(2)
Current tax (credit)/charge for the year	(5)	38



Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2009 (continued)

6. Employee information

	2009 £000	2008 £000
Staff Costs		
Wages and salaries	55	-
Social security costs	6	-
Pension costs – defined contribution	4	-
	65	-
 Average monthly number of full-time equivalent persons employed	 1	 -

Director's remuneration

None of the directors received remuneration from Osprey Water Services Limited for the years ended 31 March 2009 and 31 March 2008. During the year, £17,161 was paid to Anglian Water Services Limited in respect of the services of the directors. (2008: £6,318)

7. Tangible fixed assets

	Fixed plant £000
Cost	
At 1 April 2008 and 31 March 2009	108
Depreciation	
At 1 April 2008	69
Charge for the year	8
At 31 March 2009	77
Net book value	
At 31 March 2009	31
At 31 March 2008	39

8. Debtors

	2009 £000	2008 £000
Amount falling due within one year:		
Trade debtors	70	35
Amounts owed by group undertakings	14	-
Other debtors	14	14
Prepayments and accrued income	118	20
Inter-company loan	673	755
Deferred tax asset (see note 10)	-	1
	889	825

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

	2009 £000	2008 £000
Amounts owed to group undertakings	2	-
Other creditors including tax and social security	3	-
Accruals and deferred income	66	43
Corporation tax	82	86
	153	129



Osprey Water Services Limited

Notes to the accounts for the year ended 31 March 2009

(continued)

10. Deferred taxation

	2009 £000	2008 £000
At 1 April – asset	1	1
Adjustments in respect of prior periods	(1)	-
At 31 March – asset	-	1

	2009 £000	2008 £000
Accelerated capital allowances	-	1
Undiscounted deferred tax asset	-	1

There are no unrecognised deferred tax assets (2008: £nil)

11. Called up share capital

	2009 £000	2008 £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 2008	8	147	155
Loss for the financial year	-	(16)	(16)
At 31 March 2009	8	131	139

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 2009 was £nil. (2008: £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 2009

(continued)

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. Copies of the financial statements can be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE29 3NZ.

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.