

ANGLIAN WATER SERVICES HOLDINGS LIMITED

ANNUAL REPORT AND ACCOUNTS 2010

Anglian Water Services Holdings Limited

Annual Report and Accounts 2010

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Directors' report

The directors present their report and the audited financial statements of Anglian Water Services Holdings Limited (the company) for the year ended 31 March 2010.

Principal activity

The principal activity of the company is to hold the shares of Anglian Water Services Overseas Holdings Limited.

Financial risk management

The company does not operate external to the group and therefore its financial risks are governed by Group policies and procedures. These policies and procedures are discussed within the Anglian Water Group Limited consolidated group accounts. There is a loan of £1,1609.1 million (2009:£1,609.1 million) due to Anglian Water Services Limited, a subsidiary undertaking. This is in place to fund the investment in Anglian Water Services Overseas Holdings Limited and therefore the risk of default is considered minimal.

Results and dividends

The company's profit and loss account on page 6 shows the company's results. For the financial year ended 31 March 2010 the company made a profit before taxation of £87.7 million (2009: £100.0 million). Dividends of £87.7 million (2009: £100.0 million) were paid during the financial year.

Directors

The current directors of the company are listed below:

Sir Adrian Montague	- Independent Non-Executive Director (appointed on 29 January 2010)
Jonson Cox	- Chief Executive and Chairman (resigned on 29 January 2010)
Peter Simpson	- Executive Director
Chris Newsome	- Executive Director
Jean Spencer	- Executive Director
Scott Longhurst	- Executive Director
Christopher Garnett	- Independent Non-Executive Director
Robert Napier	- Independent Non-Executive Director
John Watkinson	- Independent Non-Executive Director

Charitable and political donations

There were no charitable or political donations during the year ended 31 March 2010 (2009:£nil).

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Directors' report (continued)

Directors' indemnities

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 group and parent company 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 group and the company and of the profit or loss of the company and group 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 and group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as set out in note 1 to the financial statements (accounting policies). They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2010 and that applicable UK accounting standards have been followed.

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Annual Report and Accounts are published and where they are published on the Internet, for maintenance and integrity of the company's website. Uncertainty regarding legal requirements is compounded as information published on the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

Provision of information to auditors

As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each of the directors have taken all the steps that ought to have been 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.

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Directors' report (continued)

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to stay in office and are deemed to be reappointed.

By order of the board

Claire Russell
Company Secretary

27 May 2010

Registered Office:
Anglian House
Ambury Road
Huntingdon
Cambridgeshire,
PE29 3NZ
United Kingdom.

Registered in England and Wales No. 4330144

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Independent auditor's report to the members of Anglian Water Services Holdings Limited

We have audited the financial statements of Anglian Water Services Holdings Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the 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 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. Our responsibility is to audit 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 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 where 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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year 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.

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Opinion on other matter prescribed by the Companies Act 2006

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

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.

Andrew J Lyon BSc FCA (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 May 2010

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Profit and loss account for the year ended 31 March 2010

Note		2010 £m	2009 £m
	Turnover	-	-
4	Income from fixed asset investments	280.8	293.6
	Profit on ordinary activities before interest	280.8	293.6
5	Interest payable and similar charges	(193.1)	(193.6)
	Profit on ordinary activities before taxation	87.7	100.0
6	Tax on profit on ordinary activities	-	-
13	Profit for the financial year	87.7	100.0

The results above arise from continuing operations.

There is no material difference between the current year results and the historical cost profit and losses.

The company has no recognised gains or losses other than those included in the profit and loss account for the financial period above and therefore no separate statement of total recognised gains and losses has been presented.

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Balance sheet as at 31 March 2010

Note		2010 £m	2009 £m
8	Fixed asset investments	1,609.1	1,609.1
	Current assets		
9	Debtors	7.0	7.0
	Current liabilities		
10	Creditors: amounts falling due within one year	(0.5)	(0.5)
	Net current assets	6.5	6.5
	Total assets less current liabilities	1,615.6	1,615.6
11	Creditors: amounts falling due after more than one year	(1,609.1)	(1,609.1)
	Net assets	6.5	6.5
	Capital and reserves		
12	Called up share capital	-	-
13	Profit and loss account	6.5	6.5
13	Total shareholders' funds (all equity)	6.5	6.5

Notes 1 to 15 form part of these financial statements.

The financial statements on pages 6 to 12 were approved by the Board of Directors on 27 May 2010 and were signed on its behalf by:

Sir Adrian Montague
Director

Scott Longhurst
Director

Anglian Water Services Holdings Limited

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Notes to the financial statements

1. Accounting policies

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

a) Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Dividend income from fixed asset investments is recognised in the period in which the dividend is received or when the company has a legal commitment from the subsidiary.

b) Related party transactions

The company has taken advantage of the exemption not to disclose transactions with other members of the group under Financial Reporting Standard (FRS) 8 "Related Party Disclosures" as it is a wholly owned subsidiary.

c) Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

d) Taxation

The charge for taxation is based on the profit for the period. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

e) Group accounts not prepared

The company is exempt under Section 399 of the Companies Act 2006 from the requirement to prepare group financial statements and to deliver them to the Registrar of Companies. The financial statements, therefore, present information about the Company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Osprey Holdco Limited, which is incorporated in England and Wales.

f) Dividends

Dividends are recognised as a liability in the period in which they are approved. Interim dividends are recognised in the period in which they are paid or when the company has a constructive or legal commitment to pay the dividend.

2. Employee information and directors' emoluments

The company has no employees. Anglian Water Services Limited employees undertake all the activities of the company.

The directors receive no emoluments from the company or have any contributions made on their behalf to any pension scheme.

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Notes to the financial statements (continued)

3. Auditors' remuneration

The auditors' remuneration for audit services is borne by Anglian Water Services Limited and not recharged to the company.

4. Income from fixed asset investments

Income from fixed asset investments of £280.8 million (2009: £293.6 million) includes £0.5 million (2009: £0.5 million) of dividend income which has been committed and will be received in June 2010.

5. Interest payable and similar charges

	2010 £m	2009 £m
Interest payable on loan from a group undertaking (Anglian Water Services Limited)	193.1	193.6

6. Taxation

	2010 £m	2009 £m
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK of 28 per cent. (2009: lower than the standard rate of Corporation Tax in the UK of 28 per cent) The differences are explained below:

	2010 £m	2009 £m
Profit on ordinary activities before taxation	87.7	100.0
Profit on ordinary activities at the standard UK rate of tax of 28 per cent (2009: 28 per cent)	24.5	28.0
Effects of:		
Dividends receivable not being taxable	(78.6)	(82.2)
Tax losses surrendered to Anglian Water Services Limited not paid for	54.1	54.2
Current tax charge for the year	-	-

It has been agreed that companies within the Anglian Water Services Financing Group (AWSFG) will not pay each other for tax losses. The AWSFG consists of Anglian Water Services Limited, Anglian Water Services Financing Plc, Anglian Water Services Holdings Limited and Anglian Water Services Overseas Holdings Limited.

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Notes to the financial statements (continued)

7. Dividends

	2010 £m	2009 £m
Current year interim paid	50.0	-
Previous year final paid	37.7	100.0
	87.7	100.0

The directors have proposed a final dividend for the year ended 31 March 2010 of 24.42 pence per share, which is a total of £210.0 million. This dividend has not been accounted for in the current year financial statements as it has been proposed and approved after the year end.

8. Fixed asset investments

	2010 £m	2009 £m
Shares in subsidiary	1,609.1	1,609.1

The fixed asset investment represents the investment in Anglian Water Services Overseas Holdings Limited, a wholly owned subsidiary, whose principal activity is the holding of shares in Anglian Water Services Limited. Anglian Water Services Overseas Holdings Limited is a company incorporated in the Cayman Islands.

9. Debtors

	2010 £m	2009 £m
Amounts owed by other group undertakings	7.0	7.0

Amounts owed by other group undertakings includes £6.5 million of group relief receivable (2009: £6.5 million) in respect of tax losses surrendered to other group companies.

The amounts disclosed are repayable on demand and are not interest bearing.

10. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Amounts due to other group undertakings	0.5	0.5

The amounts disclosed are repayable on demand and are not interest bearing.

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Notes to the financial statements (continued)

11. Creditors: amounts falling due after more than one year	2010 £m	2009 £m
Loan from group undertaking (Anglian Water Services Limited)	1,609.1	1,609.1

The loan of £1,609.1 million, made to the company by Anglian Water Services Limited, is repayable on the later of 30 July 2038 and another date being the next interest payment date following the date which is two years and one day after the final maturity date of the longest dated bond issued from time to time by Anglian Water Services Financing Plc (a subsidiary of Anglian Water Services Limited). Interest on the loan is calculated at 12 per cent per annum.

12. Called up share capital	2010 £m	2009 £m
Authorised: 100 ordinary shares of £1 each	-	-
Allotted, issued and fully paid: 2 ordinary shares of £1 each	-	-

13. Movements in shareholders' funds	Share capital £m	Profit & loss account £m	2010 Total £m	2009 Total £m
At beginning of year	-	6.5	6.5	6.5
Profit for the financial year	-	87.7	87.7	100.0
Dividends	-	(87.7)	(87.7)	(100.0)
At end of year	-	6.5	6.5	6.5

14. Contingent liabilities

The company, as part of the Anglian Water Services group of companies, guarantees unconditionally and irrevocably all the borrowings of Anglian Water Services Financing Plc, which at 31 March 2010 amounted to £5,157.9 million (2009: £5,406.7 million).

The borrowings of Anglian Water Services Limited and Anglian Water Services Overseas Holdings Limited are also guaranteed unconditionally and irrevocably by the company which at 31 March 2010 amounted to £64.7 million (2009: £62.3 million) in finance leases and other fixed rate loans owed by Anglian Water Services Limited to third parties.

The company had no other material contingent liabilities at 31 March 2010 or 31 March 2009.

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Notes to the financial statements (continued)

15. Ultimate parent company

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

Osprey Acquisitions Limited is the parent company of the smallest group to consolidate the financial statements of the company.

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 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.