

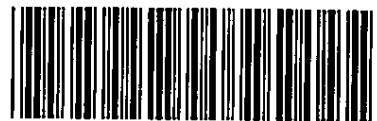
Registration number 3936645

# AWG Parent Co Limited

Directors' Report and Financial Statements

for the Year Ended 31 March 2012

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**AWG Parent Co Limited**  
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**AWG Parent Co Limited**  
**Company Information**

<b>Directors</b>	S R J Longhurst C M Hogg C Seymour M Mehta A A Montague N P Mills P Simpson A Bourbonnais Dr T J Stone Dr A H Koettering M Rogers A Cox
<b>Registered office</b>	Anglian House Ambury Road Huntingdon Cambridgeshire PE29 3NZ
<b>Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Birmingham

**AWG Parent Co Limited**  
**Directors' Report for the Year Ended 31 March 2012**

The directors present their report and the financial statements for the year ended 31 March 2012

**Directors of the company**

The directors who held office during the year and up to the date of signing the financial statements were as follows

S R J Longhurst

C M Hogg

C Seymour

D K Fetter (resigned 31 March 2012)

C E O'Reilly (resigned 5 September 2012)

M Mehta

P J White (resigned 29 May 2012)

A A Montague

N P Mills

P Simpson

A Bourbonnais

Dr T J Stone (appointed 1 October 2011)

Dr A H Koettering (appointed 31 March 2012)

M Rogers (appointed 5 September 2012)

A Cox (appointed 29 May 2012)

**Principal activity**

The principal activity of the company is that of a holding company within the group of companies headed by Anglian Water Group Limited, "the Group"

**Business review**

***Fair review of the business***

The company made a loss for the financial year of £23,134,000 (2011 loss £12,178,000)

During the year the company received capital repayments on the loan made to a subsidiary undertaking, and made dividend payments of 2.44p (2011 2.49p) per ordinary share amounting to £249,000,000 (2011 £254,500,000). In addition, a first interim dividend of £61,500,000 in respect of the year ending 31 March 2013 was approved by the board on 30 May 2012 and paid on the 8 June 2012. This dividend has not been included as a liability at 31 March 2012.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the company development or performance of the business.

***Principal risks and uncertainties***

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group, as discussed in the Osprey Acquisitions Limited group accounts, and are not managed separately.

**AWG Parent Co Limited**  
**Directors' Report for the Year Ended 31 March 2012**

*..... continued*

**Financial instruments**

***Objectives and policies***

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 Osprey Acquisitions Limited consolidated group accounts. The loan is due from a direct subsidiary undertaking and therefore the risk of default is considered minimal.

**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.

**Reappointment of auditors**

The auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**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 prepared 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

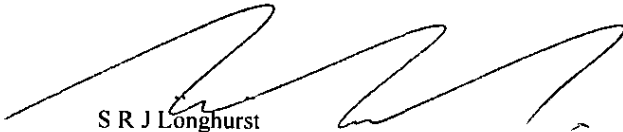
- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.

Approved by the Board on 11/10/12 and signed on its behalf by

**AWG Parent Co Limited**  
**Directors' Report for the Year Ended 31 March 2012**

*..... continued*



S R J Longhurst  
Director

## **Independent Auditor's Report to the Members of AWG Parent Co Limited**

We have audited the financial statements of AWG Parent Co Limited for the year ended 31 March 2012, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 3), 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 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. In addition we read all the financial and non-financial information in the directors' 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 2012 and of its loss 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.

### **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.

**Independent Auditor's Report to the Members of  
AWG Parent Co Limited**

*..... continued*

**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



John Maitland (Senior Statutory Auditor)

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

Birmingham

Date 11/01/12



**AWG Parent Co Limited**  
**Profit and Loss Account for the Year Ended 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Turnover		-	-
Cost of sales		-	-
Gross profit/(loss)		-	-
Administrative expenses		(1,601)	(6,932)
Operating loss	2	(1,601)	(6,932)
Loss on ordinary activities before investment income, interest and tax		(1,601)	(6,932)
Interest receivable on loans to group undertakings		4,251	17,886
Other interest receivable and similar income	5	14	18
Interest payable and similar charges	6	(33,658)	(27,650)
Loss on ordinary activities before taxation		(30,994)	(16,678)
Tax on loss on ordinary activities	7	7,860	4,500
Loss for the financial year	15	(23,134)	(12,178)

All of the above results relate to continuing operations

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


**AWG Parent Co Limited**  
**Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Loss for the financial year		(23,134)	(12,178)
Revaluation of investments	8	<u>497,000</u>	<u>384,000</u>
Total recognised gains and losses		<u><u>473,866</u></u>	<u><u>371,822</u></u>

**AWG Parent Co Limited**  
**(Registration number: 3936645)**  
**Balance Sheet at 31 March 2012**

	Note	2012 £ 000	2011 £ 000
<b>Fixed assets</b>			
Investments	8	<u>3,507,102</u>	<u>3,213,752</u>
<b>Current assets</b>			
Debtors	9	8,642	11,571
Cash at bank and in hand		<u>4,739</u>	<u>3,391</u>
		13,381	14,962
Creditors Amounts falling due within one year	10	<u>(32,679)</u>	<u>(50,482)</u>
Net current liabilities		<u>(19,298)</u>	<u>(35,520)</u>
Total assets less current liabilities		3,487,804	3,178,232
Creditors Amounts falling due after more than one year	11	<u>(929,807)</u>	<u>(845,101)</u>
Net assets		<u><u>2,557,997</u></u>	<u><u>2,333,131</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	10,196	10,196
Revaluation reserve	15	881,000	384,000
Other reserves	15	8	8
Profit and loss account	15	<u>1,666,793</u>	<u>1,938,927</u>
Total shareholder's funds		<u><u>2,557,997</u></u>	<u><u>2,333,131</u></u>

Approved by the Board on 11/01/12 and signed on its behalf by

  
S R J Longhurst  
Director

**AWG Parent Co Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2012**

**1 Accounting policies**

**Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention, with the exception of fixed asset investments, 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 on a consistent basis with the previous year as stated

**Consolidated financial statements**

As a wholly owned subsidiary of Osprey Acquisitions Limited and in accordance with section 400 of the Companies Act 2006, the company has not prepared consolidated financial statements. The results of the company and its subsidiaries are consolidated in the financial statements of Osprey Acquisitions Limited, a company registered in England

**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 Acquisitions Limited

**Exemption from preparing group accounts**

The company has taken exemption from preparing group accounts as it is included in consolidated accounts for a larger group which are drawn up as full consolidated audited accounts which are filed at Companies House

**Going concern**

The company has net current liabilities due to amounts due to fellow group undertakings. The company has received confirmation from a fellow subsidiary undertaking that it will provide financial support as and when required. Accordingly, the directors believe that it is appropriate for these accounts to be prepared on a going concern basis

**Fixed asset investments**

Fixed asset investments are recorded at fair value which is determined based on the discounted future cash flows of the investment, this calculation is performed on an annual basis and any change in the value is recorded within the statement of total recognised gains and losses

**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. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account

**2 Operating loss**

Fees for audit services were borne by another undertaking with no recharge to the company

# AWG Parent Co Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... continued

### 3 Employee information

There were no employees of the company during this or the prior year

### 4 Directors' remuneration

The directors' remuneration for the year was as follows

	2012 £ 000	2011 £ 000
Remuneration including benefits received under long-term incentive plans	-	3,199
Company contributions paid to money purchase schemes	-	117

In 2012 directors remuneration is borne by another group company and is not recharged. For the current year £nil was receivable by directors under long-term incentive plans (excluding shares) (2011 £1,830,000)

In respect of the highest paid director

	2012 £ 000	2011 £ 000
Remuneration	-	843
Benefits under long-term incentive schemes (excluding shares)	-	1,795
Company contributions to money purchase pension schemes	-	112

### 5 Other interest receivable and similar income

	2012 £ 000	2011 £ 000
Bank interest receivable	14	18

### 6 Interest payable and similar charges

	2012 £ 000	2011 £ 000
Interest on loans from group undertakings	32,933	27,112
Interest on other loans	725	538
	33,658	27,650

# **AWG Parent Co Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2012**

..... *continued*

### **7 Taxation**

#### **Tax on loss on ordinary activities**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current tax</b>		
Corporation tax credit	(7,450)	(4,500)
Adjustments in respect of previous years	<u>(410)</u>	<u>-</u>
UK Corporation tax	<u><u>(7,860)</u></u>	<u><u>(4,500)</u></u>

#### **Factors affecting current tax charge for the year**

Tax on loss on ordinary activities for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%)

The differences are reconciled below

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Loss on ordinary activities before taxation	<u>(30,994)</u>	<u>(16,678)</u>
Corporation tax at standard rate	<u>(8,058)</u>	<u>(4,670)</u>
Items not deductible for tax purposes	608	170
Over provision in previous year	<u>(410)</u>	<u>-</u>
Total current tax	<u><u>(7,860)</u></u>	<u><u>(4,500)</u></u>

# AWG Parent Co Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... continued

### Factors that may affect future tax charges

During the year, as a result of the change in the UK corporation tax rate from 26% to 24% that is effective from 1 April 2012, all relevant deferred tax balances have been re-measured. Further changes to the UK corporation tax rate have been announced which propose to reduce the rate by 1% per annum to 22% 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.

### Deferred tax

There is no deferred tax, recognised or un-recognised, in the company.

### 8 Investments held as fixed assets

	2012 £ 000	2011 £ 000
Shares in group undertakings and participating interests	3,506,000	3,009,000
Loans to group undertakings and participating interests	1,102	204,752
	<u>3,507,102</u>	<u>3,213,752</u>

The directors believe that the carrying value of the investments is supported by their future cash flows.

### Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
<b>Cost - revaluation</b>	
At 1 April 2011	3,009,000
Revaluation	<u>497,000</u>
At 31 March 2012	<u>3,506,000</u>
<b>Net book value</b>	
At 31 March 2012	<u>3,506,000</u>
At 31 March 2011	<u>3,009,000</u>

**AWG Parent Co Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

**..... continued**

**Loans to group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>
At 1 April 2011 cost and net book value	204,752
Repaid	<u>(203,650)</u>
At 31 March 2012 cost and net book value	<u>1,102</u>



## AWG Parent Co Limited

### Notes to the Financial Statements for the Year Ended 31 March 2012

..... *continued*

The loan is interest bearing at a rate of LIBOR + 5% , has a final repayment date of 2015 and is unsecured The borrower can make early repayment, in full or part, of the principal amount at its discretion

#### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
<b>Subsidiary undertakings</b>			
AWG Holdings Limited	Ordinary shares	100%	Holding company
AWG Central Services Limited	Ordinary Shares	100%	Provision of administrative services to group companies

For the above companies their country of incorporation is the United Kingdom

The company undertakes a review of its investments on an annual basis to determine whether the carrying value of the investment needs to be impaired The review looks at the projected future cash flows for the investment, discounted at the appropriate rate, and compares this to the carrying value If the future discounted cash flows are lower than the carrying value then an impairment provision is made For investments where an external valuation is available then this is used to determine whether an impairment is required

For the revaluation of investments, the future cash flows of the company, discounted at the appropriate rate, are reviewed and compared to the carrying value If the value of this calculation exceeds the carrying value then the investments carrying value is increased to its value in use as shown by the calculation, if the carrying value is higher than the value in use then the investment will be impaired This calculation is performed on an annual basis

#### 9 Debtors

	2012 £ 000	2011 £ 000
Amounts owed by group undertakings	8,642	11,569
Other debtors	-	2
	<u>8,642</u>	<u>11,571</u>

Amounts due from subsidiary undertakings are unsecured, interest free and repayable on demand Included in amounts due from subsidiary undertakings is £7,860,000 (2011 £4,500,000) relating to group relief on taxation

# **AWG Parent Co Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

### **10 Creditors Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to group undertakings	32,679	50,480
Accruals and deferred income	<u>-</u>	<u>2</u>
	<u>32,679</u>	<u>50,482</u>

Amounts due to subsidiary undertakings are unsecured, interest free and repayable on demand

### **11 Creditors Amounts falling due after more than one year**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
Other loans	4,807	4,101
Amounts owed to group undertakings	<u>925,000</u>	<u>841,000</u>
	<u>929,807</u>	<u>845,101</u>

Other loans relate to loans from key management (note 16) and have a repayment date of 2013 and have a variable interest rate

£791,000,000 (2011 £791,000,000) of the loans due to subsidiary undertakings are repayable in 2052 and have an interest rate of LIBOR plus 2% The remaining £134,000,000 (2011 £50,000,000) has a repayment date of 2015 and an interest rate of LIBOR plus 4.5%

All creditors are unsecured

### **12 Share capital**

	<b>2012</b>		<b>2011</b>	
<b>Allotted, called up and fully paid shares</b>	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £0.001 per share	10,195,603,281	10,195,603	10,195,603,281	10,195,603

### **13 Dividends**

	<b>2012</b>	<b>2011</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Dividends paid</b>		
Current year interim dividend paid 2.44p (2011 £2.49p) per ordinary share	<u>249,000</u>	<u>254,500</u>

**AWG Parent Co Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

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

	<b>2012</b> <b>£ 000</b>	<b>2011</b> <b>£ 000</b>
Loss attributable to the members of the company	(23,134)	(12,178)
Other recognised gains and losses relating to the year	497,000	384,000
Dividends	(249,000)	(254,500)
Net addition to shareholders' funds	224,866	117,322
Shareholders' funds at 1 April	2,333,131	2,215,809
Shareholders' funds at 31 March	<u>2,557,997</u>	<u>2,333,131</u>

**AWG Parent Co Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

..... *Continued*

**15 Reserves**

	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2011	384,000	8	1,938,927	2,322,935
Loss for the year	-	-	(23,134)	(23,134)
Dividends	-	-	(249,000)	(249,000)
Unrealised gain on investments	497,000	-	-	497,000
At 31 March 2012	881,000	8	1,666,793	2 547,801

## **AWG Parent Co Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

#### **16 Pension schemes**

##### **Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,601 (2011 - £117).

Contributions totalling £nil (2011 - £nil) were payable to the scheme at the end of the year and are included in creditors.

#### **17 Transactions with key management**

A scheme is in place to encourage investment in the group by Key Management on an equivalent basis as the consortium of shareholders. During the year a return of £0.7 million (2011 - £0.6 million) was earned, additionally during the previous year ended 31 March 2011, £3.5 million was invested by Key Management and the group repaid £1.4 million as part of this scheme. At 31 March 2012 £4.8 million (2011 - £4.1 million) was loaned to the group by Key Management under this scheme.

#### **18 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.

#### **19 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.