

Registration number 3936645

AWG Parent Co Limited

Directors' Report and Financial Statements

for the Year Ended 31 March 2013

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AWG Parent Co Limited
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AWG Parent Co Limited
Company Information

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

AWG Parent Co Limited
Directors' Report for the Year Ended 31 March 2013

The directors present their report and the financial statements for the year ended 31 March 2013

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

C E O'Reilly (resigned 5 September 2012)

M Mehta (resigned 13 May 2013)

P J White (resigned 29 May 2012)

A A Montague

N P Mills

P Simpson

A Bourbonnais

Dr T J Stone

Dr A H Koettering

M Rogers (appointed 5 September 2012)

A Cox (appointed 29 May 2012)

W Kerschl (appointed 13 May 2013)

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 £33,637,000 (2012 loss £23,134,000)

During the year the company received capital repayments on the loan made to a subsidiary undertaking, and made dividend payments of 1.46p (2012 2.44p) per ordinary share amounting to £149,000,000 (2012 £249,000,000). In addition, a first interim dividend of £78,000,000 in respect of the year ending 31 March 2014 was approved by the board on 4 June 2013 and paid on the 10 June 2013. This dividend has not been included as a liability at 31 March 2013.

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 2013

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Financial risk management

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.

AWG Parent Co Limited
Directors' Report for the Year Ended 31 March 2013

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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 23/09/13 and signed on its behalf by


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 2013, 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 4), 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 2013 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**

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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



John Maitland (Senior Statutory Auditor)

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

Birmingham

Date *23 September 2013*

AWG Parent Co Limited
Profit and Loss Account for the Year Ended 31 March 2013

	Note	2013 £ 000	2012 £ 000
Administrative expenses		9	(1,601)
Operating profit/(loss)	2	9	(1,601)
Interest receivable on loans to group undertakings		38	4,251
Other interest receivable and similar income	5	10	14
Interest payable and similar charges	6	(44,685)	(33,658)
Loss on ordinary activities before taxation		(44,628)	(30,994)
Tax on loss on ordinary activities	7	10,991	7,860
Loss for the financial year	15	(33,637)	(23,134)

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 2013

	Note	2013 £ 000	2012 £ 000
Loss for the financial year		(33,637)	(23,134)
Revaluation of investments	8	<u>333,000</u>	<u>497,000</u>
Total recognised gains and losses		<u>299,363</u>	<u>473,866</u>

AWG Parent Co Limited
(Registration number: 3936645)
Balance Sheet at 31 March 2013

	Note	2013 £ 000	2012 £ 000
Fixed assets			
Investments	8	<u>3,839,000</u>	<u>3,507,102</u>
Current assets			
Debtors	9	10,991	8,642
Cash at bank and in hand		<u>5,406</u>	<u>4,739</u>
		16,397	13,381
Creditors Amounts falling due within one year	10	<u>(43,037)</u>	<u>(32,679)</u>
Net current liabilities		<u>(26,640)</u>	<u>(19,298)</u>
Total assets less current liabilities		3,812,360	3,487,804
Creditors Amounts falling due after more than one year	11	<u>(1,104,000)</u>	<u>(929,807)</u>
Net assets		<u>2,708,360</u>	<u>2,557,997</u>
Capital and reserves			
Called up share capital	12	10,196	10,196
Revaluation reserve	15	1,214,000	881,000
Other reserves	15	8	8
Profit and loss account	15	<u>1,484,156</u>	<u>1,666,793</u>
Total shareholder's funds		<u>2,708,360</u>	<u>2,557,997</u>

Approved by the Board on 23/09/13 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 2013

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

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Osprey Holdco Limited and is included in the consolidated financial statements of Osprey Holdco Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related-party transactions with entities that are part of the Osprey Holdco Limited group or investees of the Osprey Holdco Limited group.

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 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.

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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2 Operating profit / (loss)

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

3 Employee information

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

4 Directors' remuneration

In this and the prior year the directors remuneration is borne by another group company and is not recharged. For the current and prior year £nil was receivable by directors under long-term incentive plans (excluding shares)

For details of the remuneration paid to P Simpson and A A Montague refer to the Annual Report and Accounts of Anglian Water Services Limited for details, and for details concerning S R J Longhurst to the Annual Report and Accounts of AWG Group Limited. Copies of both can be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire, PE29 3NZ. All other Directors are remunerated by companies outside of the Group

5 Other interest receivable and similar income

	2013 £ 000	2012 £ 000
Bank interest receivable	<u>10</u>	<u>14</u>

6 Interest payable and similar charges

	2013 £ 000	2012 £ 000
Interest on loans from group undertakings	44,144	32,933
Interest on other loans	<u>541</u>	<u>725</u>
	<u>44,685</u>	<u>33,658</u>

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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7 Taxation

Tax on loss on ordinary activities

	2013 £ 000	2012 £ 000
Current tax		
Corporation tax credit	(10,580)	(7,450)
Adjustments in respect of previous years	(411)	(410)
UK Corporation tax	<u>(10,991)</u>	<u>(7,860)</u>

Factors affecting current tax charge for the year

Tax on loss on ordinary activities for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 24% (2012 - 26%)

The differences are reconciled below

	2013 £ 000	2012 £ 000
Loss on ordinary activities before taxation	(44,628)	(30,994)
Corporation tax at standard rate	<u>(10,711)</u>	<u>(8,058)</u>
Items not deductible for tax purposes	131	608
Over provision in previous year	(411)	(410)
Total current tax	<u>(10,991)</u>	<u>(7,860)</u>

Factors that may affect future tax charges

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that is effective from 1 April 2013, all relevant deferred tax balances have been re-measured. Further changes to the UK corporation tax rate were announced which propose to reduce the rate by 2% to 21% by 1 April 2014 and then by a further 1% to 20% by 1 April 2015. These changes, which have been substantively enacted in the Finance Act 2013 on 2 July 2013, 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.

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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8 Investments held as fixed assets

	2013 £ 000	2012 £ 000
Shares in group undertakings and participating interests	3,839,000	3,506,000
Loans to group undertakings and participating interests	-	1,102
	<u>3,839,000</u>	<u>3,507,102</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
Cost - revaluation	
At 1 April 2012	3,506,000
Revaluation	333,000
At 31 March 2013	<u>3,839,000</u>
Net book value	
At 31 March 2013	<u>3,839,000</u>
At 31 March 2012	<u>3,506,000</u>

Loans to group undertakings and participating interests

	Subsidiary undertakings £ 000
At 1 April 2012 cost and net book value	1,102
Repaid	<u>(1,102)</u>
At 31 March 2013 cost and net book value	<u>-</u>

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

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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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
Subsidiary undertakings			
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

	2013 £ 000	2012 £ 000
Amounts owed by group undertakings	10,991	8,642
	<u>10,991</u>	<u>8,642</u>

Amounts due from subsidiary undertakings are unsecured, interest free and repayable on demand. Included in amounts due from subsidiary undertakings is £10,991,000 (2012 £7,860,000) relating to group relief on taxation.

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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10 Creditors: Amounts falling due within one year

	2013	2012
	£ 000	£ 000
Amounts owed to group undertakings	37,732	32,679
Other creditors	<u>5,305</u>	<u>-</u>
	<u>43,037</u>	<u>32,679</u>

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

£5,304,000 of other creditors relate to loans from key management (note 17) and have a repayment date of 2013 and a variable interest rate

11 Creditors: Amounts falling due after more than one year

	2013	2012
	£ 000	£ 000
Amounts owed to group undertakings	1,104,000	925,000
Other creditors	<u>-</u>	<u>4,807</u>
	<u>1,104,000</u>	<u>929,807</u>

£791,000,000 (2012 £791,000,000) of the loans due to subsidiary undertakings are repayable in 2052 and have an interest rate of LIBOR plus 2% Following a re-negotiation of the term of the loan the remaining £313,000,000 (2012 £134,000,000) has a repayment date of 2017 (previously 2015) and an interest rate of LIBOR plus 4.75% (previously LIBOR + 4.5%)

All creditors are unsecured

12 Share capital

	2013		2012	
Allotted, called up and fully paid shares	No.	£	No.	£
Ordinary shares of £0.001 per share	10,195,603,281	10,195,603	10,195,603,281	10,195,603

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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13 Dividends

	2013	2012
	£ 000	£ 000
Dividends paid		
Current year interim dividend paid 1 46p (2012 2 44p) per ordinary share	<u>149,000</u>	<u>249,000</u>

14 Reconciliation of movement in shareholders' funds

	2013	2012
	£ 000	£ 000
Loss attributable to the members of the company	(33,637)	(23,134)
Other recognised gains and losses relating to the year	333,000	497,000
Dividends	<u>(149,000)</u>	<u>(249,000)</u>
Net addition to shareholders' funds	150,363	224,866
Shareholders' funds at 1 April	<u>2,557,997</u>	<u>2,333,131</u>
Shareholders' funds at 31 March	<u><u>2,708,360</u></u>	<u><u>2,557,997</u></u>

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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15 Reserves

At 1 April 2012	881,000	8	1,666,793	2,547,801
Loss for the year	-	-	(33,637)	(33,637)
Dividends	-	-	(149,000)	(149,000)
Unrealised gain on investments	333,000	-	-	333,000
At 31 March 2013	1,214,000	8	1,484,156	2,698,164

AWG Parent Co Limited

Notes to the Financial Statements for the Year Ended 31 March 2013

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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 £nil (2012 - £1,601)

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 £0.5 million (2012 £0.7 million) was earned. At 31 March 2013 £5.3 million (2012 £4.8 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.