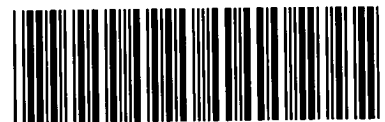


SOUTHERN WATER LIMITED

**ANNUAL REPORT
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2020**

Registered number: 02366620

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SOUTHERN WATER LIMITED
Annual report and financial statements for the year
ended 31 March 2020

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SOUTHERN WATER LIMITED

COMPANY INFORMATION

The company is a private company limited by shares.

Directors

I McAulay
J Statton

Company secretary

J Statton

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
United Kingdom
BN13 3NX

Bankers

HSBC Bank PLC
PO Box 125
2nd Floor, 62-76 Park Street
London
United Kingdom
SE1 9DZ

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Registered number

02366620

SOUTHERN WATER LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The strategic report for the year ended 31 March 2020 has been prepared in terms of Section 414C of the Companies Act 2006

Southern Water Limited (Registered No. 02366620) was incorporated in the United Kingdom and was established to complement the activities of the other companies in the Greensands Holdings group. The company continues to act as a holding company for the subsidiaries as stated in note 6.

The company did not trade during the year, and there is no intention for it to trade in the future.

KEY PERFORMANCE INDICATORS

Southern Water Limited acts as an intermediate holding company for the overall group and as such does not have any KPIs as an individual company. KPIs are monitored at the group level and are disclosed in the consolidated financial statements of Greensands Holdings Limited which may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, BN13 3NX.

Given the limited activity of the company, additional information including a review of the company's business, future developments and information of the principal risk and uncertainties facing the company is presented in the directors' report. As a result, no further information is included in this strategic report.

Approved by the Board of Directors and signed on behalf of the Board.



I McAulay
Director
29 July 2020

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors of Southern Water Limited (Registered No. 02366620) present their annual report and audited financial statements for the year ended 31 March 2020.

The directors, in preparing this directors report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of an intermediate holding company for the subsidiary undertakings disclosed in note 8 to the financial statements.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company acted as a holding company for investments during the year.

The company did not trade during the year, and there is no intention for it to trade in the future.

The company received dividends of £nil (2019: £nil) from its investments. The company has net assets of £1,140.3m (2019: £1,140.3m) largely comprising of loans to other group companies of £1,178.4m (2019: £1,178.4m) offset by loans from other group companies of £61.4m (2019: £61.4m).

The company neither made a profit or loss during the year (2019: £nil). The company paid dividends of £nil during the year (2019: £nil). No additional interim or final dividend has been declared or paid for the year ended 31 March 2020. The retained result for the year of £nil (2019: £nil) has had no impact on reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk the company is exposed to is the occurrence of events that would result in an impairment to the value of its investments in Bowsprit Holdings Limited, Ecoclear Limited, Southern Water Industries Limited or Southern Water Services Finance plc and the recoverability of its inter company debt. Ultimately this is reliant on cash funds being available at the main trading company within the group, Southern Water Services Limited, to support the group.

The directors are confident that these risks are mitigated by the use of effective risk management policies employed by Southern Water Services Limited. For further details regarding these policies please refer to the strategic report of Southern Water Services Limited

GOING CONCERN

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months following the approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2020 in the forthcoming year, however there maybe wider economic factors, such as the UK's departure from the European Union and the impact of Covid-19, which could affect future company dealings. However, the company is safeguarded by being a holding company not engaged in any trade. The underlying operational company Southern Water Services Limited has considered the impact of Covid-19 and disclosed this in its Annual Report. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no significant events after the statement of financial position date to report.

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

DIRECTORS

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

I McAulay
J Statton

DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers, which is also maintained for the directors and officers of its holding companies and fellow subsidiaries. Following shareholder approval, the company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. An indemnity has also been provided for the directors and company secretaries of the company's holding companies and fellow subsidiaries.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

STATEMENT OF PROVISION OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



J Statton
Company Secretary
29 July 2020

SOUTHERN WATER LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £m	2019 £m
Continuing operations			
Finance income		-	-
Result before taxation	4	<u>-</u>	<u>-</u>
Tax on result	5	-	-
Result for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

There were no other comprehensive income or losses for the years ending 31 March 2019 and 31 March 2020, accordingly no separate statement of other comprehensive income is presented.

SOUTHERN WATER LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020 £m	2019 £m
Non-current assets			
Investments	6	22.6	22.6
Other non-current assets	7	1,178.4	1,178.4
		<u>1,201.0</u>	<u>1,201.0</u>
Current assets			
Trade and other receivables	8	0.5	0.5
Cash and cash equivalents		0.2	0.2
		<u>0.7</u>	<u>0.7</u>
Total assets		<u>1,201.7</u>	<u>1,201.7</u>
Current liabilities			
Trade and other payables	9	(61.4)	(61.4)
		<u></u>	<u></u>
Net assets		<u>1,140.3</u>	<u>1,140.3</u>
Equity			
Called up share capital	10	156.6	156.6
Capital redemption reserve		16.9	16.9
Share premium account		14.4	14.4
Retained earnings		952.4	952.4
Total equity		<u>1,140.3</u>	<u>1,140.3</u>

The financial statements of Southern Water Limited (Registered No: 02366620) were approved by the Board and authorised for issue on 29 July 2020.

Signed on behalf of the Board of Directors:



I McAulay
Director

SOUTHERN WATER LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £m	Capital Redemption Reserve £m	Share premium account £m	Retained Earnings £m	Total £m
Balance at 1 April 2018	156.6	16.9	14.4	952.4	1,140.3
Result for the financial year	-	-	-	-	-
Balance at 31 March 2019	156.6	16.9	14.4	952.4	1,140.3
Result for the financial year	-	-	-	-	-
Balance at 31 March 2020	156.6	16.9	14.4	952.4	1,140.3

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Basis of preparation

Southern Water Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1 and the principal activities of the company are disclosed in the directors' report on page 3.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with 'FRS 101 Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. The principal accounting policies adopted are set out below and have been applied consistently throughout the current and preceding year.

The financial statements have been prepared on a going concern basis under the historical cost convention and are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The financial statements contain information about Southern Water Limited as an individual company. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of the ultimate holding company, Greensands Holdings Limited. The group financial statements of Greensands Holdings Limited are available to the public and can be obtained from the Southern Water Services Limited website.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a statement of cash flows, financial instruments; fair value measurement, standards not yet effective, presentation of a statement of financial position as at the beginning of the preceding period following a retrospective accounting policy application or restatement, capital management, related party transactions and impairment of assets. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

Adoption of new and revised accounting and financial reporting standards

A number of new standards and amendments are effective for periods beginning from or after 1 January 2019 are as follows:

- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 'Employee Benefits'
- Amendments to IFRS 9 'Financial Instruments'
- IFRS 16 'Leases'

There was no material impact resulting from the application of these standards.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

1 Accounting policies (continued)

Going concern

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months following the approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Related party disclosure

The company has taken advantage of the exemption under FRS 101 paragraph 8(j) from the requirements of IAS 24, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Greensands Holdings Limited, whose financial statements are publicly available from the address in note 11.

Investments

Investments held as fixed non-current assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value. The carrying values of fixed non-current asset investments are reviewed for impairment in years if events or changes in circumstances indicate the carrying value may not be recoverable. Interest income is accrued on a daily basis. Dividends and other investment income is accounted for when it becomes receivable.

Interest income, interest payable and similar income and expenses

Interest income, interest payable and similar income and expenses are recognised on an accruals basis.

Financial instruments

The company has adopted IFRS 9 'Financial Instruments' from 1 April 2018.

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. There was no material impact resulting from the application of this standard for the reasons that follow. The financial assets and liabilities held by the company were previously held at amortised cost, as described below, and there has been no change to their accounting treatment. The company has always conducted an annual impairment review of its financial assets and taken into consideration future expected cash flows. The company does not currently hedge account.

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

1 Accounting policies (continued)

Financial assets

(i) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Impairment of financial assets

All debt type financial assets which are not measured at FVTPL are assessed for impairment at each reporting date using a forward looking approach by identifying expected credit losses ('ECL's). ECLs are defined as the difference between the contractual cash flows that are due in accordance with the contract and the cash flows that the company expected to receive, discounted at the original effective interest rate.

Based on that analysis at the end of the reporting period, the impairment on the company's assets are considered to be immaterial and no allowance has been recognised in financial statements.

(iii) Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

(i) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Impairment

Impairment is recognised in the income statement when there is evidence that the value of an asset is higher than the recoverable amount. Recoverable amount is the lower of, value in use or net realisable value. An impairment review requires management to make subjective judgements regarding the recoverable amount of the asset under review. The company's policy in relation to impairment of financial assets is disclosed in note 1 (ii).

Key sources of estimation uncertainty

The directors believe that there are currently no key sources of estimation that the company is required to disclose.

3 Employee information

The company had no employees (2019: None).

The services of the directors are deemed to be wholly attributable to their services to Southern Water Services Limited.

Accordingly no details in respect of the emoluments paid to the directors are included here as they are fully disclosed in the financial statements of Southern Water Services Limited.

4 Result before taxation

In 2020 and 2019 audit fees of £1,000 in relations to auditing of the financial statements were borne by Southern Water Services Limited and not recharged to the company.

5 Tax on result

UK tax charge in respect of the profit on ordinary activities for the year is nil (2019: £nil).

No deferred tax arose during the year to 31 March 2020 (2019: £nil).

Factors that may affect future tax charges

Reductions in the main rate of corporation tax to 17% from the 1 April 2020 were enacted in the Finance Bill 2016. It was subsequently announced in March 2020 that the corporation tax rate would instead increase to 19% from 1 April 2020. This increase has been substantively enacted in Finance Bill 2020 at the Balance sheet date.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

6 Investments

	Shares in subsidiary undertakings £m
At cost and net book amount	
At 1 April 2019 and 31 March 2020	<u>22.6</u>

The directors are satisfied that the book value of investments is supported by their underlying net assets.

As at 31 March 2020 the company's subsidiaries are listed below

Company	Class of share capital	No. shares issued	% Shares held	Activity	Country of incorporation
Bowsprit Holdings Limited	Ordinary	100 at £1	100%	Dormant	UK
Ecoclear Limited	Ordinary	2,000,100 at £1	100%	Dormant	UK
Southern Water Industries Limited	Ordinary	45,000 at £1	100%	Dormant	UK

All of the above subsidiaries' have their registered office at Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX.

By virtue of the company's ownership of Bowsprit Holdings Limited (BHL) the company has indirect holdings in subsidiary undertakings of Bowsprit Property Development Limited (BPD). BPD is a wholly owned subsidiary of BHL by ordinary shares. BPD's principal activity is to hold property rights. Its registered address is Southern House, Yeoman Road, Worthing.

7 Other non-current assets

	2020 £m	2019 £m
Amounts due from group undertakings	<u>1,178.4</u>	<u>1,178.4</u>

All amounts due from group undertakings are unsecured, interest free and repayable on demand. The directors have confirmed that this balance will not be called upon for 12 months from the date of these financial statements.

All entities are wholly owned within group.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

8 Trade and other receivables

	2020 £m	2019 £m
Amounts due from group undertakings	<u>0.5</u>	<u>0.5</u>

All amounts due from group undertakings are unsecured, interest free and repayable on demand.

All entities are wholly owned within group.

9 Trade and other payables

	2020 £m	2019 £m
Amounts owed to group undertakings	<u>61.4</u>	<u>61.4</u>

All amounts payable to group undertakings are unsecured, interest free and repayable on demand.

All entities are wholly owned within group.

10 Called up share capital

	2020 £m	2019 £m
Authorised, allotted, called up and fully paid:		
156,642,565 (2019: 156,642,565) ordinary shares of £1 each	<u>156.6</u>	<u>156.6</u>

On 14 December 1995, the company purchased, and subsequently cancelled, £16.9m ordinary shares at an average price of £6.65p per share. This is a statutory non-distributable reserve.

The Company has one class of ordinary shares which carry no right to fixed income.

11 Ultimate parent and controlling party

The immediate parent company is Southern Water (NR) Limited.

The ultimate parent and controlling company is Greensands Holdings Limited (Registered Number: Jersey 98700), it was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, JE4 9WG. Greensands Holdings Limited is itself owned and controlled by a consortium of investors. At 31 March 2020, no single investor owned a controlling shareholding.

Greensands Holdings Limited is the largest and smallest parent company and only group company that prepares consolidated financial statements, which contain the financial statements of Southern Water Limited. Copies of Greensands Holdings Limited's consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, BN13 3NX.

SOUTHERN WATER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Southern Water Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

SOUTHERN WATER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

SOUTHERN WATER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, reading "Anthony Matthews", with a horizontal line underneath it.

Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 July 2020