

SOUTHERN WATER LIMITED

**ANNUAL REPORT
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2023**

Registered number: 02366620

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SOUTHERN WATER LIMITED

Annual report and financial statements for the year

ended 31 March 2023

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SOUTHERN WATER LIMITED

COMPANY INFORMATION

The company is a private company limited by shares.

Directors

L Gosden
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
2 New Street Square
London
EC4A 3BZ
United Kingdom

Registered number

02366620

SOUTHERN WATER LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

The strategic report for the year ended 31 March 2023 has been prepared in terms of Section 414C of the Companies Act 2006.

Southern Water Limited "the company" (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.

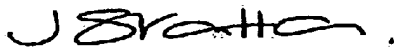
The company did not trade during the year, and there is no intention for it to trade in the future however it will continue to act as a holding company for the subsidiaries detailed in note 6.

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.



J Statton
Director
28 July 2023

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors of Southern Water Limited (Registered No. 02366620) present their annual report and audited financial statements for the year ended 31 March 2023.

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 (2022: £nil) from its investments. The company has net assets of £1,140.3m (2022: £1,140.3m) largely comprising of loans to other group companies of £1,178.4m (2022: £1,178.4m) offset by loans from other group companies of £61.4m (2022: £61.4m).

During the year, the company neither made a profit or loss during the year (2022: £nil). The company paid dividends of £nil during the year (2022: £nil). No further dividends have been proposed or declared post year end. The retained result for the year of £nil (2022: £nil) has had no impact on reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in an impairment to and the recoverability of its intercompany debt. Ultimately this is reliant on cash funds being available at 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.

The Greensands Holdings Group comprises a number of intermediary financing companies as set out below:

Corporate level	Companies
'Holdco'	Greensands Holdings Ltd (GSH) Greensands Europe (GSE) Greensands UK Limited (GSUK) Greensands Junior Finance Limited (GSJF) Southern Water (Greensands) Financing plc (SWGF) Greensands Senior Finance Limited (GSSF) Greensands Investments Limited (GSI)
'Midco'	Greensands Finance Holdings Limited (GSFH) Greensands Finance Limited (GSF Ltd) Greensands Financing plc (GSF plc) Southern Water Capital (SWC) Southern Water Investments Limited Southern Water Services Group (SWSG)
Southern Water Financing Group	SWS Group Holdings SWS Holdings Southern Water Services Limited (SWS) Southern Water Services (Finance) (SWSF) SW (Finance) I plc (SWFI) SW (Finance) II Limited (SWFII)

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Impairment risk:

There is no trading activity carried out within either the 'Midco' or 'Holdco' groups. The 'Midco' is dependent upon distributions received from Southern Water Services Limited and the 'Holdco' is dependent on distributions received from the 'Midco'. Loan covenants exist at the 'Holdco', 'Midco' and SWS financing group which are designed to protect investors at each respective level.

On 7 July 2023, Fitch announced its decision to downgrade the Class A Unwrapped Debt of SW (Finance) I to BBB (negative outlook) from BBB+ (negative outlook). As a consequence of the Fitch credit rating action, a credit rating downgrade Trigger Event has occurred. The consequence of the Trigger Event is that Southern Water Services Limited is not permitted to make distributions to parent companies.

Therefore, the company does not expect to receive interest on loans to subsidiary companies, or a dividend from subsidiary companies. Southern Water Services Ltd and the Greensands Finance group of companies are expected to be in Trigger until at least March 2025.

To assist in financing of the planned expenditure the group expects to receive £550 million of new equity ("the Equity Raise"), with cash expected to be received by the end of October 2023. The MidCo expects to retain £75 million of the new equity, as set out in the 'going concern' statement and this would ensure sufficient liquidity is in place to settle the debt service requirement of the MidCo, for the 12 months from the date of signing these financial statements.

FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Southern Water Group manages its treasury operations on a group basis. Financial risk management is performed by Southern Water Services Limited's Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Southern Water Services' Annual Report and Financial Statements (which does not form part of this report).

STREAMLINED ENERGY AND CARBON REPORT (SECR)

The company is exempt from producing the Streamlined Energy and Carbon Report (SECR) by virtue of the fact it is non-operating and does not directly consume energy. The Streamlined Energy and Carbon Report (SECR) for the group is included in the consolidated financial statements of Greensands Holdings Limited, which are available to the public and can be obtained from the Southern Water website (www.southernwater.co.uk).

GOING CONCERN

The directors believe, after due and careful enquiry, that the company has sufficient resources for its present requirements and, therefore, consider it appropriate to adopt the going concern basis in preparing the financial statements to 31 March 2023, notwithstanding the material uncertainty discussed below.

As described on page 3, the company is a holding company within the Greensands Holdings Limited group of companies. These companies exist to support the only operating company within the group, Southern Water Services Limited (SWS), which is a fellow subsidiary of Greensands Holdings Limited

No trading activity is carried out by Southern Water Limited, which is therefore dependent upon SWS to support its existence.

SWS disclosed a material uncertainty with respect to going concern in its annual report and accounts for 2022–23, connected to the expected receipt of £375 million as part of a £550 million equity raise to support the overall group.

Southern Water Limited does not expect to receive a dividend from subsidiary companies including SWS and SWS is expected to be in a Trigger Event until at least March 2025, due to a credit ratings downgrade, the consequence of which is that it is not permitted to make distributions to parent companies.

If the £550 million Equity Raise is successful, then the Directors believe that SWS will have sufficient liquidity over the going concern period to execute its business plan, and the company, will have sufficient liquidity over the going concern period and to meet its financial commitments as they fall due.

SOUTHERN WATER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

GOING CONCERN (continued)

If the £550 million Equity Raise does not proceed by the end of October 2023, SWS will need to develop a new plan, although the company will have sufficient liquidity over the going concern period to meet its financial commitments.

The Directors are of the opinion that that the Equity Raise will be received but given it has not been committed at the date of the financial statements and its commitment is not within the Directors' control, believe that the risk that the equity is not received constitutes a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events after the statement of financial position date.

DIRECTORS

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

I McAulay	Resigned as Director on 30 June 2022
L Gosden	Appointed as Director on 1 July 2022
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 2023 (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 its behalf by:



J Statton
Company Secretary
28 July 2023

SOUTHERN WATER LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £m	2022 £m
Continuing operations			
Finance income		-	-
Result before taxation	6	-	-
Tax	7	-	-
Result for the financial year		-	-

There were no other comprehensive income or losses for the years ending 31 March 2022 and 31 March 2023, accordingly no separate statement of other comprehensive income is presented.

SOUTHERN WATER LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Investments	8	22.6	22.6
Other non-current assets	9	<u>1,178.4</u>	<u>1,178.4</u>
		1,201.0	1,201.0
Current assets			
Trade and other receivables	10	0.5	0.5
Cash and cash equivalents		<u>0.2</u>	<u>0.2</u>
		0.7	0.7
Total assets		<u>1,201.7</u>	<u>1,201.7</u>
Current liabilities			
Trade and other payables	11	<u>(61.4)</u>	<u>(61.4)</u>
Net assets		<u>1,140.3</u>	<u>1,140.3</u>
Equity			
Called up share capital	12	156.6	156.6
Capital redemption reserve		16.9	16.9
Share premium account		14.4	14.4
Retained earnings		<u>952.4</u>	<u>952.4</u>
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 28 July 2023.

Signed on behalf of the Board of Directors:



J Statton
Director
28 July 2023

SOUTHERN WATER LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital £m	Capital Redemption Reserve £m	Share premium account £m	Retained Earnings £m	Total £m
Balance at 1 April 2021	156.6	16.9	14.4	952.4	1,140.3
Result for the financial year	-	-	-	-	-
Balance at 31 March 2022	156.6	16.9	14.4	952.4	1,140.3
Result for the financial year	-	-	-	-	-
Balance at 31 March 2023	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 2023

1 General information

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. The nature of the company's operations and its principal activities are set out in the directors' report on page 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

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 in the publicly available consolidated financial statements of the holding company, Greensands Holdings Limited, from the address given in note 13.

2 Adoption of new and revised accounting and financial reporting standards

There have been no new or revised accounting standards adopted in the current year that had a significant or material impact on the financial statements.

3 Significant accounting policies

Basis of Accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3 Significant 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.

This review has included consideration of the material uncertainty, reported in the going concern statement of Southern Water Services Limited and the proposed Equity Raise of £550 million for the whole group.

The ultimate shareholders of the company have indicated their support for the group and are believed to be at an advanced stage of the equity process, but the receipt has not been committed at the date of signing these financial statements.

The Directors are of the opinion that the Equity Raise will be received but given it has not been committed at the date of the financial statements and its commitment is not within the Directors' control, believe that the risk that the equity is not received constitutes a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, notwithstanding the material uncertainty above, on the basis of their assessment of the company's overall financial position, and the group's ability to raise new finance, they continue to adopt the going concern basis of accounting in preparing the annual financial statements, further details can be found in the Directors' Report on page 4 to 5.

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 13.

Investments, dividends and other investment income

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 accrual 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 2023 (continued)

3 Significant 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 2023 (continued)

4 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

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the reporting period end that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Impairment

Investments and loans and other receivables are assessed for impairment in accordance with IFRS 9. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred or are expected to occur after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment review requires management to make estimates regarding the future cash flows of the asset under review. The Directors take into account current and expected regulated returns and these are subject to ongoing review and negotiation. An impairment has not been recognised during the year.

Regulatory returns are sensitive to the actual performance of Southern Water Services Limited, the only operating company in the group.

5 Employee information

The company had no employees (2022: 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.

6 Result before taxation

In 2023 and 2022 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.

7 Tax

UK tax charge in respect of the profit for the year is £nil (2022: £nil).

No deferred tax arose during the year to 31 March 2023 (2022: £nil).

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

7 Tax (continued)

Factors that may affect future tax charges

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. The company's deferred assets and liabilities which will reverse after 1 April 2023 will be measured at the increased corporation tax rate having regard to their reversal profiles.

8 Investments

	Shares in subsidiary undertakings £m
At cost and net book amount	
At 1 April 2022 and 31 March 2023	<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 2023 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.

9 Other non-current assets

	2023 £m	2022 £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 2023 (continued)

10 Trade and other receivables

	2023 £m	2022 £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.

11 Trade and other payables

	2023 £m	2022 £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.

12 Called up share capital

	2023 £m	2022 £m
Authorised, allotted, called up and fully paid:		
156,642,565 (2022: 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.

13 Ultimate parent and controlling party

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

Greensands Holdings Limited (Registered Number: Jersey 98700) is the parent undertaking of the smallest and largest and only group to consolidate these financial statements. Greensands Holdings Limited was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, United Kingdom, JE4 9WG. Copies of the consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, BN13 3NX.

Macquarie Asset Management (through a Macquarie group company, Mscif Wight Bidco Limited) as the major shareholder in the consortium of investors owning Greensands Holdings Limited, is the ultimate parent and controlling party.

The company has taken advantage of the exemption under FRS 101 'Reduced Disclosure Framework' in not disclosing details of transactions with other companies which are 100% wholly owned. Equivalent disclosures are given in the group financial statements of Greensands Holdings Limited

14 Events after the statement of financial position date

There were no significant events after the statement of financial position date.

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 2023 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 14.

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.

Material uncertainty relating to going concern

We draw attention to note 3 in the financial statements, which indicates that the Southern Water Limited is part of the group headed by Greensands Holding Limited (GSH). Its fellow subsidiary Southern Water Services Limited (SWS) is the only trading entity within GSH group and hence all other group companies ultimately rely on SWS's financial performance to generate cash in order to meet their liabilities as they fall due. GSH group requires additional equity totalling £550m to have sufficient liquidity over the going concern period, which has not been committed at the date of signing the financial statements. In its financial statements issued on 7 July 2023, SWS identified this as a material uncertainty with respect to going concern. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

SOUTHERN WATER LIMITED

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

SOUTHERN WATER LIMITED

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in house legal counsel concerning actual and potential litigation and claims; and
- reading minutes of meetings of those charged with governance.

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.

Matters on which we are required to report by exception

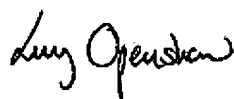
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Lucy Openshaw FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom
28 July 2023