

HASTINGS WATER (UK) LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2020

HASTINGS WATER (UK) LIMITED

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HASTINGS WATER (UK) LIMITED

Company Information

| | |
|-----------------------------|--|
| Directors | R Drew M Szczepaniak |
| Company secretary | N Truillet |
| Registered number | 04866247 |
| Registered office | Rocfort Road Snodland Kent ME6 5AH |
| Independent auditors | Deloitte LLP, Statutory Auditor Hill House 1 Little New Street London United Kingdom EC4A 3TR |
| Bankers | HSBC Bank Plc 60 Queen Victoria Street London EC4N 4TR |

HASTINGS WATER (UK) LIMITED

Strategic Report

For the year ended 31 March 2020

Introduction

The company is a wholly-owned subsidiary of HDF (UK) Holdings Limited. This Strategic Report covers a review of the business and a description of the principal risks and uncertainties facing the company.

Business review

The company is a private company limited by shares domiciled and incorporated in England and Wales. The company's principal activity during the year and for the foreseeable future is that of an intermediate holding company. Its subsidiaries include South East Water (Holdings) Limited, South East Water Limited and South East Water (Finance) Limited.

The audited financial statements for the year ended 31 March 2020 are set out on pages 9 to 18. The profit on ordinary activities, after taxation, for the year was £2.1 million (2019: £19.9 million). The primary reason for the decrease in profit was due a to decrease in dividends received from its subsidiary. The directors consider the performance of the business to be satisfactory.

Dividends of £2.2 million (2019: £20.3 million) were paid during the year.

The company has raised new loan finance of £54.4 million in September 2019 from its fellow subsidiary company, Hastings Water (Luxembourg) S.a.r.l.. The purpose of the loan is to fund further capital investment in South East Water (Holdings) Limited. The new loan attracts interest at a variable rate of LIBOR plus 2.55% and matures on 20 December 2023.

The company expect the general level of activity to remain constant in the forthcoming year.

Principal risks and uncertainties

The directors consider that liquidity risk is the principal risk facing the company. As the principal financial assets and liabilities of the company are due from or to other companies within the HDF (UK) Holdings Limited group, this is managed at group level.

The exit of the UK from European Union has been included in our risk analysis. Management has also considered the impact of Covid-19 and part of the company's considerations has been the impact of these actions on its indirect subsidiary company, South East Water Limited, and any potential threat to the dividends paid by that company. South East Water Limited, have been making contingency plans for this evolving issue to ensure the minimal impact on its customer service or its ability to pay dividends. Dividends paid during the year are detailed in directors report. The company's loan arrangements with its co-subsidiary, Hastings Water (Luxembourg) S.A.R.L., are not expected to be altered by the change in EU membership.

Financial key performance indicators

Our key financial performance indicators are dividends received and dividends paid during the year, which are as follows:

| KPI | Measure | 2020 | 2019 |
|-------------------|-----------|------|------|
| Dividend received | £ million | 1.3 | 18.5 |
| Dividend paid | £ million | 2.2 | 20.3 |

The dividend policy for the HDF Group is set by the HDF Group's Board. The aim of the policy is to fund the group's payments of interest and expenses and to provide liquidity to the parent company.

HASTINGS WATER (UK) LIMITED

Strategic Report (continued)

For the year ended 31 March 2020

This report was approved by the board and signed on its behalf.

N Truillet

Secretary

Date: 23 September 2020

HASTINGS WATER (UK) LIMITED

Directors' Report

For the year ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Results and Dividends

The profit for the year, after taxation, amounted to £2.1 million (2019: £19.9 million).

The audited financial statements for the year ended 31 March 2020 are set out on pages 9 to 18.

Dividends of £2.2 million (2019: £20.3 million) were paid during the year.

Financial risks relating to dividends been assessed in the strategic report.

Going Concern

In preparing the financial statements the directors have considered the impact of Covid-19. They have concluded they have sufficient resources to meet liabilities as they fall due, accordingly the accounts have been prepared on a going concern basis (see note: 1).

Directors

The directors who served during the year and to the date of signing were:

R Drew (appointed 27 December 2019)

S Jordan (appointed 3 August 2018, resigned 27 December 2019)

M Szczepaniak (appointed 4 March 2019)

Auditor

This is the tenth year since Deloitte LLP were appointed as statutory auditor for the group. As required by UK law, a tender process for the financial year commencing 1 April 2020 has commenced for the HDF group subsidiary company, South East Water Limited. By extension, the new appointed auditor will also act as the statutory auditor for this company. However this process has been postponed due to the current situation caused by the Covid-19 pandemic. The group has sought and obtained permission from the Financial Reporting Council to extend the appointment of Deloitte LLP as statutory auditor for a further year to allow time for the tender process to be conducted after the lockdown period has ceased. Deloitte LLP have agreed to act in the capacity of auditor for the group for a further year.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be 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 s418 of the Companies

Act 2006.

This report was approved by the board and signed on its behalf.

N Truillet

Secretary

Date: 23 September 2020

HASTINGS WATER (UK) LIMITED

Directors' Responsibilities Statement For the year ended 31 March 2020

The directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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;
- 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 to 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.

HASTINGS WATER (UK) LIMITED

Independent Auditors' Report to the Members of HASTINGS WATER (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hastings Water (UK) 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 profit 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 UK Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

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.

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

HASTINGS WATER (UK) LIMITED

Independent Auditors' Report to the Members of HASTINGS WATER (UK) LIMITED

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 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.

HASTINGS WATER (UK) LIMITED

Independent Auditors' Report to the Members of HASTINGS WATER (UK) LIMITED

Helen Burridge (Senior statutory auditor)

For and on behalf of

Deloitte LLP, Statutory Auditor

London
United Kingdom
23 September 2020

HASTINGS WATER (UK) LIMITED

Statement of Comprehensive Income For the year ended 31 March 2020

| | Note | 2020 £000 | 2019 £000 |
|--|-------------|----------------------|----------------------|
| Income from shares in group undertakings | 3 | 1,300 | 18,450 |
| Interest received and similar income | 4 | 5,554 | 5,580 |
| Interest payable and expenses | 5 | (4,774) | (3,743) |
| | | <hr/> | <hr/> |
| Profit before tax | | 2,080 | 20,287 |
| Tax on profit | 6 | - | (349) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | <u>2,080</u> | <u>19,938</u> |

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 12 to 18 form part of these financial statements.

Statement of Financial Position
As at 31 March 2020

| | Note | 2020 £000 | 2019 £000 |
|---|-------------|----------------------|----------------------|
| Non current assets | | | |
| Investments | 8 | 227,475 | 173,475 |
| | | <u>227,475</u> | <u>173,475</u> |
| Current assets | | | |
| Cash at bank and in hand | 9 | 51 | 7 |
| | | <u>51</u> | <u>7</u> |
| Creditors: amounts falling due within one year | 10 | (191) | (477) |
| | | <u>(140)</u> | <u>(470)</u> |
| Net current liabilities | | | |
| | | <u>(140)</u> | <u>(470)</u> |
| Total assets less current liabilities | | 227,335 | 173,005 |
| Creditors: amounts falling due after more than one year | 11 | (109,900) | (55,500) |
| | | <u>117,435</u> | <u>117,505</u> |
| Net assets excluding pension asset | | 117,435 | 117,505 |
| | | <u>117,435</u> | <u>117,505</u> |
| Net assets | | <u>117,435</u> | <u>117,505</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 94,721 | 94,721 |
| Profit and loss account | 13 | 22,714 | 22,784 |
| | | <u>117,435</u> | <u>117,505</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M Szczepaniak

Director

Date: 23 September 2020

The notes on pages 12 to 18 form part of these financial statements.

HASTINGS WATER (UK) LIMITED

Statement of Changes in Equity For the year ended 31 March 2020

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| At 1 April 2019 | 94,721 | 22,784 | 117,505 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 2,080 | 2,080 |
| Dividends: Equity capital | - | (2,150) | (2,150) |
| At 31 March 2020 | 94,721 | 22,714 | 117,435 |

The notes on pages 12 to 18 form part of these financial statements.

Statement of Changes in Equity For the year ended 31 March 2019

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------------------------------------|------------------------------------|----------------------|
| At 1 April 2018 | 94,721 | 23,146 | 117,867 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 19,938 | 19,938 |
| Dividends: Equity capital | - | (20,300) | (20,300) |
| At 31 March 2019 | 94,721 | 22,784 | 117,505 |

The notes on pages 12 to 18 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.3 Going concern

Given the entity has net current liabilities, we have obtained confirmation from HDF Group that they will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet.

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 the foreseeable future. The company is financed by interest and dividends received from its subsidiary company South East Water (Holdings) Limited which is a part of HDF group. The directors have assessed the going concern review that has been completed by the directors of the wider HDF group and of the regulated business of the main trading entity, South East Water Limited.

That assessment considered updated financial projections related to the impact of Covid-19 and assessing appropriate downside scenarios, taking into account the potential impacts as a result of an extended pandemic and expected macro-economic impacts as well as impact on water consumption and cash collections. Having considered that analysis, the directors are satisfied that South East Water has the resources and finance facilities to meet its obligations as they fall due. Given the nature of the business as a holding company without external expenses the impact of Covid-19 on the entity is not expected to be significant. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

1.4 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1. Accounting policies (continued)

1.5 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.6 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

1.7 Investments

Investments in subsidiaries

Investments are recognised at historical cost. Where the directors are of the opinion that there has been impairment in the value of investments, the carrying amount of such investments is written down to the recoverable amount.

Interest bearing loans to subsidiaries

Financial instruments are recognised on the statement of financial position when the group becomes party to the contractual provisions of the instrument. The group determines the classification of its financial liabilities at initial recognition.

A provision for twelve month expected credit loss is recognised in the income statement to establish a loss allowance on initial recognition.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Interest costs are expensed in the income statement as incurred.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1. Accounting policies (continued)

1.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.11 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Key judgements

The preparation of financial statements requires the application of judgements by management which may affect the balances of assets and liabilities at the balance sheet date and income and expenditure for the year. The directors consider that there are no judgements which have a significant effect on the company's financial statements.

Key sources of estimation uncertainty

Estimates are required to be made by management when preparing the financial statements. These estimates affect the value of assets and liabilities at the balance sheet date. The estimates and underlying assumptions are reviewed on an ongoing basis with any revisions to accounting estimates recognised in the period in which the estimate is revised and future periods where the revision affects both current and future periods. The actual results may differ from those arrived at based on management's estimates. The directors consider that there are no material key sources of estimation uncertainty which has a significant effect on the company's financial statements.

HASTINGS WATER (UK) LIMITED

Notes to the Financial Statements For the year ended 31 March 2020

3. Income from investments

| | 2020 £000 | 2019 £000 |
|--|--------------|---------------|
| Income from investments in group companies | 1,300 | 18,450 |
| | <u>1,300</u> | <u>18,450</u> |

4. Interest receivable

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Interest receivable from group companies | 5,553 | 5,580 |
| Other interest receivable | 1 | - |
| | <u>5,554</u> | <u>5,580</u> |

5. Interest payable and similar expenses

| | 2020 £000 | 2019 £000 |
|-------------------------------|--------------|--------------|
| Loans from group undertakings | 4,774 | 3,743 |
| | <u>4,774</u> | <u>3,743</u> |

6. Taxation

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Group taxation relief | - | 349 |
| | <u>-</u> | <u>349</u> |
| | | |
| Total current tax | <u>-</u> | <u>349</u> |
| Deferred tax | | |
| | <u>-</u> | <u>-</u> |
| Total deferred tax | <u>-</u> | <u>-</u> |
| | | |
| Taxation on profit on ordinary activities | <u>-</u> | <u>349</u> |

HASTINGS WATER (UK) LIMITED

Notes to the Financial Statements For the year ended 31 March 2020

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 £000 | 2019 £000 |
|--|--------------|---------------|
| Profit on ordinary activities before tax | <u>2,080</u> | <u>20,287</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | 395 | 3,854 |
| Effects of: | | |
| Dividends from UK companies | (247) | (3,505) |
| Group relief | (148) | - |
| Total tax charge for the year | <u>-</u> | <u>349</u> |

Factors that may affect future tax charges

For the year ended 31 March 2020 a UK corporation tax rate of 19% has been used as enacted by the March 2020 Budget. The enactment of the future corporation tax rate at 17% (effective 1 April 2020) by the September 2016 Finance Act has been reversed by the March 2020 Budget, which has maintained the current corporation tax rate at 19%.

7. Dividends

| | 2020 £000 | 2019 £000 |
|---|--------------|---------------|
| First interim dividend of 0.42p per ordinary share (2019: 5.49p) | 400 | 5,200 |
| Second interim dividend of 0.42p per ordinary share (2019: 5.44p) | 400 | 5,150 |
| Third interim dividend of 1.16p per ordinary share (2019: 5.28p) | 1,100 | 5,000 |
| Final dividend of 0.26p per ordinary share (2019: 5.23p) | 250 | 4,950 |
| | <u>2,150</u> | <u>20,300</u> |

HASTINGS WATER (UK) LIMITED

Notes to the Financial Statements For the year ended 31 March 2020

8. Fixed asset investments

| | Investments in subsidiary companies £000 | Loans to subsidiaries £000 | Total £000 |
|--------------------------|---|----------------------------------|----------------|
| Cost or valuation | | | |
| At 1 April 2019 | 91,408 | 82,067 | 173,475 |
| Additions | 54,000 | - | 54,000 |
| At 31 March 2020 | <u>145,408</u> | <u>82,067</u> | <u>227,475</u> |

Subsidiary undertakings

The following were subsidiary undertakings of the company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|-------------------------------------|---|---|--------------------|----------|
| South East Water (Holdings) Limited | Rocfort Road, Snodland, Kent, ME6 5AH | Holding Company | Ordinary Shares | 100 % |
| South East Water Limited | Rocfort Road, Snodland, Kent, ME6 5AH | Supply and distribution of water | Ordinary Shares | 100 % |
| South East Water (Finance) Limited | P O Box 309GT, Ugland House, South Church Street, George town, Grand Cayman, Cayman Islands. | Raising external finance and lending it to group companies | Ordinary Shares | 100 % |

9. Cash and cash equivalents

| | 2020 £000 | 2019 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 51 | 7 |
| | <u>51</u> | <u>7</u> |

10. Creditors: Amounts falling due within one year

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 191 | 477 |
| | <u>191</u> | <u>477</u> |

HASTINGS WATER (UK) LIMITED

Notes to the Financial Statements For the year ended 31 March 2020

11. Creditors: Amounts falling due after more than one year

| | 2020 £000 | 2019 £000 |
|------------------------------------|----------------|---------------|
| Amounts owed to group undertakings | 109,900 | 55,500 |
| | <u>109,900</u> | <u>55,500</u> |

At 31 March 2020 amounts owed to group undertakings due after one year comprise of two loans due to HLux which is unsecured. £55.5 million falling due for repayment on 7 July 2022, bearing interest at LIBOR plus 6% and £54.4 million falling due for repayment on 20 December 2023, bearing interest at LIBOR plus 2.55%.

12. Share capital

| | 2020 £000 | 2019 £000 |
|---|---------------|---------------|
| Allotted, called up and fully paid | | |
| 94,720,807 (2019 - 94,720,807) Ordinary Shares shares of £1.00 each | <u>94,721</u> | <u>94,721</u> |

13. Reserves

Profit and loss account

Retained earnings represent cumulative profits and losses, net of dividends paid and other adjustments. The balance of retained earnings includes £21.6 million (2019: £21.6 million) that is not available for distribution as it relates to the gain arising on the restructuring and refinancing of the group in July 2004.

14. Related party transactions

As a wholly-owned subsidiary of HDF UK (Holdings) Limited at the balance sheet date, the company has taken advantage of the exemption under FRS 101 not to provide information on related party transactions with other wholly-owned companies within the HDF UK (Holdings) Limited group.

15. Controlling party

Utilities of Australia Pty Limited as Trustee for the Utilities Trust of Australia ("UTA"), RBS Pensions Trustees Limited as Trustee for The Royal Bank of Scotland Group Pension Fund – Group Fund Section ("RBSPF"), Régime de Rentes du Mouvement Desjardins ("RRMD"), Desjardins Financial Security Life Assurance Company ("DFSL") and Certas Home and Auto Insurance Company ("Certas") are the company's joint ultimate holding companies. UTA is resident in Australia. RBSPF is resident in the United Kingdom, RRMD, DFSL and Certas are resident in Canada. It is the directors' belief that there is no single ultimate controlling party and that the joint ultimate holding companies control the company jointly.

The immediate parent company is HDF (UK) Holdings Limited.

The smallest and largest group of companies into which results of the company are consolidated is that headed by HDF (UK) Holdings Limited, a company which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of South East Water Limited and HDF (UK) Holdings Limited maybe obtained from the company's registered address at Company Secretary, Rocfort Road, Snodland, Kent ME6 5AH.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.