

**GREENSANDS SENIOR FINANCE LIMITED**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2017**

**Registered number: 06335773**

**GREENSANDS SENIOR FINANCE LIMITED**  
**Annual report and financial statements for the year ended**  
**31 March 2017**

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# GREENSANDS SENIOR FINANCE LIMITED

## COMPANY INFORMATION

The company is a private company limited by shares.

### Directors

M Nagle

A Truscott

B Somes

B Goodwin (Alternate to A Truscott)

R Daniels

R Wall

### Company Secretary

J Statton

### Registered office

Southern House

Yeoman Road

Worthing

West Sussex

United Kingdom

BN13 3NX

### Bankers

Natwest

15 Bishopsgate

London

United Kingdom

EC2N 3NW

### Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

### Registered number

06335773

## GREENSANDS SENIOR FINANCE LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

Greensands Senior Finance Limited (Registered No. 06335773) is 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 Greensands Investments Limited.

The company did not trade during the year, and there is no intention for it to trade in the future. The company's activity was in relation to financing and other administration matters of the Greensands Holdings group.

#### KEY PERFORMANCE INDICATORS

Greensands Senior Finance 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 and information of the principal risk and uncertainties facing the company is presented in the directors' report, but no further information is included in this strategic report.

Approved by the Board and signed on its behalf by.



M Nagle  
**Director**  
18 July 2017

## GREENSANDS SENIOR FINANCE LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors of Greensands Senior Finance Limited (Registered No. 06335773) present their annual report and audited financial statements for the year ended 31 March 2017.

#### PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of an intermediate holding company for the subsidiary undertaking disclosed in note 9 to the financial statements.

#### REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company acted as a holding company 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's activity was in relation to financing and other administration matters of the Greensands Holdings group.

During the year the company received no dividends (2016: £nil) from its subsidiary Greensands Investments Limited, had interest payable of £271.9m (2016: £231.8m) and interest receivable of £271.9m (2016: £231.8m).

The company generated neither a profit nor loss before taxation during the financial year ended 31 March 2017 (2016: profit £3.5m). There were no dividends charged in the financial statements in the year (2016: £nil). The directors have not declared a final dividend for the year ended 31 March 2017 (2016: £nil per share).

The company has a net position of £nil (2016: £nil) comprising of its investment in Greensands Investments Limited of £1.0m (2016: £1.0m), amounts owed by group undertakings of £2,302.8m (2016: £2,196.9m) and amounts owed to group undertakings of £2,303.9m (2016: £2,198.0m).

The company is party to an agreement with Greensands Junior Finance Limited, to which it owes a debt of £1,846.5m (2016: £1,739.5m) setting the interest rate effective on this facility as 13.54% for the year ended 31 March 2017. Further, this agreement states that for the year ending 31 March 2018 and for the 12 months following the date these financial statements are signed the rate effective can be between 0.0% and 18.0%.

The company is party to an agreement with Greensands Investments Limited, from which it is owed a debt of £2,301.4m (2016: £2,195.1m) setting the interest rate effective on this facility as 12.15% for the year ended 31 March 2017. Further, this agreement states that for the year ending 31 March 2018 and for the 12 months following the date these financial statements are signed the rate effective can be between 0.0% and 18.0%.

#### 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 the value of its investment in Greensands Investments Limited 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.

#### GOING CONCERN

The directors have received confirmation that its ultimate parent undertaking, Greensands Holdings Limited, intends to support the company for at least one year after these financial statements are signed and accordingly believe that preparing the financial statements on the going concern basis is appropriate.

#### FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2017 in the forthcoming year.

#### EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

## GREENSANDS SENIOR FINANCE LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (continued)

#### DIRECTORS

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

M Nagle	
A Truscott	
B Goodwin	Alternate director to A Truscott
P Moy	Resigned as director 20 July 2016
B Some	Appointed as director and resigned as alternate director to P Moy 20 July 2016
J Woodard	Resigned as director on 19 May 2016 and appointed as alternate director to B Some 20 July 2016. Resigned as alternate director 26 April 2017
H de Run	Appointed as director 28 June 2016 and resigned as director 15 March 2017
R Daniels	Appointed as director 28 June 2016
R Wall	Appointed as director 15 March 2017

#### DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers. 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.

#### 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

**GREENSANDS SENIOR FINANCE LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 (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) each director has taken all the steps that he/she ought to have taken as a director in order to make him/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 by order of the Board.



J Statton  
**Company Secretary**  
18 July 2017

**GREENSANDS SENIOR FINANCE LIMITED**

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £m	2016 £m
<b>Continuing operations</b>			
Finance income	4	271.9	231.8
Finance costs	5	(271.9)	(231.8)
Fair value gains on derivative financial instruments	6	-	3.5
Net finance income		-	3.5
<b>Profit before taxation</b>	7	-	3.5
Tax on profit	8	-	(0.7)
<b>Profit for the financial year</b>		-	2.8

There were no other comprehensive income or losses for the years ending 31 March 2016 and 31 March 2017, accordingly no separate statement of other comprehensive income is presented.

**GREENSANDS SENIOR FINANCE LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	Notes	2017 £m	2016 £m
<b>Non-current assets</b>			
Investments	9	1.0	1.0
Other non-current assets	10	<u>2,301.4</u>	<u>2,195.6</u>
		<b>2,302.4</b>	<b>2,196.6</b>
<b>Current assets</b>			
Trade and other receivables	11	1.4	1.3
Cash at bank and in hand		<u>0.1</u>	<u>0.1</u>
		<b>1.5</b>	<b>1.4</b>
<b>Total assets</b>		<u><b>2,303.9</b></u>	<u><b>2,198.0</b></u>
<b>Current liabilities</b>			
Borrowings: amounts falling due within one year	12	(13.3)	(13.4)
<b>Non-current liabilities</b>			
Borrowings: amounts fallings due after one year	13	(2,290.6)	(2,184.6)
Derivative financial instruments	14	-	-
		<u>(2,290.6)</u>	<u>(2,184.6)</u>
<b>Total liabilities</b>		<u><b>(2,303.9)</b></u>	<u><b>(2,198.0)</b></u>
<b>Net liabilities</b>		<u>-</u>	<u>-</u>
<b>Equity</b>			
Called up share capital	15	1.0	1.0
Retained earnings		<u>(1.0)</u>	<u>(1.0)</u>
<b>Total equity</b>		<u><b>-</b></u>	<u><b>-</b></u>

The financial statements of Greensands Senior Finance Limited (Registered No. 06335773) were approved by the Board of Directors and authorised for issue on 18 July 2017.

Signed on behalf of the Board of Directors:



M Nagle  
Director

**GREENSANDS SENIOR FINANCE LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £m	Retained earnings £m	Total £m
<b>Balance at 1 April 2015</b>	<b>1.0</b>	<b>(3.8)</b>	<b>(2.8)</b>
Profit for the financial year	-	2.8	2.8
<b>Balance at 31 March 2016</b>	<b>1.0</b>	<b>(1.0)</b>	-
Result for the financial year	-	-	-
<b>Balance at 31 March 2017</b>	<b>1.0</b>	<b>(1.0)</b>	-

## GREENSANDS SENIOR FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 1 Accounting policies

##### Basis of preparation

Greensands (UK) 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.

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 which have been applied consistently throughout the current and preceding year are set below.

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.

Fair value is the price that would be received from the sale of 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 as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements contain information about Greensands Senior Finance Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under Section 400 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 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, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

## GREENSANDS SENIOR FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

#### 1 Accounting policies (continued)

##### Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Greensands Holdings Limited. The directors have received confirmation that Greensands Holdings Limited intends to support the company for at least one year after these financial statements are signed.

##### 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 16.

##### Investments

Investments held as 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 non-current asset investments are reviewed for impairment in periods 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.

##### Taxation

The taxation charge in the income statement represents the sum of the tax currently payable and deferred tax.

Current taxation is based on the profit for the year as adjusted for disallowable and non-taxable items and items of income or expense which are taxable or deductible in other years. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is tax expected to be payable on temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on all temporary differences that have originated but not reversed by the end of the reporting period. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is regarded as probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### Interest income, interest payable and similar income and charges

Interest income, interest payable and similar income and charges are recognised on an accruals basis. The policy for interest income and expense is detailed in the financial instruments policy.

##### Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (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**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**1 Accounting policies (continued)**

**Financial liabilities**

Fixed rate interest-bearing borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the 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.

The carrying value of index-linked debt instruments is adjusted for the annual movement in the retail price index. The change in value arising from indexation is charged or credited to the income statement in the year in which it arises.

Premiums and proceeds from gilt lock agreements received on issue of debt instruments are credited to the income statement over the term of the debt at a constant rate on the carrying amount.

**Derecognition of financial liabilities**

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

**Derivative financial instruments**

The company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy and no speculative trading in financial instruments is undertaken. Further details of derivative financial instruments are disclosed in note 14.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately.

Certain derivative instruments, principally index-linked swaps, do not qualify for hedge accounting and as such, the company does not currently apply hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Intercompany derivative assets/liabilities held with SWS are set-off against each other with the net position being presented as either a financial liability or financial asset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Embedded derivatives**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit and loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## GREENSANDS SENIOR FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

#### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company'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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company'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 investment 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 investment under review.

#### 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

During the year the company had no employees (2016: None).

The services of the directors are deemed to be wholly attributable to their services to Greensands Holdings Limited, with only one director receiving payment for their services in the year to Greensands Holdings Limited. The total sum has been recorded in the consolidated financial statements of Greensands Holdings Limited, which are available to the public and can be obtained from the Southern Water website. Therefore, the directors received no emoluments during the year or the prior year in respect of their services to the company.

#### 4 Finance income

	2017 £m	2016 £m
Interest receivable from group companies	<u>271.9</u>	<u>231.8</u>

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**5 Finance costs**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Interest payable to group companies	<b>271.9</b>	228.4
Break costs (note (i) below)	<b>-</b>	3.4
	<b><u>271.9</u></b>	<u>231.8</u>

Note (i)

SWGf entered into swap agreements that converted £150m of the £200m Facility Agreement from a floating rate of Libor plus 4% (2.909% from 1 April 2016), to a fixed rate of 2.909% until March 2017. On 15 April 2015, the swap agreements were cancelled, incurring break costs of £3.4m.

**6 Fair value gains on derivative financial instruments**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Intercompany interest rate swap fair value gain	<b>-</b>	3.5

On 15 April 2015 the company closed out its financial derivative liabilities which resulted in a fair value gain totalling £3.5m.

**7 Profit before taxation**

In 2017 and 2016 audit fees of £1,000 were borne by Greensands Holdings Limited and not recharged to the company.

**8 Tax on profit**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax:</b>		
Current year	-	-
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	-	0.7
<b>Total tax on profit</b>	<b><u>-</u></b>	<u>0.7</u>

The tax charge for the year can be reconciled to the income statement as follows:

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Profit before taxation</b>	<b><u>-</u></b>	<u>3.5</u>
UK corporation tax rate at 20% on profit for the year (2016: 20%)	<b><u>-</u></b>	<u>0.7</u>
<b>Total tax position for year</b>	<b><u>-</u></b>	<u>-</u>

**Factors that may affect future tax charges**

Reductions in the main rate of corporation tax to 19% from the 1 April 2017 and to 18% from the 1 April 2020 were enacted in the Finance Bill 2015. It was subsequently announced in the 2016 UK Budget that the corporation tax rate would instead reduce to 17% from 1 April 2020. This has been substantively enacted in Finance Bill 2016 at the Balance sheet date.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**9 Investments**

<b>At cost &amp; net book amount:</b>	<b>Shares in subsidiary undertakings £m</b>
At 1 April 2016 and 31 March 2017	<b>1.0</b>

During the year the investments had no additions, disposals, transfers, revaluations or write offs.

**Subsidiary undertakings**

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation	Registered office
Greensands Investments Limited	Ordinary	1,000,000	100%	Holding company	UK	Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX

The directors are satisfied that the book value of investments is supported by their underlying net assets or position within the wider group.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**9 Investments (continued)**

By virtue of the company's ownership of Greensands Investments Limited it also has the following indirect holdings in subsidiary undertakings of the below companies.

<b>Company</b>	<b>Registered Office</b>	<b>Activity</b>
Southern Water Capital Limited	Southern House, Yeoman Road, Worthing	Holding company
Southern Water Investments Limited	Southern House, Yeoman Road, Worthing	Holding company
Southern Water Services Group Limited	Southern House, Yeoman Road, Worthing	Holding company
SWS Group Holdings Limited	Southern House, Yeoman Road, Worthing	Holding company
SWS Holdings Limited	Southern House, Yeoman Road, Worthing	Holding company
Southern Water Services Limited	Southern House, Yeoman Road, Worthing	Supply of Water and Wastewater Services
Southern Water Services Finance Limited*	Ugland House, PO Box 309, George Town, Grand Cayman	To raise debt finance
Southern Water Executive Pension Scheme Trustees Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water Pension Trustees Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water Retail Services Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water (NR) Holdings Limited	Southern House, Yeoman Road, Worthing	Holding company
Southern Water (NR) Limited	1 Exchange Crescent, Conference Square, Edinburgh	Holding company
Southern Water Limited	Southern House, Yeoman Road, Worthing	Holding company
Bowsprit Holdings Limited	Southern House, Yeoman Road, Worthing	Dormant
Bowsprit Property Development Limited	Southern House, Yeoman Road, Worthing	To hold property rights
Monk Rawling Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water Industries Limited	Southern House, Yeoman Road, Worthing	Dormant
EcoClear Limited	Southern House, Yeoman Road, Worthing	Dormant

\* Southern Water Services Finance Limited is registered in the UK for tax purposes.

All of the above subsidiary companies are wholly owned by ordinary shares.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**10 Other non-current assets**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Amounts due from group undertakings (note (a) below)	<b>2,301.4</b>	2,195.6
Deferred tax (note (b) below)	-	-
	<b>2,301.4</b>	2,195.6

Note (a)

All amounts due from group undertakings due after one year are unsecured. Of this balance, £2,301.0m (2016: £2,195.1m) accrued interest at 12.15% (2016: 10.83%) for the year ended 31 March 2017. Further, for the year ending 31 March 2018 and for 12 months following the approval of these financial statements the interest rate charge has been decided by agreement of the directors of Greensands Senior Finance Limited and Greensands Investments Limited and has been set to between 0.0% and 18.0%. The directors have confirmed that they will not call upon this balance for 12 months from the date of these financial statements.

Note (b)

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Deferred taxation</b>		
Other timing differences	-	-
<b>Deferred taxation</b>	-	-

<b>Movement in deferred tax asset:</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Deferred tax asset recognised at 1 April	-	0.7
Deferred tax charge in income statement	-	(0.7)
<b>Deferred tax asset recognised at 31 March</b>	-	-

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered as the company expects to make future profits.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**11 Trade and other receivables**

	<b>2017</b>	2016
	<b>£m</b>	£m
Amounts due from group undertakings	<u>1.4</u>	<u>1.3</u>

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

**12 Borrowings: amounts falling due within one year**

	<b>2017</b>	2016
	<b>£m</b>	£m
Amounts owed to group undertakings (note (i) below):		
- £200m Facility Agreement 2016 – Libor plus 4% (note (ii))	-	-
Accrued interest payments	<u>13.3</u>	<u>13.4</u>
	<u><b>13.3</b></u>	<u><b>13.4</b></u>

Notes

- (i) Amounts owed to group refers to debt raised by Southern Water (Greensands) Financing plc (SWGF) and on-loaned to the company and are unsecured. Under the loan agreement between the company and SWGF, SWGF advances an amount equal to debt raised at the same interest rates as the external agreements, mirroring any related swap agreements.
- (ii) On 15 April 2015 SWGF completed the refinance of the £200m Facility Agreement above with a £125m Facility Agreement and a £75m Facility Agreement. Both these facility agreements have been disclosed as borrowings due after one year. Further details surrounding the transaction are given in note 14.

**13 Borrowings: amounts falling due after one year**

	<b>2017</b>	2016
	<b>£m</b>	£m
Amounts owed to group undertakings (note (i) below):		
- Greensands Junior Finance Limited intra-group loan	<b>1,846.5</b>	1,739.5
- £250m 8.500% Guaranteed Secured Fixed Rate Notes 2019 (note (ii))	<b>248.9</b>	248.2
- £125m Facility Agreement 2022 – Libor plus 3.5% (note (ii))	<b>122.0</b>	123.1
- £75m Facility Agreement 2025 – Libor plus 4% (note (ii))	<b>73.2</b>	73.8
	<u><b>2,290.6</b></u>	<u><b>2,184.6</b></u>

Notes

- (i) Amounts owed to group undertakings are unsecured. The intra-group loan from Greensands Junior Finance Limited accrued interest at 13.54% (2016: 11.74%) for the year ended 31 March 2017. Further, for the year ending 31 March 2018 and for 12 months from the date of signing of these financial statements the interest rate charge has been decided by agreement of the directors of Greensands Senior Finance Limited and Greensands Junior Finance Limited and has been set to between 0.0% and 18.0%.
- (ii) The £250m 8.500% Guaranteed Secured Fixed Rate Notes 2019, the £125m Facility Agreement 2022 – Libor plus 3.5% and the £75m Facility Agreement 2025 – Libor plus 4% all relate to debt raised by SWGF and advanced to the company at the same interest rates and terms of the external agreements (mirroring any related swap agreements) and are stated at amortised cost.

	<b>2017</b>	2016
	<b>£m</b>	£m
<b>Repayments fall due as follows:</b>		
Between two and five years	<b>248.9</b>	248.2
After five years not by instalments	<u><b>2,041.7</b></u>	<u>1,936.4</u>
	<u><b>2,290.6</b></u>	<u><b>2,184.6</b></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**14 Derivative financial instruments**

**(i) Financial risk management objectives and policies**

The principal financial risks to which the company is exposed are interest rate and liquidity. The company intends to at least maintain its present risk profile, as measured by its credit rating. The company does not enter into treasury transactions for the purpose of speculation, but only to manage risk inherent in the business or funding on a prudent basis. The Board has approved policies for the management of these risks.

**Interest rate risk**

The company's interest rate risk is primarily in relation to its fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Interest rate derivatives can be used to manage the overall interest rate profile within the company.

**Liquidity risk**

The company has an undrawn liquidity facility. Furthermore, the Greensands group of companies will retain a sufficient level of cash reserves in order to manage liquidity risk.

**Sensitivity analysis**

The principal market risks are movements in interest rates. Interest rate derivatives can be used to manage this risk.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**14 Derivative financial instruments (continued)**

**(ii) Fair values of derivative financial instruments**

The fair values of derivative financial instruments at the statement of financial position date were:

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Contracts with negative fair values:		
Intercompany interest rate swaps	-	-
<b>Movement in derivatives</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
At 1 April	-	(3.5)
Movement in fair value recognised in relation to the intercompany interest rate swaps entered in 2011	-	3.5
At 31 March	-	-

Intercompany interest rate swaps relate to swap agreements taken out by SWGF and mirrored with Greensands Senior Finance Limited in line with the related debt instruments also advanced to the company by SWGF.

The movements in the fair value of the interest swap contracts during any given year have been shown on the income statement.

On 15 April 2015, the swap agreements above were cancelled, incurring break costs of £3.4m.

**(iii) Fair values of non derivative financial assets and financial liabilities**

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. The carrying amounts of short-term borrowings approximate to book value.

	<b>Book amount</b>	<b>Fair value</b>	<b>Book amount</b>	<b>Fair value</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Short-term borrowings	-	-	-	-
Long-term borrowings	<b>2,290.6</b>	<b>2,334.0</b>	2,184.6	2,217.3
Long-term debtors	<b>2,301.4</b>	<b>2,301.4</b>	2,195.6	2,195.6

The directors believe that for instruments where the rate of interest is agreed annually the book value is the best indication of fair value.

**GREENSANDS SENIOR FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**14 Derivative financial instruments (continued)**

**(iv) Interest rate risk**

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their effective interest.

**Weighted average effective interest rates by class**

	<b>Loans &amp; Receivables 2017 %</b>	<b>Financial Liabilities 2017 %</b>	<b>Loans &amp; Receivables 2016 %</b>	<b>Financial Liabilities 2016 %</b>
Intercompany loan agreement (see note 10(a) and 13(i))	12.15	13.54	10.83	11.74
£250m 8.500% Guaranteed Secured Fixed Rate Notes 2019	-	8.75	-	8.67
£200m Facility Agreement 2016 – Libor plus 4%	-	-	-	-
£125m Facility Agreement 2016 – Libor plus 4.0%	-	3.95	-	4.54
£75m Facility Agreement 2016 – Libor plus 4.0%	-	4.46	-	4.97

**(v) Maturity of financial liabilities**

The maturity profile of the company's financial liabilities at 31 March 2017 is disclosed within notes 12 and 13.

**(vi) Fair value measurements recognised in the statement of financial position**

	<b>2017</b>			<b>Total £m</b>
	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	
<b>Financial liabilities at FVTPL*</b>				
Derivative financial liabilities	-	-	-	-
	<b>2016</b>			
	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Financial liabilities at FVTPL*</b>				
Derivative financial liabilities	-	-	-	-

There were no transfers between Level 1 and 2 during the year.

\* Fair value through profit and loss

## GREENSANDS SENIOR FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

#### 15 Called up share capital

	2017 £m	2016 £m
<b>Authorised, allotted, called up and fully paid:</b>		
1,000,000 ordinary shares (2016: 1,000,000) of £1 each	<u>1.0</u>	<u>1.0</u>

#### 16 Ultimate parent and controlling party

The immediate parent undertaking is Greensands Junior Finance Limited. The ultimate parent and controlling company is Greensands Holdings Limited (Registered Number: Jersey 98700), it was incorporated in Jersey and is itself owned and controlled by a consortium of investors. At 31 March 2017, the majority shareholder in Greensands Holdings Limited is an institutional investment company advised by J.P. Morgan Asset Management.

Greensands Holdings Limited is the only group company that prepares consolidated financial statements, which contain the financial statements of Greensands Senior Finance 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.

## GREENSANDS SENIOR FINANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENSANDS SENIOR FINANCE LIMITED

We have audited the financial statements of Greensands Senior Finance Limited for the year ended 31 March 2017 which comprise the income statement, the statement of financial position, the statement of changes in equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework."

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.

#### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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 and the directors' report.

GREENSANDS SENIOR FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENSANDS SENIOR FINANCE LIMITED  
(continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A handwritten signature in black ink that reads "Anthony Matthews". The signature is written in a cursive style and is underlined with a single horizontal line.

Anthony Matthews (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
21 July 2017