SOUTHERN WATER (GREENSANDS) FINANCING PLC

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2015

Registered number: 07581353

SOUTHERN WATER (GREENSANDS) FINANCING PLC

Company information

Directors

K Budinger	
M Nagle	
A Truscott	
P Ryan	Alternate to A Truscott
B Somes	Alternate to P Moy
J Woodard	
C McAllister	Alternate to K Budinger
P Moy	

Secretary
K Hall

Registered office
Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Bankers
Natwest
15 Bishopsgate
London
EC2N 3NW

Auditor
Deloitte LLP
Chartered Accountants
London

SOUTHERN WATER (GREENSANDS) FINANCING PLC

Annual Report and Financial Statements for the year ended 31 March 2015

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2015

The company was established to complement the activities of the other companies in the Greensands Holdings group. The company continues to act as a financing company for Greensands Senior Finance Limited.

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

Given the limited activity of the company, additional information is presented in the directors report, but no further information is included in this strategic report.

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

M Nagle
Director
21 July 2015

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2015

The directors of Southern Water (Greensands) Financing Plc (Registered No. 07581353) present their report and the audited accounts for the period ended 31 March 2015.

PRINCIPAL ACTIVITIES

The company provides financing to Greensands Senior Finance Limited.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company paid interest of £36.3m (2013–14: £35.4m) and received interest of £36.3m (2013–14: £35.4m).

The company generated neither a profit nor loss before taxation for the year ended 31 March 2015 (2013–14: £nil).

The directors have not declared a final dividend for the year ended 31 March 2015 (2013–14: £nil per share).

The company has net assets of £0.1m (2013–14: £0.1m) comprising largely of amounts owed by group undertakings of £459.1m (2013–14: £458.2m), loans and other borrowings of £449.2m (2013–14: £448.3m) and £9.8m (2013–14: £9.8m) interest payable.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk that the company is exposed to, is the occurrence of events that would result in the impairment of its loan to Greensands Senior Finance 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 accounts on the going concern basis is appropriate.

KEY PERFORMANCE INDICATORS

Southern Water (Greensands) Financing Plc acts as a financing 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 accounts of Greensands Holdings Limited which may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, BN13 3NX.

FUTURE DEVELOPMENTS

The company intends to trade as normal for the foreseeable future.

FINANCIAL RISK MANAGEMENT

See note 11 to the financial statements.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

DIRECTORS

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

K Budinger	
M Nagle	
A Truscott	(Appointed 7 January 2015)
P Ryan	(Appointed as alternate to A Truscott 7 January 2015)
B Somes	(Resigned as Director and appointed as alternate to P Moy 1 April 2015)
J Woodard	
P Antolik	(Ceased as alternate to P Ryan 7 January 2015)
C McAllister	Alternate to K Budinger
P Moy	(Appointed as Director and resigned as alternate to B Somes 1 April 2015)

DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the 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 strategic report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records that 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.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 strategic report and 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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

STATEMENT OF DISCLOSURE 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 has taken all the steps that he ought to have taken as a director in order to make himself 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.

AUDITOR

Deloitte LLP have indicated their willingness to continue in office.

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

K Hall
Company Secretary
21 July 2015

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	Note	**Year ended 31 March 2015 £m**	Period ended 31 March 2014 £m
Interest receivable and similar income	3	**36.3**	35.4
Interest payable and similar charges	4	**(36.3)**	(35.4)
Profit on ordinary activities before taxation	5	**-**	-
Tax on profit on ordinary activities	6	**-**	-
Profit for the financial period	14	**-**	-

The above results relate to continuing operations.

The company has no recognised gains and losses other than those included above for the current and prior periods and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities after taxation and their historical cost equivalents.

BALANCE SHEET AS AT 31 MARCH 2015

	Note	**2015 £m**	2014 £m
Fixed assets			
Financial assets			
- Derivative financial instruments	11	**3.5**	5.8
Current assets			
Debtors: amounts falling due within one year	7	**211.1**	9.9
Debtors: amounts falling due after one year	8	**248.0**	448.3
Cash at bank and in hand		**0.6**	0.6
		459.7	458.8
Creditors: amounts falling due within one year	9	**(211.0)**	(9.8)
Net current assets		**248.7**	449.0
Total assets less current liabilities		**252.2**	454.8
Creditors: amounts falling due after one year	10	**(248.6)**	(448.9)
Derivative financial instruments	11	**(3.5)**	(5.8)
Net assets		**0.1**	0.1
Capital and reserves			
Called up share capital	12	**0.1**	0.1
Profit and loss account	13	**-**	-
Total shareholder's funds	14	**0.1**	0.1

The financial statements of Southern Water (Greensands) Financing Plc (Registered No. 07581353) on pages 5 to 16 were approved by the Board of Directors and authorised for issue on 21 July 2015.

They were signed on its behalf by:

M Nagle
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the current and prior periods, are set out below.

Going concern

The directors believe that preparing the accounts 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.

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Greensands Holdings Limited, and its cash flows are included in the consolidated accounts of that company, which are publicly available from the address given in note 16. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Related party disclosure

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Greensands Holdings Limited, whose accounts are publicly available from the address given in note 16.

Taxation

The taxation charge in the profit and loss account is based on the profit or loss for the period as adjusted for disallowable and non-taxable items using current rates and takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date, calculated at the rate at which it is expected the tax will arise in accordance with Financial Reporting Standard 19 'Deferred Tax' ('FRS 19'). Deferred taxation balances are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Borrowings

Interest-bearing borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

1 Accounting policies (continued)

Financial instruments

The company has adopted the provisions of FRS 25, ‘Financial Instruments: Disclosure and Presentation’, and FRS 26, ‘Financial Instruments: Recognition and Measurement’.

Loans and receivables and other financial liabilities are initially measured at fair value, less directly attributable issue costs. After initial measurement they are measured at amortised cost using the effective interest rate method and not revalued. Amortised cost is calculated taking into account any issue costs and any discount or premium on settlement. Interest costs are expensed in the profit and loss account as incurred.

The company uses derivative financial instruments in the form of interest rate swaps to hedge its risks associated with interest rate fluctuations. The company does not elect to apply hedge accounting. Derivative financial instruments are recognised initially and subsequently in the balance sheet at fair value with any movements during the year charged or credited to the profit and loss account. The fair value is determined by reference to market values for similar instruments.

At each reporting date an assessment is carried out to determine whether there is any indication that financial assets may be impaired. Where there is objective evidence that an impairment loss has arisen, the carrying amount is reduced in accordance with FRS 26 ‘Financial Instruments: Recognition and Measurement’, with the loss being recognised in the profit and loss account in the year in which the respective assessment takes place.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

2 Employee information

The company has no employees (2013–14: nil).

The services of the directors are deemed to be wholly attributable to their services to Greensands Holdings Limited.

The directors received no emoluments during the period in respect of their services to the company.

3 Interest receivable and similar income

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Receivable from group undertakings	**36.3**	35.4
	36.3	35.4

4 Interest payable and similar charges

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Interest payable on loans	**36.3**	35.4
	36.3	35.4

Movements in the fair value of derivative liabilities through the profit and loss account in the period amount to a credit of £2.3m (2013–14: £4.4m), this is offset by the movements in the fair value of derivative assets which amount to the equivalent opposite value.

5 Profit on ordinary activities before taxation

Audit fees of £1,000 (2013–14: £1,000) were borne by Greensands Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

6 Tax on profit on ordinary activities

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Current tax:		
UK corporation tax on profit for the period	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**-**	-
Total tax on profit on ordinary activities	**-**	-

The rate of current tax charge on profit on ordinary activities varied from the standard rate of corporation tax due to the following factors:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Current tax		
Profit on ordinary activities before tax	**-**	-
Current tax		
UK corporation tax rate at standard rate of tax of 21% (2013–14: 23%) on profit for the period	-	-
Current tax charge for period	-	-

No deferred tax arose during the year to 31 March 2015 (2013–14: nil).

Factors that may affect future tax charges

From 1 April 2015, the main rate of corporation tax reduced to 20%. This rate has been used to calculate any deferred tax balances as it was substantively enacted at the balance sheet date. In the budget on 8 July 2015, the government announced further reduction in the main rate of corporation tax to 19% in 2017 and 18% in 2020. These changes have not been substantively enacted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

7 Debtors: amounts falling due within one year

	2015 £m	2014 £m
Amounts owed by parent company (note (i) below)	**0.1**	0.1
Amounts owed by other group undertakings		
- £200m Facility Agreement 2016 – Libor plus 4.00% (notes (i), (ii), (iii) and (iv) below)	**201.2**	-
Interest receivable from group undertakings	**9.8**	9.8
	211.1	9.9

(i) Amounts owed by parent company relate to unpaid share capital. Amounts owed by other group undertakings refers to debt on-loaned to Greensands Senior Finance Limited (GSSF) and are unsecured. Under the loan agreement between the company and GSSF, the company advances an amount equal to debt raised at the same interest rates as the external agreements, mirroring any related swap agreements.

(ii) The company entered into swap agreements that converted £150m of the £200m Facility Agreement from a floating rate of Libor plus 4.00% (4.69% from 1 April 2015), to a fixed rate of 2.91% until March 2016. On 15 April 2015, the swap agreements were cancelled, incurring break costs of £3.4m.

(iii) The fair value of the associated swaps as at 31 March 2015 was a liability of £3.5m (2014: liability of £5.8m). See note 11 (ii) for further details.

(iv) On 15 April 2015, the company completed the refinance of the £200m Facility Agreement referred to above. Further details surrounding the transaction are given in note 15 and the corresponding debtor has been disclosed as due within one year.

8 Debtors: amounts falling due after one year

	2015 £m	2014 £m
Amounts owed by group undertakings		
- £250m 8.50% Guaranteed Secured Fixed Rate Notes 2019	**248.0**	247.6
- £225m Facility Agreement 2016 – Libor plus 4.00%	**-**	200.7
	248.0	448.3

(i) Of amounts owed by group undertakings, both the £250m 8.50% Guaranteed Secured Fixed Rate Notes 2019 and the £225m Facility Agreement 2016 – Libor plus 4.00% (note 7) relate to debt advanced to GSSF at the same interest rates and terms of the external agreements (mirroring any related swap agreements) and are stated at amortised cost.

(ii) Of the £225m Facility Agreement, £200m had been drawn as at 31 March 2015, with the remaining £25m providing a liquidity facility for future interest payments. In November 2014, the remaining undrawn £25m of the facility was cancelled and a new, separate, £40m facility was taken out by the company.

(iii) The company entered into swap agreements that converted £150m of the £200m (previously £225m prior to November 2014 (see note (ii) above)) Facility Agreement from a floating rate of Libor plus 4.00% (4.69% from 1 April 2015), to a fixed rate of 2.91% until March 2016. On 15 April 2015, the swap agreements were cancelled, incurring break costs of £3.4m.

(iv) The fair value of the associated swaps as at 31 March 2015 was a liability of £3.5m (2014: liability of £5.8m). See note 11 (ii) for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

9 Creditors: amounts falling due within one year

	2015 £m	2014 £m
Loans and other borrowings		
- £200m Facility Agreement 2016 – Libor plus 4.00% (note (i) below)	**201.2**	-
Interest payable	**9.8**	9.8
	211.0	9.8

(i) The company entered into swap agreements that converted £150m of the £200m Facility Agreement from a floating rate of Libor plus 4.00% (4.69% from 1 April 2015), to a fixed rate of 2.91% until March 2016. On 15 April 2015, the swap agreements were cancelled, incurring break costs of £3.4m.

(ii) The fair value of the associated swaps as at 31 March 2015 was a liability of £3.5m (2014: liability of £5.8m). See note 11 (ii) for further details.

(iii) On 15 April 2015, the company completed the refinance of the £200m Facility Agreement referred to above. Further details surrounding the transaction are given in note 15 and the corresponding creditor has been disclosed as due within one year.

10 Creditors: amounts falling due after one year

	2015 £m	2014 £m
Loans and other borrowings		
- £250m 8.50% Guaranteed Secured Fixed Rate Notes 2019 (note (i) below)	**248.0**	247.6
- £225m Facility Agreement 2016 – Libor plus 4.00% (note (i) below)	**-**	200.7
Amounts owed by group undertakings	**0.6**	0.6
	248.6	448.9

Notes

(i) Both the £250m 8.50% Guaranteed Secured Fixed Rate Notes 2019 and the £225m Facility Agreement 2016 – Libor plus 4.00% (note 9) were issued on 21 April 2011 and are stated at amortised cost. The facilities are guaranteed under a group Security Agreement. The agreement is over the entire property, assets, rights and undertakings of each of Southern Water Services Limited, Southern Water (Finance) Limited, SWS Holdings Limited and SWS Group Holdings Limited. In the case of Southern Water Services Limited, this is to the extent permitted by the Water Industry Act 1991 and License.

(ii) Of the £225m Facility Agreement, £200m had been drawn as at 31 March 2015, with the remaining £25m providing a liquidity facility for future interest payments. In November 2014, the remaining undrawn £25m of the facility was cancelled and a new, separate, £40m facility was taken out by the company.

(iii) The company entered into swap agreements that converted £150m of the £200m (previously £225m prior to November 2014 (see note (i) above)) Facility Agreement from a floating rate of Libor plus 4.00% (4.69% from 1 April 2015), to a fixed rate of 2.91% until March 2016. On 15 April 2015, the swap agreements were cancelled, incurring break costs of £3.4m.

(iv) The fair value of the associated swaps as at 31 March 2015 was a liability of £3.5m (2014: liability of £5.8m). See note 11 (ii) for further details.

	2015 £m	2014 £m
Repayments fall due as follows:		
Between two and five years	**248.0**	200.7
After five years not by instalments	**0.6**	248.2
	248.6	448.9

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

11 Financial instruments

(i) Financial risk management objectives and policies

The principal financial risks to which the company is exposed are interest rate, currency and liquidity risks. 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 are used to manage the overall interest rate profile within the company policy, which is to maintain a higher proportion of net debt at fixed rates of interest having regard to the prevailing interest rate outlook.

Liquidity risk
The company raises additional funds, as required, to ensure that it has sufficient cash and/or facilities to fund the business of the Southern Water group for the next twelve months.

Currency risk
The company raises currency rate swaps where necessary which fix the exchange rates reducing the risk of currency losses due to adverse fluctuations in exchange rates. The company does not currently have any currency risk.

Sensitivity analysis
The principal market risks are movements in interest rates. Interest rates are currently either fixed or fully effective swap instruments are in place to swap floating rates for fixed.

(ii) Fair values of derivative financial instruments

The fair values of derivative financial instruments at the balance sheet date were:

	2015		2014	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
External interest rate swap	-	(3.5)	-	(5.8)
Intercompany interest rate swaps	3.5	-	5.8	-

In relation to the swap detailed in note 9, cash receipts under the swap will continue over the term of the instrument. The interest swap contract will affect the profit and loss account throughout the period of the instrument.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

11 Financial instruments (continued)

(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.

	Book amount 2015 £m	Fair value 2015 £m	Book amount 2014 £m	Fair value 2014 £m
Short term borrowings	**201.2**	**200.0**	-	-
Long term borrowings	**248.0**	**281.3**	448.3	472.3
Short term debtors	**201.2**	**200.0**	-	-
Long term debtors	**248.0**	**281.3**	448.3	472.3

The book amounts and fair values stated above do not include derivative financial instruments.

The company on-lends to GSSF an amount equal to each bond or other debt raised externally at the same interest rate.

(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

	Loans & Receivables 2015 %	Financial Liabilities 2015 %
£250m 8.50% Guaranteed Secured Fixed Rate Notes 2019	**8.75**	**8.75**
£200m Facility Agreement 2016 – Libor plus 4.00%	**6.47**	**6.47**

(v) Maturity of financial liabilities

The maturity profile of the company's financial liabilities at 31 March 2015 is disclosed within note 10.

(vi) Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from calculation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at FVTPL*				
Derivative financial assets	-	3.5	-	3.5
Financial liabilities at FVTPL*				
Derivative financial liabilities	-	(3.5)	-	(3.5)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

11 Financial instruments (continued)

	2014			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets at FVTPL*				
Derivative financial assets	-	5.8	-	5.8
Financial liabilities at FVTPL*				
Derivative financial liabilities	-	(5.8)	-	(5.8)

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

* Fair value through profit and loss

12 Called up share capital

	2015 £m	2014 £m
Allotted and part paid:		
49,999 ordinary share of £1 each paid up as to £0.25p	**0.1**	0.1
Allotted, called up and fully paid:		
1 ordinary share of £1 each	**-**	-

The shares were issued at par on 28 March 2011.

13 Reserves

	Profit and loss account £m
At 1 April 2014	-
Result for the financial period	-
At 31 March 2015	-

14 Reconciliation in movement in shareholder’s funds

	£m
Opening shareholder’s funds at 1 April 2013 and 2014	0.1
Result for the periods	-
Closing shareholder’s funds at 31 March 2014 and 2015	0.1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

15 Post balance sheet events

On 15 April 2015, the company completed the refinance of the £200m (previously £225m prior to November 2014 (see note 10(iii))) Facility Agreement disclosed in note 9. The £200m refinanced funds were drawn down on 5 May 2015 and the costs associated with this facility amounted to £3.6m (including £3.4m of break costs relating to the cancellation of the related swap agreements). The refinanced funds were on-loaned to GSSF on the same terms as the external agreement.

The funds have been split into two facilities with the terms stated in the below table.

Facility	Value	Term	Rate	Interest Due
Facility A	£125m	7 years	3.25% plus Libor	6 monthly
Facility B	£75m	10 years	4.00% plus Libor	6 monthly

16 Ultimate parent and controlling party

The immediate parent undertaking is Greensands (UK) Limited.

The ultimate parent and controlling company is Greensands Holdings Limited, a company incorporated in Jersey. As at 31 March 2015, the major shareholders in Greensands Holdings Limited were a consortium including IIF International SW UK Investments Limited (managed by JP Morgan Investments Inc.) and The Northern Trust Company.

Greensands Holdings Limited is the only group company that prepares consolidated accounts, which contain the accounts of Southern Water (Greensands) Financing Plc. Copies of Greensands Holdings Limited's consolidated accounts may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, BN13 3NX.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER (GREENSANDS) FINANCING PLC FOR THE YEAR ENDED 31 MARCH 2015

We have audited the financial statements of Southern Water (Greensands) Financing Plc for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Balance Sheet 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).

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 2015 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

James A. Leigh

James Leigh (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
23 July 2015