

GREENSANDS SENIOR FINANCE LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2014

Registered number: 06335773

GREENSANDS SENIOR FINANCE LIMITED

Company information

Directors

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

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

Registered number

06335773

GREENSANDS SENIOR FINANCE LIMITED
Annual Report and Financial Statements for the year
ended 31 March 2014

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2014

The directors of Greensands Senior Finance Limited (Registered No. 06335773) present their report and the audited accounts for the year ended 31 March 2014.

The report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of an intermediate holding company for the subsidiary undertaking disclosed in note 7 to the accounts.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company acted as a holding company during the year.

The company received no dividends (2013: £nil) from its subsidiary Greensands Investments Limited, had interest payable of £111.4m (2013: £103.9m) and interest receivable of £111.4m (2013: £103.9m).

The company generated neither a profit nor a loss before taxation during the financial year (2013: £nil).

There were no dividends charged in the accounts in the year (2013: £nil).

The directors have not declared a final dividend for the year ended 31 March 2014 (2013: £nil per share).

The company has net liabilities of £4.6m (2013: £7.9m) comprising of its investment in Greensands Investments Limited of £1.0m (2013: 1.0m), amounts owed by group undertakings of £2,015.7m (2013: £1,938.5m), amounts owed to group undertakings of £2,016.8m (2013: £1,939.5m), and derivatives net of deferred tax of £4.6m (2013: £7.9m).

The company entered into an agreement with Greensands Junior Finance Limited, to which it owes a debt of £1,558.7m (2013: £1,482.7m) setting the interest rate effective on this facility as 5.01% (2013: 4.70%) for the year ended 31 March 2014. Further, this agreement states that for the year ending 31 March 2015 and for the 12 months following the date these accounts are signed the rate effective will be between 0.00% and 5.88% (2013: 0.00% and 6.13%).

The company entered into an agreement with Greensands Investments Limited, from which it is owed a debt of £2,014.0m (2013: £1,936.7m) setting the interest rate effective on this facility as 5.66% (2013: 5.48%) for the year ended 31 March 2014. Further, this agreement states that for the year ending 31 March 2015 and for the 12 months following the date these accounts are signed the rate effective will be between 0.00% and 6.59% (2013: 0.00% and 6.82%).

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.

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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

DIRECTORS

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

K Budinger	
M Nagle	
M Roughead	(Resigned 1 May 2014)
P Ryan	(Appointed 25 June 2013)
B Somes	
J Woodard	(Appointed 1 May 2014)
P Antolik	(Resigned as director and appointed as alternate to P Ryan 25 June 2013)
C McAllister	Alternate to K Budinger
P Moy	Alternate to B Somes
J Yuen	(Ceased as alternate to M Roughead 1 May 2014)

DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers. Following shareholder approval in December 2007, 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 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 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.

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 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 2014 (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/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

AUDITOR

Deloitte LLP have indicated their willingness to continue in office.

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

A handwritten signature in black ink, appearing to be 'K Hall', written over a circular stamp or seal.

K Hall
Company Secretary
22 July 2014

Greensands Senior Finance Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Interest receivable and similar income	3	111.4	103.9
Interest payable and similar charges	4	(111.4)	(103.9)
Result on ordinary activities before taxation	5	-	-
Tax on result on ordinary activities	6	-	-
Result for the financial year	14	-	-

The above results relate to continuing operations.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Result for the financial year		-	-
Movement on hedging reserve	14	4.4	(1.5)
Deferred tax movement on hedging reserve	14	(1.0)	0.3
Impact of tax rate change		(0.1)	(0.1)
Total recognised gain/(loss) for the year		3.3	(1.3)

Greensands Senior Finance Limited


BALANCE SHEET AS AT 31 MARCH 2014

	Notes	2014 £m	2013 £m
Fixed assets			
Investments	7	1.0	1.0
Current assets			
Debtors: amounts falling due within one year	8	1.4	1.4
Debtors: amounts falling due after one year	9	2,015.5	1,939.4
Cash at bank and in hand		0.1	-
		<u>2,017.0</u>	<u>1,940.8</u>
Creditors: amounts falling due within one year	10	(9.8)	(9.8)
Net current assets		<u>2,007.2</u>	<u>1,931.0</u>
Total assets less current liabilities		<u>2,008.2</u>	<u>1,932.0</u>
Creditors: amounts falling due after one year	11	(2,007.0)	(1,929.7)
Derivative financial instruments	12	(5.8)	(10.2)
Net liabilities		<u>(4.6)</u>	<u>(7.9)</u>
Capital and reserves			
Called up share capital	13	1.0	1.0
Other reserves	14	(4.6)	(7.9)
Profit and loss account	14	(1.0)	(1.0)
Total shareholder's deficit	15	<u>(4.6)</u>	<u>(7.9)</u>

The financial statements of Greensands Senior Finance Limited (Registered No. 06335773) on pages 4 to 16 were approved by the Board of directors and authorised for issue on 22 July 2014.

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

They are signed on its behalf by:


M Nagle
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 year and preceding year, 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.

Basis of preparation

The accounts contain information about Greensands Senior Finance Limited as an individual company. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated accounts of the holding company, Greensands Holdings Limited, available from the address given in note 16.

Cash flow statement

The company is a wholly-owned subsidiary company of a group headed by Greensands Holdings Limited, and is included in the consolidated accounts of that company, which are publicly available. 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.

Investments

Investments are carried at cost less provision for any impairment in value. The carrying values of fixed asset investments are reviewed by the directors for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Dividends and other investment income is accounted for when it becomes receivable.

Taxation

The taxation charge in the profit and loss account is based on the profit or loss for the year 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1 Accounting policies

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, plus 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.

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: Measurement*, with the loss being recognised in the profit and loss account in the year in which the respective assessment takes place.

Hedge Accounting

The company applies hedge accounting in respect of transactions entered into to manage the fair value and cash flow exposures of its borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as fair value or cash flow hedges of fixed and floating rate borrowings respectively.

A cash flow hedge is a hedge of the exposure to variability of cash flows that are attributable to a specific risk and that could affect profit or loss.

Hedge accounting for cash flow hedges operates as follows. The movement in fair value of the hedging instrument (for example an interest rate swap) related to the effective portion of the hedge is recognised through the Statement of Total Recognised Gains and Losses and deferred in reserves, as part of a 'hedging reserve'. The ineffective portion is recorded in the profit and loss account. The amount deferred is released to the profit and loss account in line with the impact that the hedged item has on the profit and loss account. The related hedged item (e.g. the loan to which the interest rate swap relates) is carried at amortised cost.

Conditions for hedge accounting must be met, including formal designation and documentation, and assessment of effectiveness of the hedge. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**2 Employee information**

The company has no employees (2013: None).

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 year in respect of their services to the company.

3 Interest receivable and similar income

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Receivable from group undertakings	<u>111.4</u>	<u>103.9</u>
	<u><u>111.4</u></u>	<u><u>103.9</u></u>

4 Interest payable and similar charges

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Due to group undertakings	111.5	103.9
Other interest payable	<u>(0.1)</u>	<u>-</u>
	<u><u>111.4</u></u>	<u><u>103.9</u></u>

5 Profit on ordinary activities before taxation

In 2014 and 2013 audit fees of £1,000 were borne by Greensands Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**6 Tax on result on ordinary activities**

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Current tax:		
UK corporation tax on result for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax on result on ordinary activities	<u>-</u>	<u>-</u>

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 2014 £m	Year ended 31 March 2013 £m
Current tax		
Result on ordinary activities before tax	<u>-</u>	<u>-</u>
Current tax		
UK corporation tax rate at standard rate of tax of 23% on result for the year (2013: 24%)	-	-
Other short-term timing differences	-	-
Current tax charge for year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

On 20 March 2013 the UK Government announced a reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014, and to 20% effective from 1 April 2015. These rate changes were enacted in Finance Bill 2013 during the period.

7 Investments

	Shares in subsidiary undertakings £m
At cost and net book amount:	
At 1 April 2013 and 31 March 2014	<u>1.0</u>

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation
Greensands Investments Limited	Ordinary	1,000,000	100%	Holding company	UK

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**8 Debtors: amounts falling due within one year**

	2014 £m	2013 £m
Amounts owed by group undertakings	<u>1.4</u>	<u>1.4</u>

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

9 Debtors: amounts falling due after one year

	2014 £m	2013 £m
Amounts owed by group undertakings (note (a) below)	2,014.3	1,937.1
Deferred tax (note (b) below)	<u>1.2</u>	<u>2.3</u>
	<u>2,015.5</u>	<u>1,939.4</u>

Note (a) Amounts owed by group undertakings

All amounts owed by group undertakings due after one year are unsecured. Of this balance, £2,014.0m (2013: £1,936.7m) accrued interest at 5.66% (2013: 5.66%) for the year ended 31 March 2014. Further, for the year ending 31 March 2015 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 0.00% and 6.59%. The directors have confirmed that they will not call upon this balance for 12 months from the date of these financial statements.

Note (b) Deferred tax

	2014 £m	2013 £m
Deferred taxation		
Other timing differences	<u>1.2</u>	<u>2.3</u>
Deferred taxation	<u>1.2</u>	<u>2.3</u>
Movement in deferred tax asset:	2014 £m	2013 £m
Deferred tax asset recognised at 1 April	2.3	2.1
Impact of rate change	(0.1)	(0.1)
Amount debited to statement of total recognised gains and losses	<u>(1.0)</u>	<u>0.3</u>
Deferred tax asset recognised at 31 March	<u>1.2</u>	<u>2.3</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**10 Creditors: amounts falling due within one year**

	2014 £m	2013 £m
Accruals	<u>9.8</u>	<u>9.8</u>
	<u>9.8</u>	<u>9.8</u>

11 Creditors: amounts falling due after one year

	2014 £m	2013 £m
Amounts owed to group undertakings (note (i) below)		
- Greensands Junior Finance Limited intra-group loan	1,558.7	1,482.7
- £250m 8.500% Guaranteed Secured Fixed Rate Notes 2019 (note (ii) below)	247.6	247.2
- £225m Facility Agreement 2016 – Libor plus 4% (note (ii), (iii) and (iv) below)	200.7	199.8
	<u>2,007.0</u>	<u>1,929.7</u>

Notes

- (i) All amounts owed to group undertakings are unsecured. The intra-group loan from Greensands Junior Finance Limited accrued interest at 5.01% (2013: 4.70%) for the year ended 31 March 2014. Further, for the year ending 31 March 2015 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 0.00% and 5.88% (2013: 0.00% and 6.13%).
- (ii) Both the £250m 8.500% Guaranteed Secured Fixed Rate Notes 2019 and the £225m Facility Agreement 2016 – Libor plus 4% are stated at amortised cost.
- (iii) Of the £225m Facility Agreement, £200m has been drawn, with the remaining £25m providing a liquidity facility for future interest payments. The company has entered into swap agreements that have converted £150m of the £200m drawn on the £225m Facility Agreement from a floating rate of Libor plus 4% (4.62% from 1 April 2014), to a fixed rate of 2.909%.
- (iv) The fair value of the associated swaps as at 31 March 2014 was a liability of £5.8m (2013: liability of £10.2m). See note 12 (ii) for further details.

	2014 £m	2013 £m
Repayments fall due as follows:		
Between two and five years	200.7	199.8
After five years not by instalments	<u>1,806.3</u>	<u>1,729.9</u>
	<u>2,007.0</u>	<u>1,929.7</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**12 Financial instruments****(i) Financial risk management objectives and policies**

The principal financial risks to which the company is exposed are interest rate, liquidity and currency 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. These are designated as either fair value or cash flow hedges as appropriate.

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 interest rates and movements in RPI. Interest rates are currently either fixed or fully effective hedging instruments are in place to swap floating rates for fixed. RPI impacts indexation, however annual indexation credited to interest income is the same as that charged to interest expense, so there is no impact on the company's profit or loss.

(ii) Fair values of derivative financial instruments

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

	2014	2013
	£m	£m
Contracts with negative fair values:		
Intercompany interest rate swap	<u>(5.8)</u>	<u>(10.2)</u>

	2014	2013
	£m	£m
Movement in derivatives		
At 1 April	(10.2)	(8.7)
Movement in fair value recognised in relation to the intercompany interest rate swap entered in 2011	4.4	(1.5)
At 31 March	<u>(5.8)</u>	<u>(10.2)</u>

The terms of the intercompany interest rate swap contract is given in note 11.

In relation to the swap detailed in note 11, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**12 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. The carrying amounts of short-term borrowings approximate to book value.

	Book amount	Fair value	Book amount	Fair value
	2014	2014	2013	2013
	£m	£m	£m	£m
Long-term borrowings	2,007.0	2,031.7	1,929.7	1,955.3
Long-term debtors	2,014.3	2,014.3	1,937.1	1,937.1

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

(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	Financial Liabilities	Loans & Receivables	Financial Liabilities
	2014	2014	2013	2013
	%	%	%	%
Intercompany loan agreement (see note 9(a) and 11(i))	5.66	5.01	5.48	4.70
£250m 8.500% Guaranteed Secured Fixed Rate Notes 2019	-	8.75	-	8.75
£225m Facility Agreement 2016 – Libor plus 4%	-	6.75	-	7.00

(v) Maturity of financial liabilities

The maturity profile of the company's financial liabilities at 31 March 2014 is disclosed within note 11.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

12 Financial instruments (continued)

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

	2013			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Financial liabilities at FVTPL*				
Derivative financial liabilities	-	(10.2)	-	(10.2)

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

* Fair value through profit and loss

13 Called up share capital

	2014 £m	2013 £m
Allotted, called up and fully paid:		
1,000,000 ordinary share of £1 each	<u>1.0</u>	<u>1.0</u>

14 Reserves

	Hedging reserve £m	Profit and loss account £m
At 1 April 2013	(7.9)	(1.0)
Result for the financial year	-	-
Fair value movement on swaps	4.4	-
Related deferred tax movement	(1.1)	-
At 31 March 2014	<u>(4.6)</u>	<u>(1.0)</u>
	Hedging reserve £m	Profit and loss account £m
At 1 April 2012	(6.6)	(1.0)
Result for the financial year	-	-
Fair value movement on swaps	(1.5)	-
Related deferred tax movement	0.2	-
At 31 March 2013	<u>(7.9)</u>	<u>(1.0)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**15 Reconciliation in movement in shareholder's deficit**

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Opening shareholder's deficit	(7.9)	(6.6)
Result for the financial year	-	-
Other recognised gains/(losses) relating to the year	3.3	(1.3)
Closing shareholder's deficit	<u>(4.6)</u>	<u>(7.9)</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, a company incorporated in Jersey. As at 31 March 2014, the major shareholders in Greensands Holdings Limited were a consortium including IIF International SW UK Investments Limited (advised 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 Greensands Senior Finance Limited. 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 GREENSANDS SENIOR FINANCE LIMITED FOR THE YEAR ENDED 31 MARCH 2014

We have audited the financial statements of Greensands Senior Finance Limited for the year ended 31 March 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, 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 2014 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.

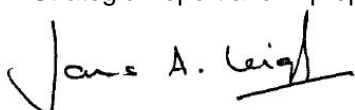
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year 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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report and in preparing the Directors' Report.



James Leigh (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
29 July 2014