

GREENSANDS JUNIOR FINANCE LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2012

GREENSANDS JUNIOR FINANCE LIMITED

Company information

Directors

P Antolik
K Budinger
C McAllister
P Moy
M Nagle
B Somes
M Walters
J Yuen

Secretary

K Hall

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Bankers

Natwest
15 Bishopsgate
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EC2N 3NW

Auditor

Deloitte LLP
Chartered Accountants
London

Registered number

06335757

GREENSANDS JUNIOR FINANCE LIMITED
Annual Report and Financial Statements for the year
ended 31 March 2012

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

The directors of Greensands Junior Finance Limited (Registered No. 06335757) present their report and the audited accounts for the year ended 31 March 2012.

The report has been prepared in accordance with the special 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 (2011: £nil) from its subsidiary Greensands Senior Finance Limited, and had interest payable of £125.2m (2011: £81.3m), which included swap break costs of £63.0m, and interest receivable of £125.2m (2011: £81.3m).

In April 2011, the principle borrowings of Greensands Holdings Limited, the ultimate parent company, were refinanced. As part of this refinancing, the Company repaid the £225.6m Junior Holdco Term Facility Loan, plus the aggregate accretion of indexation owed on the related swap agreement of £24.4m. These were able to be repaid due to new intercompany loans being issued as a result of new external debt being taken out within the group.

Break costs incurred on termination of the swap agreement amounted to £63.0m. This swap instrument was transferred to Southern Water Services (Finance) Limited in April 2011 settled by a reduction of equivalent value in intercompany amounts owed within the group.

The Company generated neither profit or loss before taxation during the financial year (2011: loss £nil).

There were no dividends charged in the accounts in the year (2011: £nil).

The directors have not declared a final dividend for the year ended 31 March 2012 (2011: £nil per share).

The Company has net liabilities of £1.3m (2011: £68.4m) comprising largely of its investment in Greensands Senior Finance Limited of £1.0m (2011: £1.0m), amounts due after more than one year from group undertakings of £1,554.2m (2011: £1,742.6m), amounts due after more than one year to group undertakings of £1,559.7m (2011: £1,498.9m), other loans of £nil (2011: £252.0m) and derivative net of deferred tax of £nil (2011: £67.1m).

The Company is party to an agreement with Greensands (UK) Limited, to which it owes a debt of £1,559.7m, setting the interest rate effective on this facility as 3.98% for the year ended 31 March 2012. Further, this agreement states that for the year ending 31 March 2013 and for the 12 months following the date these accounts are signed the rate effective will be between 0.00% and 5.36%.

The Company is party to an agreement with Greensands Senior Finance Limited, from which it is owed a debt of £1,414.7m setting the interest rate effective on this facility as 8.92% for the year ended 31 March 2012. Further, this agreement states that for the year ending 31 March 2013 and for the 12 months following the date these accounts are signed the rate effective will be between 0.00% and 5.80%.

The principal risk that the Company is exposed to is the occurrence of events that would result in the impairment of either its investment in Greensands Senior Finance Limited or its loans to fellow group companies.

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 2012 (continued)

DIRECTORS

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

P Antolik	<i>(Resigned as Alternate to S Toor and appointed as Director 22 February 2012)</i>
K Budinger	
T Buscombe	<i>Alternate to K Budinger (Resigned 9 September 2011)</i>
C McAllister	<i>Alternate to K Budinger (Appointed 14 September 2011)</i>
P Moy	<i>(Resigned as Director and appointed as Alternate to B Somes 4 October 2011)</i>
M Gilligan	<i>Alternate to P Moy (Resigned 19 July 2011)</i>
M Nagle	
B Somes	<i>(Resigned as Alternate to P Moy and appointed as Director 4 October 2011)</i> <i>Also: Alternate to J Yuen</i>
S Toor	<i>(Resigned as Director 22 February 2012)</i>
M Walters	<i>(Resigned as Alternate to S Toor 23 June 2012, and appointed as Alternate to P Antolik 22 February 2012)</i>
J Yuen	

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012 (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.

INDEPENDENT AUDITOR

Deloitte LLP, have indicated their willingness to continue in office.

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



Kevin Hall
Company Secretary
24 July 2012

Greensands Junior Finance Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Note	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest receivable and similar income	3	125.2	81.3
Interest payable and similar charges	4	(125.2)	(81.3)
Profit/(loss) on ordinary activities before taxation	5	<u>-</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) for the financial year	14	<u><u>-</u></u>	<u><u>-</u></u>

The above results relate to continuing operations.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012

	Note	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Profit/(loss) for the financial year		-	-
Movement on hedging reserve	14	90.7	(4.8)
Deferred tax movement on hedging reserve	14	(23.6)	1.3
Impact of tax rate change		-	(1.8)
Total recognised gain/(loss) for the year		67.1	(5.3)

BALANCE SHEET AS AT 31 MARCH 2012

	Note	2012 £m	2011 £m
Fixed assets			
Investments	7	1.0	1.0
Current assets			
Debtors: amounts falling due within one year	8	3.1	3.2
Debtors: amounts falling due after one year	9	1,554.2	1,766.2
Cash at bank and in hand		0.1	-
		<u>1,557.4</u>	<u>1,769.4</u>
Creditors: amounts falling due within one year	10	-	(249.2)
Net current assets		<u>1,557.4</u>	<u>1,520.2</u>
Total assets less current liabilities		<u>1,558.4</u>	<u>1,521.2</u>
Creditors: amounts falling due after one year	11	(1,559.7)	(1,498.9)
Derivative financial instruments	12	-	(90.7)
Net liabilities		<u>(1.3)</u>	<u>(68.4)</u>
Capital and reserves			
Called up share capital	13	1.0	1.0
Other reserves	14	-	(67.1)
Profit and loss account	14	(2.3)	(2.3)
Total shareholders' funds	15	<u>(1.3)</u>	<u>(68.4)</u>

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

The financial statements of Greensands Junior Finance Limited (Registered No. 06335757) on pages 4 to 16 were approved by the Board of directors and authorised for issue on 24 July 2012. They are signed on its behalf by:



Peter Antolik
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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 Junior 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.

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 2012 (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, 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.

One particular situation where hedge accounting can arise is in hedging future debt issues. Where the company enters into a swap arrangement to hedge the proceeds of a future issue of debt and the conditions for hedge accounting are met, this is deemed to be a cash flow hedge. When the debt is subsequently issued, premiums or discounts on issue of debt are included in the fair value of those financial liabilities on initial measurement. The gain or loss on closing the swap is taken to a cash flow hedging reserve. This gain or loss is then recycled to the profit and loss account over the term of the related bonds to offset the impact of the premium or discount on the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**2 Employee information**

The Company has no employees (2011: 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 2012 £m	Year ended 31 March 2011 £m
Receivable from group undertakings	<u>125.2</u>	<u>81.3</u>
	125.2	81.3

4 Interest payable and similar charges

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Due to group undertakings	60.7	55.0
Swap payments	-	1.8
Indexation	-	11.4
Swap break costs	63.0	-
Other interest payable	<u>1.5</u>	<u>13.1</u>
	125.2	81.3

5 Profit on ordinary activities before taxation

In 2012 and 2011 audit fees of £1,000 were borne by Greensands Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**6 Tax on profit on ordinary activities**

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Current tax:		
UK corporation tax on profit for the year	-	(0.5)
Deferred tax:		
Origination and reversal of timing differences	-	0.5
Total tax on profit/(loss) 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 2012 £m	Year ended 31 March 2011 £m
Current tax		
Profit on ordinary activities before tax	<u>-</u>	<u>-</u>
Current tax		
UK corporation tax rate at standard rate of tax of 26% on profit for the year (2011: 28%)	-	-
Other short term timing differences	-	(0.5)
Current tax charge for year	<u>-</u>	<u>(0.5)</u>

Factors that may affect future tax charges:

On 21 March 2012 the UK Government announced a reduction in the main rate of corporation tax from 26% to 24% effective from 1 April 2012. The rate change was substantively enacted by the balance sheet date.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 22% by 1 April 2014.

7 Investments

	Shares in subsidiary undertakings £m
At cost & net book amount:	
At 1 April 2011 and 31 March 2012	<u>1.0</u>

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation
Greensands Senior Finance 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**8 Debtors: amounts falling due within one year**

	2012 £m	2011 £m
Amounts owed by other group undertakings	<u>3.1</u>	<u>3.2</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

	2012 £m	2011 £m
Amounts owed by group undertakings (note (a) below)	1,554.2	1,742.6
Deferred tax (note (b) below)	-	23.6
Amounts owed by group undertakings	<u>1,554.2</u>	<u>1,766.2</u>

Note (a) Amounts owed by group undertakings

All amounts owed by group undertakings due after one year are unsecured. Of this balance, £1,414.7m has accrued interest at 8.92% for the year ended 31 March 2012. Further, for the year ending 31 March 2013 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 Junior Finance Limited and Greensands Senior Finance Limited and has been set to between 0.00% and 5.80%. The remaining balance of £139.5m is unsecured, interest free and repayable on demand. The directors have confirmed that they will not call upon this balance of £1,554.2m for 12 months from the date of these financial statements.

Note (b) Deferred tax

	2012 £m	2011 £m
Deferred taxation		
Other timing differences	-	23.6
Deferred taxation	<u>-</u>	<u>23.6</u>

Movement in deferred tax asset:	2012 £m	2011 £m
Deferred tax asset recognised at 1 April	23.6	24.6
Impact of rate change	-	(1.8)
Amount credited to profit and loss account	-	(0.5)
Amount credited to statement of total recognised gains and losses	(23.6)	1.3
Deferred tax asset recognised at 31 March	<u>-</u>	<u>23.6</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 2012 (continued)**10 Creditors: amounts falling due within one year**

	2012	2011
	£m	£m
Loans and other borrowings:		
Junior Holdco Term Facility £225.6m 5.845% index linked 2014 (note (i) below)	-	252.0
Issue costs of credit facility	-	(2.8)
	<u>-</u>	<u>249.2</u>

Notes

- (i) In April 2011 the Company repaid the £225.6m Junior Holdco Term Facility Loan, plus the aggregate accretion of indexation owed on the related swap agreement of £24.4m.

11 Creditors: amounts falling due after one year

	2012	2011
	£m	£m
Amounts owed to group undertakings (note (i) below)	<u>1,559.7</u>	1,498.9
	<u>1,559.7</u>	<u>1,498.9</u>

Notes

- (i) All amounts owed to group undertakings are unsecured. Of this balance, £1,559.7m accrued interest at 3.98% for the year ended 31 March 2012. Further, for the year ending 31 March 2013 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 Junior Finance Limited and Greensands (UK) Limited and has been set to between 0.00% and 5.36%.

	2012	2011
	£m	£m
Repayments fall due as follows:		
Between two and five years	-	-
After five years not by installments	<u>1,559.7</u>	1,498.9
	<u>1,559.7</u>	<u>1,498.9</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (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 principle 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 and designated for cash flow hedges at the balance sheet date were:

	2012	2011
	£m	£m
Contracts with negative fair values:		
Interest rate swap - cash flow hedge	<u>-</u>	<u>(90.7)</u>
Movement in derivatives	2012	2011
	£m	£m
At 1 April	(90.7)	(85.9)
Movement in fair value recognised in hedging reserve	3.3	(4.8)
Accretion payment in year	24.4	-
Swap break	63.0	-
At 31 March	<u>-</u>	<u>(90.7)</u>

In April 2011, £24.4m of the cash flow hedge referred to above was settled and the remaining £63.0m transferred to Southern Water Services (Finance) Limited settled by a reduction of equivalent value in intercompany amounts owed within the group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (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
	2012	2012	2011	2011
	£m	£m	£m	£m
Long term borrowings	1,559.7	1,559.7	1,498.9	1,498.9
Short term borrowings	-	-	252.0	252.0
Long term debtors	1,554.2	1,554.2	1,742.6	1,742.6

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

(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
	2012	2012	2011	2011
	%	%	%	%
Senior Holdco Term Facility (see note 10)	-	-	-	5.96
Intercompany loan agreement (see note 9(a) and 11(i))	8.92	3.98	5.22	3.75

(v) Maturity of financial liabilities

The maturity profile of the company's financial liabilities at 31 March 2012 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 2012 (continued)

12 Financial instruments (continued)

	2012			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Financial liabilities at FVTPL*				
Derivative financial liabilities	-	-	-	-

	2011			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(90.7)	-	(90.7)

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

* Fair value through profit and loss

13 Called up share capital

	2012 £m	2011 £m
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1.0</u>	<u>1.0</u>
Allotted, called up and fully paid:		
1,000,000 ordinary share (2011: 1,000,000) of £1 each	<u>1.0</u>	<u>1.0</u>

14 Reserves

	Hedging reserve £m	Profit and loss account £m
At 1 April 2011	(67.1)	(2.3)
Result for the financial year	-	-
Deferred tax movement	(23.6)	-
Recycling to profit and loss account	<u>90.7</u>	<u>-</u>
At 31 March 2012	<u>-</u>	<u>(2.3)</u>
	Hedging reserve £m	Profit and loss Account £m
At 1 April 2010	(61.8)	(2.3)
Loss for the financial year	-	-
Deferred tax movement	(0.5)	-
Movement in fair value of interest rate swaps	(4.8)	-
At 31 March 2011	<u>(67.1)</u>	<u>(2.3)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**15 Reconciliation in movement in shareholder's funds**

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Opening shareholder's funds	(68.4)	(63.1)
Profit/(loss) for the year	-	-
Other recognized gains/(losses) relating to the year	67.1	(5.3)
Net additions to shareholder's funds	67.1	(5.3)
Closing shareholder's funds	(1.3)	(68.4)

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 2012, 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 Junior 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 JUNIOR FINANCE LIMITED FOR THE YEAR ENDED 31 MARCH 2012

We have audited the financial statements of Greensands Junior Finance Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of 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 auditors

As explained more fully in the Statement of Directors' Responsibilities, 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. 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 2012 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.

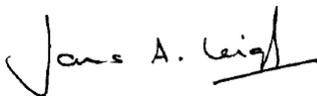
Opinion on other matters prescribed by the Companies Act 2006

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 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
24 July 2012