

**GREENSANDS (UK) LIMITED**

**ANNUAL REPORT**

**AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**

**31 MARCH 2012**

## **GREENSANDS (UK) 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  
London  
EC2N 3NW

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

**GREENSANDS (UK) LIMITED**

**Annual Report and Financial Statements for the year  
ended 31 March 2012**

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## Greensands (UK) Limited

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012**

The directors of Greensands (UK) Limited (Registered No. 06366235) 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 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. On 21 April 2011 the company acquired the entire share capital on incorporation of Southern Water (Greensands) Financing Plc.

During the year the Company received interest of £60.7m (2011: £55.0m) and incurred interest payable of £60.7m (2011: £55.0m).

The Company recorded no profit after taxation for the year ended 31 March 2012 (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 £1.9m (2011: £1.9m) comprising largely of its investment in subsidiary companies of £1.1m (2011: £1.0m), amounts owed by group undertakings of £1,561.0m (2011: £1,500.2m) and amounts owed to group undertakings totaling £1,564.0m (2011: £1,503.1m).

The Company is party to an agreement with Greensands Europe Limited, to which it owes a debt of £1,450.9m setting the interest rate effective on this facility as 4.28% 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 5.68%.

The Company was party to an agreement with Greensands Junior Finance Limited, from which it is owed 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 principal risk is 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 Junior Finance Limited or Southern Water (Greensands) Financing Plc and the recoverability of its inter company debt.

### **GOING CONCERN**

The directors have received confirmation that Greensands Holdings Limited intend 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.

## Greensands (UK) Limited

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

Greensands (UK) Limited

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012 (continued)**

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.

**STATEMENT OF PROVISION OF INFORMATION TO AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) 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 'KH', written over a circular stamp or seal.

**Kevin Hall**  
**Company Secretary**  
24 July 2012

Greensands (UK) Limited

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
Interest receivable and similar income	3	60.7	55.0
Interest payable and similar charges	4	(60.7)	(55.0)
<b>Profit on ordinary activities before taxation</b>	5	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>	13	<u><u>-</u></u>	<u><u>-</u></u>

The above results relate to continuing operations.

The Company has no recognised gains and losses other than those included above for the year and therefore no separate statement of total recognised gains and losses has been presented.

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

Greensands (UK) Limited

**BALANCE SHEET AS AT 31 MARCH 2012**

	Notes	2012 £m	2011 £m
<b>Fixed assets</b>			
Investments	7	1.1	1.0
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	1.3	1.3
Debtors: amounts falling due after one year	9	1,559.7	1,498.9
		<u>1,561.0</u>	<u>1,500.2</u>
<b>Net current assets</b>		<u>1,561.0</u>	<u>1,500.2</u>
<b>Total assets less current liabilities</b>		<u>1,562.1</u>	<u>1,501.2</u>
<b>Creditors:</b> amounts falling due after one year	10	<b>(1,564.0)</b>	(1,503.1)
<b>Net liabilities</b>		<u><b>(1.9)</b></u>	<u>(1.9)</u>
<b>Capital and reserves</b>			
Called up share capital	11	1.0	1.0
Profit and loss account	12	<b>(2.9)</b>	(2.9)
Total shareholder's deficit	13	<u><b>(1.9)</b></u>	<u>(1.9)</u>

The financial statements of Greensands (UK) Limited (Registered No. 06366235) on pages 4 to 11 were approved by the Board of directors and authorised for issue on 24 July 2012.

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

They were signed on its behalf by:



**Bronte Somes**  
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.

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 intend to support the Company for at least one year after these financial statements are signed.

**Basis of preparation**

The accounts contain information about Greensands (UK) 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, from the address given in note 14.

**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 from the address given in note 14. 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 14.

**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.

Interest income is accrued on a daily basis. Dividends and other investment income is accounted for when it becomes receivable.

**Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

**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.

Greensands (UK) Limited

**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**

	<b>Year ended 31 March 2012 £m</b>	Year ended 31 March 2011 £m
Due from group undertakings	<u>60.7</u>	<u>55.0</u>

**4 Interest payable and similar charges**

	<b>Year ended 31 March 2012 £m</b>	Year ended 31 March 2011 £m
Due to group undertakings	<u>60.7</u>	<u>55.0</u>

Greensands (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

5 Profit on ordinary activities before taxation

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

6 Tax on profit on ordinary activities

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m
<b>Current tax:</b>		
UK corporation tax on profit for the year	-	-

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
<b>Current tax</b>		
<b>Profit on ordinary activities before tax</b>	-	-
<b>Current tax</b>		
UK corporation tax rate at standard rate of tax of 26% on profit for the year (2011: 28%)	-	-
<b>Current tax charge for year</b>	-	-

No deferred tax arose during the year to 31 March 2012 (2011: nil).

**Factors affecting 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, and deferred tax balances are calculated using the new rate of 24%. However, there is no deferred tax affected within these financial statements.

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. The future main tax rate reductions are expected to have a similar impact on the financial statements as outlined above albeit at a rate of reduction of 1% rather than 2%, however the actual impact will be dependent on the Company's deferred tax position at that time.

7 Investments

	Shares in subsidiary undertakings £m
<b>At cost &amp; net book amount:</b>	
At 1 April 2011	1.0
Additions	0.1
At 31 March 2012	1.1

Greensands (UK) Limited

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

**7 Investments (continued)**

**Subsidiary undertakings**

During the year the company acquired the entire share capital on incorporation of Southern Water (Greensands) Financing Plc.

<b>Company</b>	<b>Class of share capital</b>	<b>No shares issued at £1 each</b>	<b>% shares held</b>	<b>Activity</b>	<b>Country of incorporation</b>
Greensands Junior Finance Limited	Ordinary	1,000,000	100%	Holding company	UK
Southern Water (Greensands) Financing Plc	Ordinary	50,000	100%	Financing company	UK

The directors are satisfied that the book value of investments is supported by their underlying net assets.

**8 Debtors: amounts falling due within one year**

	<b>2012 £m</b>	<b>2011 £m</b>
Amounts owed by group undertakings	<u>1.3</u>	<u>1.3</u>

The amount owed by group undertakings of £1.3m, is unsecured, interest free and repayable on demand.

**9 Debtors: amounts falling due after one year**

	<b>2012 £m</b>	<b>2011 £m</b>
Amounts owed by group undertakings	<u>1,559.7</u>	<u>1,498.9</u>

All amounts owed by group undertakings due after one year are unsecured. Interest on this balance has accrued at 3.98% 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 (UK) Limited and Greensands Junior Finance Limited and has been set to between 0.00% and 5.36%. The directors have confirmed that they will not call upon this balance for 12 months from the date of these financial statements.

Greensands (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

**10 Creditors: amounts falling due after one year**

	<b>2012</b> <b>£m</b>	2011 £m
Amounts owed to group undertakings	<u><b>1,564.0</b></u>	<u>1,503.1</u>

All amounts owed to group undertakings are unsecured. Of this balance, £1,450.9m accrued interest at 4.28% 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 (UK) Limited and Greensands Europe Limited and has been set to between 0.00% and 5.68%. The remaining balance of £113.1m is unsecured, interest free and repayable on demand. It has been confirmed that neither of these balances will be called upon for 12 months from the date of these financial statements.

**11 Called up share capital**

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

**12 Profit and loss account**

	<b>£m</b>
At 1 April 2011	(2.9)
Result for the financial year	-
<b>At 31 March 2012</b>	<u><b>(2.9)</b></u>

**13 Reconciliation in movement in shareholder's deficit**

	<b>Year ended</b> <b>31 March</b> <b>2012</b> <b>£m</b>	Year ended 31 March 2011 £m
Opening shareholder's deficit	(1.9)	(1.9)
Result for the financial year	-	-
Net addition to shareholder's deficit	-	-
Closing shareholder's deficit	<u><b>(1.9)</b></u>	<u>(1.9)</u>

## Greensands (UK) Limited

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012 (continued)

#### 14 Ultimate parent and controlling party

The immediate parent undertaking is Greensands Europe Limited.

The ultimate parent and controlling company is Greensands Holdings Limited, a company incorporated in Jersey. At 31 March 2012, Greensands Holdings Limited directly owned 100% of the share capital of Greensands Europe Limited. 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 (UK) 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 (UK) LIMITED FOR THE YEAR ENDED 31 MARCH 2012**

We have audited the financial statements of Greensands (UK) Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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.

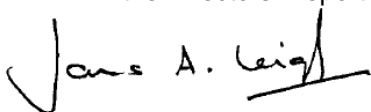
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information 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