

**SOUTHERN WATER CAPITAL LIMITED**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2019**

**Registered number: 04608528**

**SOUTHERN WATER CAPITAL LIMITED**  
**Annual Report and Financial Statements for the year ended**  
**31 March 2019**

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## SOUTHERN WATER CAPITAL LIMITED

### COMPANY INFORMATION

The company is a private company limited by shares.

#### **Directors**

A Gilbert  
B Somes  
B Goodwin

#### **Company Secretary**

J Statton

#### **Registered office**

Southern House  
Yeoman Road  
Worthing  
West Sussex  
United Kingdom  
BN13 3NX

#### **Bankers**

HSBC Bank PLC  
PO Box 125  
2nd Floor, 62-76 Park Street  
London  
United Kingdom  
SE1 9DZ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

#### **Registered number**

04608528

## SOUTHERN WATER CAPITAL LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The strategic report for the year ended 31 March 2019 has been prepared in terms of Section 414C of the Companies Act 2006.

Southern Water Capital Limited (Registered No. 04608528) is incorporated in the United Kingdom and was established to complement the activities of the other companies in the Greensands Holdings group.

The company did not trade during the year, and there is no intention for it to trade in the future, however it continues to act as a holding company for Southern Water Investments Limited.

#### KEY PERFORMANCE INDICATORS

Southern Water Capital Limited acts as an intermediate holding company for the group and as such does not have any KPIs as an individual company. KPIs are monitored at the group level and are disclosed in the consolidated financial statements of Greensands Holdings Limited which may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX.

Given the limited activity of the company, additional information can be found in the directors' report, which describes the business model and strategy employed by the company. The report also includes a review of the company's performance during the year, insight on future developments and information about the principal risks and uncertainties facing the company. As a result, no further information is included in this strategic report.

Approved by the Board and signed on its behalf by.



B Somes  
**Director**  
23 July 2019

## SOUTHERN WATER CAPITAL LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors of Southern Water Capital Limited (Registered No. 04608528) present the annual report and the audited financial statements for the year ended 31 March 2019.

The directors, in preparing this directors report, have complied with s414C of the Companies Act 2006.

#### PRINCIPAL ACTIVITIES

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

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

The company did not trade during the year, and there is no intention for it to trade in the future, however it continues to act as a holding company for Southern Water Investments Limited.

During the year the company paid equity dividends of £nil (2018: £6.8m) and received equity dividends of £nil (2018: £8.0m). The company received preference share dividends during the year of £10.9m (2018: £13.2m) from Southern Water Investments Limited and Southern Water Services Limited. It received interest of £9.2 (2018: £nil) and incurred interest payable costs of £18.6m (2018: £18.5m). The retained profit for the year of £3.3m (2018: £6.2m) has been taken to the reserves.

No additional interim or final dividend has been declared or paid for the year ended 31 March 2019.

The company has net assets of £216.6m (2018: £63.9m) comprising largely an investment of £181.8m (2018: £204.5m) in Southern Water Investments Limited, amounts owed from other group companies of £726.7m (2018: £29.1m) and cash of £0.1m. These balances are offset by amounts owed to other group companies of £691.9m (2018: £169.8m).

Amounts owed to other group companies increased to £691.9m due to the financial restructure of the wider group in order to improve the financial resilience of the operating company, Southern Water Services Limited. The financial restructure completed in March 2019 and funds from new borrowings raised within the group were passed down through the group to Southern Water Capital Limited as inter-company borrowings as detailed in note 14. The funds were subsequently on-lent to its subsidiary Southern Water Investments Limited increasing other non-current assets as detailed in note 10.

In the prior year, the company was party to an agreement with Greensands Investments Limited, to which it owed a debt of £40.6m. This debt, and all other amounts owed to Greensands Investments Limited, were settled during the year to 31 March 2019.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in an impairment to the value of its investment in Southern Water Investments Limited and the recoverability of its debt of its intercompany debt. Ultimately this is reliant on cash funds being available at Southern Water Services Limited to support the group.

The directors are confident that these risks are mitigated by the use of effective risk management policies employed by Southern Water Services Limited. For further details regarding these policies please refer to the strategic report of Southern Water Services Limited.

#### GOING CONCERN

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements as it is financed by interest and dividends received from subsidiary companies. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

#### FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with the year ending 31 March 2019 for the forthcoming year, however there maybe wider economic factors, such as the UK's anticipated departure from the European Union, which could affect future company dealings.

## **SOUTHERN WATER CAPITAL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

On 28 June 2019, Southern Water Investments Limited redeemed all remaining 9,863 of its Class A2 preference shares, and Southern Water Services Limited redeemed all remaining 9,863 of its Class A1 and 19,411 of its Class B preference shares, at nominal value plus any premium paid on issue, including settlement for fixed or base value dividends due to that date. The total amount paid to Southern Water Capital Limited was £34.0 million, comprising principal redemption of £29.2 million and dividends of £4.8 million.

#### **DIRECTORS**

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

A Gilbert  
B Goodwin  
B Someš

#### **DIRECTORS' INDEMNITIES**

The company maintains liability insurance for its directors and officers, which is also maintained for the directors and officers of its holding companies and fellow subsidiaries. Following shareholder approval, the company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. An indemnity has also been provided for the directors and company secretaries of the company's holding companies and fellow subsidiaries.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**SOUTHERN WATER CAPITAL LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**STATEMENT OF PROVISION OF INFORMATION TO AUDITOR**

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) each director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

**INDEPENDENT AUDITOR**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board.



J Statton  
**Company Secretary**  
23 July 2019

**SOUTHERN WATER CAPITAL LIMITED**

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £m	2018 £m
<b>Continuing operations</b>			
Finance income	4	20.1	21.2
Finance costs	5	<u>(18.6)</u>	<u>(18.5)</u>
Net finance income		1.5	2.7
<b>Profit before taxation</b>	6	<u>1.5</u>	<u>2.7</u>
Taxation	7	1.8	3.5
<b>Profit for the financial year</b>		<u><u>3.3</u></u>	<u><u>6.2</u></u>

There were no other comprehensive income or losses for the years ending 31 March 2018 and 31 March 2019, accordingly no separate statement of other comprehensive income is presented.

**SOUTHERN WATER CAPITAL LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Notes	2019 £m	2018 £m
<b>Non-current assets</b>			
Investments	9	181.8	204.5
Other non-current assets	10	681.9	-
		863.7	204.5
<b>Current assets</b>			
Trade and other receivables	11	44.8	29.1
Cash at bank and in hand		0.1	0.1
		44.9	29.2
<b>Total assets</b>		<b>908.6</b>	<b>233.7</b>
<b>Current liabilities</b>			
Trade and other payables	12	(10.6)	(6.3)
Borrowings	13	(0.6)	(8.7)
<b>Non-current liabilities</b>			
Borrowings	14	(680.8)	(154.8)
<b>Total liabilities</b>		<b>(692.0)</b>	<b>(169.8)</b>
<b>Net assets</b>		<b>216.6</b>	<b>63.9</b>
<b>Equity</b>			
Called up share capital	15	44.7	40.1
Share premium account	16	144.8	-
Retained earnings		27.1	23.8
<b>Total equity</b>		<b>216.6</b>	<b>63.9</b>

The financial statements of Southern Water Capital Limited (Registered No. 04608528) were approved by the Board and authorised for issue on 23 July 2019.

Signed on behalf of the Board of Directors:



B Somes  
**Director**  
 23 July 2019

**SOUTHERN WATER CAPITAL LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Share Premium	Retained Earnings	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2017</b>	<b>40.1</b>	-	<b>24.4</b>	<b>64.5</b>
Profit for the financial year and total comprehensive profit	-	-	6.2	6.2
<b>Total comprehensive income for the year</b>	-	-	<b>6.2</b>	<b>6.2</b>
Equity dividends paid (note 8)	-	-	(6.8)	(6.8)
<b>Balance at 31 March 2018</b>	<b>40.1</b>	-	<b>23.8</b>	<b>63.9</b>
Profit for the financial year and total comprehensive profit	-	-	3.3	3.3
<b>Total comprehensive income for the year</b>	-	-	<b>3.3</b>	<b>3.3</b>
Ordinary shares issued in year	4.6	144.8	-	149.4
Retained Earnings	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>44.7</b>	<b>144.8</b>	<b>27.1</b>	<b>216.6</b>

## SOUTHERN WATER CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 1 Accounting Policies

##### Basis of preparation

Southern Water Capital Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 3.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. The principal accounting policies adopted which have been applied consistently throughout the current and preceding year are set out below.

The financial statements have been prepared on a going concern basis under the historical cost convention and are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The financial statements contain information about Southern Water Capital Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of the ultimate holding company, Greensands Holdings Limited. The group financial statements of Greensands Holdings Limited are available to the public and can be obtained from the Southern Water website.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a statement of cash flows, financial instruments, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

##### Adoption of new and revised accounting and financial reporting standards

This is the first set of the company's annual financial statements where IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied.

There was no material impact resulting from the application of these standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

**1 Accounting policies (continued)**

**Going concern**

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements as it is financed by interest and dividends received from subsidiary companies. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

**Related party disclosure**

The company has taken advantage of the exemption under FRS 101 paragraph 8(j) from the requirements of IAS 24, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Greensands Holdings Limited, whose financial statements are publicly available from the address in note 17.

**Investments**

Investments held as non-current assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value. The carrying values of non-current asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Interest income is accrued on a daily basis. Dividends and other investment income is accounted for when it becomes receivable.

**Financial instruments**

The company has adopted IFRS 9 'Financial Instruments' from 1 April 2018.

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. There was no material impact resulting from the application of this standard.

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

**Financial assets**

**(i) Loans receivable**

Loans receivable that have fixed or determinable payments that are not quoted in an active market are classified as 'held to collect'. Loans receivable are measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**(ii) Impairment of financial assets**

All debt type financial assets which are not measured at FVTPL are assessed for impairment at each reporting date using a forward looking approach by identifying expected credit losses ('ECL's). ECLs are defined as the difference between the contractual cash flows that are due in accordance with the contract and the cash flows that the company expected to receive, discounted at the original effective interest rate.

Based on that analysis at the end of the reporting period, the impairment on the company's assets are considered to be immaterial and no allowance has been recognised in financial statements.

**(iii) Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

**1 Accounting policies (continued)**

**Financial liabilities**

**(i) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**(ii) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**(iii) Derecognition of financial liabilities**

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

**Taxation**

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

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

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

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

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

Interest income, interest payable and similar income and charges are recognised on an accruals basis.

## SOUTHERN WATER CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The directors believe that there are currently no critical judgements applied in the preparation of the financial statements that the company is required to disclose apart from those involving estimations, which are dealt with separately below.

#### Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the reporting period end that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

##### Impairment

Impairment is recognised in the income statement when there is evidence that the value of an investment is higher than the recoverable amount. Recoverable amount is the lower of, value in use or net realisable value. An impairment review requires management to make subjective judgements regarding the recoverable amount of the investment under review. In determining the investment's recoverable amount, the Directors take into account current and expected regulated returns and these are subject to ongoing review and negotiation.

#### 3 Employee information

The company had no employees (2018: None).

The services of the directors are deemed to be wholly attributable to their services to Southern Water Services Limited.

Accordingly no details in respect of the emoluments paid to the directors are included here as they are fully disclosed in the financial statements of Southern Water Services Limited, which are available to the public and can be obtained from the Southern Water website ([www.southernwater.co.uk](http://www.southernwater.co.uk)).

#### 4 Finance income

	2019 £m	2018 £m
Preference share dividends received from Southern Water Services Limited	8.3	9.0
Preference share dividends received from Southern Water Investments Limited	2.6	4.2
Equity dividends received from Southern Water Investments Limited	-	8.0
Interest received from group companies	9.2	-
	<u>20.1</u>	<u>21.2</u>

**SOUTHERN WATER CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**5 Finance costs**

	2019 £m	2018 £m
Interest payable to group companies	18.5	18.4
Interest payable on other loans	0.1	0.1
	18.6	18.5

**6 Profit before taxation**

In 2019 and 2018 audit fees of £1,000 in relation to auditing of the financial statements were borne by Southern Water Services Limited and not recharged to the company.

**7 Taxation**

	2019 £m	2018 £m
<b>Current tax:</b>		
Current year tax credit	1.8	3.5
<b>Total current tax credit</b>	1.8	3.5

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

	2019 £m	2018 £m
<b>Profit before taxation</b>	1.5	2.7
Tax charge at the UK corporation tax rate at 19% (2018: 19%)	(0.3)	(0.5)
Permanent differences arising on UK dividends from subsidiary	2.1	4.0
<b>Total tax credit for the year</b>	1.8	3.5

**Factors that may affect future tax charges**

A reduction in the main rate of corporation tax to 17% from the 1 April 2020 was enacted in the Finance Bill 2016 and deferred tax balances at the Balance Sheet date have been calculated using this rate.

No deferred tax arose during the year to 31 March 2019 (2018: nil).

**8 Dividends**

	2019 £m	2018 £m
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Current year interim dividend of £nil (2018: £0.17) per share	-	6.8
	-	6.8

The interim and final dividends totalling £nil (2018: £6.8m) were paid to Greensands Investments Limited.

No additional interim or final dividend has been declared for the year ended 31 March 2019.

**SOUTHERN WATER CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**9 Investments**

	Shares in subsidiary undertakings	Other Investments	Total
	£m	£m	£m
<b>At cost &amp; net book amount:</b>			
At 1 April 2018	204.4	0.1	204.5
Disposal during the year	(22.7)	-	(22.7)
At 31 March 2019	<b>181.7</b>	<b>0.1</b>	<b>181.8</b>

Other investments relate to shares acquired in Landlord TAP Limited, a national web portal set up as part of a Water UK initiative to improve data on tenants and thereby increase collections and reduce bad debts.

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

**Subsidiary undertakings**

Company	Class of share capital	No. shares issued at 31 March 2019	% shares held	Activity	Country of incorporation
Southern Water Investments Limited	Ordinary	10,000,000 at £1	100%	Holding company	UK
Southern Water Investments Limited	Preference (A2)	9,863 at £0.01 (2018: 32,607 at £0.01)	100%	Holding company	UK
Southern Water Services Limited	Preference (A1)	9,863 at £1.0 (2018: 32,607 at £1)	100%	Water company	UK
Southern Water Services Limited	Preference (B)	110,000 at £1	100%	Water company	UK

All of the above subsidiaries' have their registered office at Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX.

**In respect of the investments listed above:**

On 6 April 2018, Southern Water Services Limited and Southern Water Investments Limited redeemed 12,892 of the A1 and A2 preference shares at nominal value plus premium, amounting to £12.9 million plus an estimated amount for the A2 dividend that would have fallen due on 30 September 2018. The total redemption value paid to shareholders including the estimated dividend was £13.5 million.

On 25 September 2018, Southern Water Services Limited and Southern Water Investments Limited redeemed 9,852 of the A1 and A2 preference shares at nominal value plus premium, amounting to £9.9 million plus an amount for the A2 base value dividend that would have fallen due on 30 September 2018. The total redemption value paid to shareholders including the base value dividend accrued was £10.0 million.

On 28 June 2019, Southern Water Investments Limited redeemed all remaining 9,863 of its Class A2 preference shares, and Southern Water Services Limited redeemed all remaining 9,863 of its Class A1 and 19,411 of its Class B preference shares, at nominal value plus any premium on issue, including settlement for fixed or base value dividends due to that date. The total amount paid to Southern Water Capital Limited was £34.0 million, comprising principal redemption of £29.2 million and dividends of £4.8 million.

**SOUTHERN WATER CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**9 Investments (continued)**

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

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

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

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

**SOUTHERN WATER CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**10 Other non-current assets**

<b>Loans due from Southern Water Investments Limited</b>	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
£140.0m – 6 month libor plus 5.25% 2025 (see note (ii)(a) below)	<b>140.0</b>	-
£95.0m – Libor plus 5.25% 2026 (see note (ii)(b) below)	<b>95.0</b>	-
£397.4m – 3.65% to 5.35% 2024 to 2031 (see note (ii)(c) below)	<b>397.4</b>	-
£49.5m – 6 month libor plus 2.50% 2025 (see note (ii)(d) below)	<b>49.5</b>	-
Amounts due from group undertakings	<u><b>681.9</b></u>	<u>-</u>

Notes in respect of the loans above:

- (i) All amounts due from group undertakings after one year are unsecured.
- (ii) In the current year the following loan funds have been on-lent to Southern Water Investment Limited (SWIL) as part of the group's refinancing:
  - a) £140.0m has accrued interest at 6.7057% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2025.
  - b) £95.0m has accrued interest at 6.5190% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2026.
  - c) £397.4m has accrued interest across a range of 3.6583% to 4.1735% for the period ended 31 March 2019 and the underlying loans have terms ranging from 5 to 12 years, maturing between 2024 and 2031.
  - d) £49.5m has accrued interest at 3.6869% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2025.
- (iii) The directors have confirmed that this balance will not be called upon for 12 months from the date of these financial statements.
- (iv) All entities are wholly owned within the group.

**11 Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Amounts due from group undertakings	<u><b>44.8</b></u>	<u>29.1</u>

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

All entities are wholly owned within group.

**12 Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
Amounts owed to group undertakings	<b>10.5</b>	6.2
Accruals	<b>0.1</b>	0.1
	<u><b>10.6</b></u>	<u>6.3</u>

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

All entities are wholly owned within group.

**SOUTHERN WATER CAPITAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

**13 Current borrowings**

	2019 £m	2018 £m
<b>Loans and other borrowings:</b>		
Amounts owed to group undertakings	0.6	8.7
	0.6	8.7

All entities are wholly owned within group.

**14 Borrowings**

	2019 £m	2018 £m
<b>Loans from Greensands Finance Limited</b>		
£140.0m – 6 month libor plus 5.25% 2025 (see note (ii)(a) below)	140.0	-
£95.0m – Libor plus 5.25% 2026 (see note (ii)(b) below)	95.0	-
£397.4m – 3.65% to 5.35% 2023 to 2030 (see note (ii)(c) below)	397.4	-
£49.5m – 6 month libor plus 2.50% 2025 (see note (ii)(d) below)	49.5	-
Other loans from Greensands Finance Limited	0.6	-
Total loans and borrowings from Greensands Finance Limited	682.5	-
Other amounts owed to group undertakings	-	164.6
Debt issue costs	(1.1)	(1.1)
Total borrowings from group undertakings	681.4	163.5
<b>Disclosed as:</b>		
Current liabilities (see note 13)	0.6	8.7
Non-current liabilities	680.8	154.8
Total loans and other borrowings	681.4	163.5

Notes in respect of the borrowings above:

- (i) All amounts due to group undertakings after one year are unsecured.
- (ii) In the current year the following loan funds on-lent to Southern Water Investment Limited (SWIL) as part of the group's refinancing have accrued interest s follows:
  - a) £140.0m has accrued interest at 6.7057% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2025.
  - b) £95.0m has accrued interest at 6.5190% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2026.
  - c) £397.4m has accrued interest across a range of 3.6583% to 4.1735% for the period ended 31 March 2019 and the underlying loans have terms ranging from 5 to 12 years, maturing between 2023 and 2030.
  - d) £49.5m has accrued interest at 3.6869% for the period ended 31 March 2019 and the underlying loan has a term of 7 years, maturing in 2025.
- (iii) The directors have confirmed that this balance will not be called upon for 12 months from the date of these financial statements.
- (iv) All entities are wholly owned within group.

	2019 £m	2018 £m
<b>Repayments fall due as follows:</b>		
Between two and five years	-	(0.2)
After five years not by instalments	680.8	155.0
	680.8	154.8

## SOUTHERN WATER CAPITAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

#### 15 Called up share capital

	2019 £m	2018 £m
<b>Allotted, called up and fully paid</b>		
5,569,100 (2018: 5,000,000) ordinary A shares of £1 each	5.6	5.0
39,039,391 (2018: 35,050,000) ordinary B shares of £1 each	39.1	35.1
	44.7	40.1

During the year the Greensands group of companies undertook a financial restructure for the purposes of raising debt finance to be used in the operating company Southern Water Services Limited.

As part of this, the company issued a further 569,100 ordinary A shares and 3,989,391 ordinary B shares at a nominal value of £1 each for proceeds totalling £149.4m including share premium of £144.8m.

Both A and B ordinary shares carry full voting rights; in all respects the A and B shares rank pari passu as regards rights to income and capital.

#### 16 Share Premium

	2019 £m	2018 £m
Share premium account	144.8	-

The premium paid per share for the issue of share capital was £31.77.

#### 17 Ultimate parent and controlling party

The immediate parent company is Greensands Investments Limited.

The ultimate parent and controlling company is Greensands Holdings Limited (Registered Number: Jersey 98700), it was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, United Kingdom, JE4 9WG. Greensands Holdings Limited is itself owned and controlled by a consortium of investors. At 31 March 2018, the majority shareholder in Greensands Holdings Limited is an institutional investment company advised by J.P. Morgan Asset Management.

Greensands Holdings Limited is the largest and smallest parent company and the only group company that prepares consolidated financial statements, which contain the financial statements of Southern Water Capital Limited. Copies of Greensands Holdings Limited's consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, United Kingdom, BN13 3NX.

#### 18 Post balance sheet events

On 28 June 2019, Southern Water Investments Limited redeemed all remaining 9,863 of its Class A2 preference shares, and Southern Water Services Limited redeemed all remaining 9,863 of its Class A1 and 19,411 of its Class B preference shares at nominal value plus any premium paid on issue, including settlement for fixed or base value dividends due to that date. The total amount paid to Southern Water Capital Limited was £34.0 million, comprising principal redemption of £29.2 million and dividends of £4.8 million.

## SOUTHERN WATER CAPITAL LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER CAPITAL LIMITED

#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Southern Water Capital Limited which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## SOUTHERN WATER CAPITAL LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER CAPITAL LIMITED (continued)

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

##### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## SOUTHERN WATER CAPITAL LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER CAPITAL LIMITED (continued)

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### Use of our report

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.

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

Anthony Matthews (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
29 July 2019