

SOUTHERN WATER LIMITED - 2366620

ANNUAL REPORT
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2010

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COMPANIES HOUSE

SOUTHERN WATER LIMITED

Company information

Directors

H Goodbourn

L Dawson (Resigned 25/05/10)

M Welton (Appointed 26/05/10)

Secretary

K Hall

Independent Auditors

PricewaterhouseCoopers LLP

First Point

Buckingham Gate

Gatwick

RH6 0PP

Bankers

Natwest

27 South Street

Worthing

West Sussex

BN11 3AR

Registered office

Southern House

Yeoman Road

Worthing

West Sussex

BN13 3NX

Register number

02366620

SOUTHERN WATER LIMITED
Annual Report and Financial Statements for the year
ended 31 March 2010

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

The directors of Southern Water Limited (Registered No 02366620) present their report and the audited accounts for the year ended 31 March 2010

The report has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime

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 accounts

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The Company acted as a holding company for investments during the year

The Company received dividends of £0 8m (2009 £0 7m) from its trade investment in Veolia Water Southeast Limited (formerly Folkestone & Dover Water Services Limited) The Company has net assets of £1,143 3m (2009 £1,142 3m) comprising largely of loans to other group companies of £1,178 4m (2009 £1,178 4m) offset by loans from other group companies of £61 3m (2009 £61 5m)

The principal risk to the Company is the occurrence of events that might affect the recoverability of its loan to Southern Water (NR) Limited

No dividends have been charged in the accounts (2009 £nil)

The directors have not declared a final dividend for the year ended 31 March 2010 The retained profit for the year of £1 0m (2009 loss of £1 6m) has been transferred to/(from) reserves

DIRECTORS

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

H Goodbourn
L Dawson (Resigned 25/05/10)
M Welton (Appointed 26/05/10)

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are 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 AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Approved by the Board of Directors and signed on behalf of the Board.



K Hall
Secretary

28 July 2010

Southern Water Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Income from investments	3	0.8	0.7
Total operating profit		<u>0.8</u>	<u>0.7</u>
Loss on disposal of investment	4	-	(2.2)
Interest receivable and similar income	5	-	0.1
Profit/(loss) on ordinary activities before taxation	6	<u>0.8</u>	<u>(1.4)</u>
Tax on profit on ordinary activities	7	0.2	(0.2)
Profit /(loss) for the financial year		<u>1.0</u>	<u>(1.6)</u>
Dividends	8	-	-
Retained profit/(loss) for the financial year	13	<u>1.0</u>	<u>(1.6)</u>

The above results relate to continuing operations

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

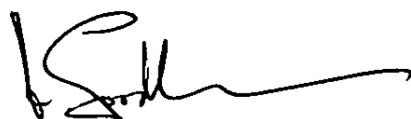
There is no difference between the profit/(loss) on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents

Southern Water Limited

BALANCE SHEET AS AT 31 MARCH 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	9	23.8	23.8
Current assets			
Debtors amounts falling due within one year	10	1,178.9	1,178.9
Cash at bank and in hand		1.9	1.1
		<u>1,180.8</u>	<u>1,180.0</u>
Creditors, amounts falling due within one year	11	(61.3)	(61.5)
Net current assets		<u>1,119.5</u>	<u>1,118.5</u>
Net assets		<u>1,143.3</u>	<u>1,142.3</u>
Capital and reserves			
Called up share capital	12	156.6	156.6
Capital redemption reserve	13	16.9	16.9
Share premium account	13	14.4	14.4
Profit and loss account	13	955.4	954.4
Total shareholders' funds	14	<u>1,143.3</u>	<u>1,142.3</u>

The accounts on pages 3 to 10 were approved by the board and authorised for issue on 28 July 2010 and are signed on its behalf by



H Goodbourn
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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, are set out below.

Cash flow statement

The Company has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" from the requirement to present a cash flow statement on the grounds that the Company is consolidated within the publicly available financial statements of its ultimate parent company, Greensands Holdings Limited, where a consolidated cash flow statement is presented.

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 in note 15.

Basis of preparation

The accounts contain information about Southern Water 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)**2 Employee information**

The Company has no employees (2009 none)

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

3 Income from investments

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Dividends receivable	0.8	0.7
	<u>0.8</u>	<u>0.7</u>

4 Loss on disposal of investment

	Year ending 31 March 2010 £m	Year ending 31 March 2009 £m
Profit on disposal of investments	-	0.2
Debt write off	-	(2.4)
	<u>-</u>	<u>(2.2)</u>

5 Interest receivable and similar income

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Interest receivable	-	0.1
	<u>-</u>	<u>0.1</u>

6 Profit/(loss) before taxation on ordinary activities

In 2010 and 2009 audit fees were borne by Southern Water Services Limited ("SWS")

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

7 Tax on profit/(loss) on ordinary activities

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Current tax:		
UK corporation tax on profits/(losses) for the year	-	0.2
Adjustments in respect of prior years	(0.2)	-
Total tax(credit)/charge on profit/(loss) on ordinary activities	(0.2)	0.2

The rate of current tax charge on profit/(loss) on ordinary activities varied from the standard rate of corporation tax due to the following factors

	Year ended 31 March 2010 £m	Year ended 31 March 2009 £m
Current tax		
Profit/(loss) on ordinary activities before tax	0.8	(1.4)
Current tax		
UK corporation tax at 28% on profit for the year (2009 28%)	0.2	(0.4)
UK dividends from subsidiary companies	(0.2)	-
Permanent differences	(0.2)	0.6
Current tax (credit)/charge for year	(0.2)	0.2

No deferred tax arose during the year to 31 March 2010 (2009 nil)

8 Dividends per ordinary share

	Year ended 31 March 2010 £ per ordinary share	Year ended 31 March 2009 £ per ordinary share	Year ended 31 March 2010 Total £m	Year ended 31 March 2009 Total £m
Interim dividend	-	-	-	-

The directors have not declared a final dividend for the year ended 31 March 2010 (2009 £nil per share)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

9 Investments

	Shares in subsidiary undertakings £m	Other investments £m	Total £m
At cost:			
At 1 April 2009 and 31 March 2010	25.8	1.2	27.0
Amounts provided for:			
At 1 April 2009 and 31 March 2010	(3.2)	-	(3.2)
Net book amount:			
At 1 April 2009	22.6	1.2	23.8
At 31 March 2010	22.6	1.2	23.8

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

As at 31 March 2010 the Company's principal subsidiaries are listed below -

Company	Class of share capital	% shares held	Activity	Country of incorporation
Bowsprit Holdings Limited	Ordinary	100%	Dormant	UK
Ecoclear Limited	Ordinary	100%	Dormant	UK
Southern Water Industries Limited	Ordinary	100%	Dormant	UK
Southern Water Services Finance plc	Ordinary	100%	Dormant	UK

Other investments comprise equity shares in trade investments which are predominantly unlisted and with cost £1.2m (2009: £1.2m)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)

10 Debtors: amounts falling due within one year

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	0.5	0.5
Long term borrowings due from group undertakings	1,178.4	1,178.4
	<u>1,178.9</u>	<u>1,178.9</u>

The loans from group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Amounts owed to subsidiary undertakings	<u>61.3</u>	<u>61.5</u>

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

12 Called up share capital

	2010 £m	2009 £m
Authorised:		
225,000,001 ordinary shares of £1 each	225.0	225.0
1 preference share of £1	-	-
	<u>225.0</u>	<u>225.0</u>
Allotted, called up and fully paid:		
156,642,565 (2009 156,642,565) ordinary shares of £1 each	<u>156.6</u>	<u>156.6</u>

13 Reserves

	Capital redemption reserve £m	Share premium £m	Profit and loss account £m	Total £m
At 1 April 2009	16.9	14.4	954.4	985.7
Profit for the financial year	-	-	1.0	1.0
At 31 March 2010	<u>16.9</u>	<u>14.4</u>	<u>955.4</u>	<u>986.7</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 (continued)**14 Reconciliation of movement in shareholders funds**

	2010 £m	2009 £m
Profit/(Loss) for the year	1.0	(1.6)
Dividends	-	-
Profit/(Loss) for the financial year	<u>1.0</u>	<u>(1.6)</u>
Opening shareholders' funds	<u>1,142.3</u>	<u>1,143.9</u>
Closing shareholders' funds	<u>1,143.3</u>	<u>1,142.3</u>

15 Ultimate parent and controlling party

The immediate parent company is Southern Water (NR) Limited

The ultimate parent and controlling company is Greensands Holdings Limited, a company incorporated in the Jersey. At 31 March 2010, Greensands Holdings Limited directly owned 100% of the share capital of Southern Water Limited. As at 31 March 2010, 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 Southern Water 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 AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN WATER LIMITED FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Southern Water Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

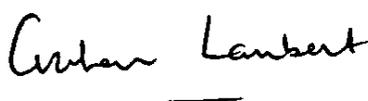
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Graham Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

29 July 2010