

**SOUTHERN WATER LIMITED**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2013**



# **SOUTHERN WATER LIMITED**

## **Company information**

### **Directors**

M Carmedy

K Hall

M Wnght

### **Secretary**

K Hall

### **Registered office**

Southern House

Yeoman Road

Worthing

West Sussex

BN13 3NX

### **Bankers**

Natwest

27 South Street

Worthing

West Sussex

BN11 3AR

### **Auditor**

Deloitte LLP

Chartered Accountants

London

### **Registered number**

02366620

**SOUTHERN WATER LIMITED**  
**Annual Report and Financial Statements for the year**  
**ended 31 March 2013**

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## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2013**

The directors of Southern Water Limited (Registered No 02366620) present their report and the audited accounts for the year ended 31 March 2013

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 undertakings disclosed in note 6 to the accounts

### **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

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

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

The company received dividends of £0.1m (2012: £0.6m) from its trade investment in Veolia Water Southeast Limited. This investment was sold during the year and a profit of £6.5m was made on disposal. The company has net assets of £1,151.1m (2012: £1,144.5m) comprising largely of loans to other group companies of £1,178.4m (2012: £1,178.4m) and cash of £16.0m (2012: £3.1m) offset by loans from other group companies of £66.4m (2012: £61.3m)

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

The directors have not declared a final dividend for the year ended 31 March 2013. The retained profit for the year of £6.6m (2012: £0.6m) has been transferred to the reserves

### **DIRECTORS**

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

M Carmedy  
K Hall  
M Wright

### **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 2013 (continued)**

**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 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 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 has taken all the steps that he ought to have taken as a director in order to make himself 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



K Hall  
Company Secretary  
24 July 2013

Southern Water Limited

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Income from investments	3	0.1	0.6
Exceptional item Profit on disposal of fixed asset investments	4	6.5	-
<b>Profit on ordinary activities before taxation</b>	4	<u>6.6</u>	<u>0.6</u>
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>		<u>6.6</u>	<u>0.6</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 on ordinary activities after taxation for the years stated above and their historical cost equivalents

Southern Water Limited

**BALANCE SHEET AS AT 31 MARCH 2013**

	Notes	2013 £m	2012 £m
<b>Fixed assets</b>			
Investments	6	22 6	23 8
<b>Current assets</b>			
Debtors amounts falling due within one year	7	0 5	0 5
Debtors amounts falling due after one year	8	1,178 4	1,178 4
Cash at bank and in hand		16 0	3 1
		<u>1,194 9</u>	<u>1,182 0</u>
<b>Creditors</b> amounts falling due within one year	9	(66 4)	(61 3)
<b>Net current assets</b>		<u>1,128 5</u>	<u>1,120 7</u>
<b>Net assets</b>		<u>1,151 1</u>	<u>1,144 5</u>
<b>Capital and reserves</b>			
Called up share capital	10	156 6	156 6
Capital redemption reserve	11	16 9	16 9
Share premium account	11	14 4	14 4
Profit and loss account	11	963 2	956 6
<b>Total shareholder's funds</b>	12	<u>1,151 1</u>	<u>1,144 5</u>

The financial statements of Southern Water Limited (Registered No 02366620) on pages 3 to 9 were approved by the board and authorised for issue on 24 July 2013

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

They are signed on its behalf by

  
**M Carmedy**  
 Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 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 balance sheet on page 4 presents net current liabilities of £49.9m. However, creditors due within one year consist of balances owed to other fellow group companies. As discussed below, the directors have received confirmation that this support will continue for the foreseeable future.

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.

#### 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. The address is given in note 13.

#### 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 13.

#### Basis of preparation

The accounts contain information about Southern Water 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.

#### 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 2013 (continued)****2 Employee information**

The company has no employees (2012 none)

The services of the directors are deemed to be wholly attributable to their services to Southern Water Services Limited ("SWS")

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 SWS

**3 Income from investments**

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Dividends receivable	<u>0.1</u>	<u>0.6</u>

**4 Profit on ordinary activities before taxation**

In 2013 and 2012 audit fees of £1,000 were borne by SWS

**Exceptional item**

The company disposed of its investment in Veolia Water Southeast Limited in June 2012 for a consideration of £12.8m. The profit made on disposal was £6.5m, associated costs were £5.0m (see below) and the original cost of the investment was £1.3m.

The costs of £5.0m are owed to SWS and reflect a contingent fee payable to SWS for the services of its employees in respect of negotiating an agreement for the disposal of the company's shares in Veolia Water Southeast Limited.

At the balance sheet date the costs of £5.0m remain unpaid and are included in creditors due within one year (note 9).

**5 Tax on profit on ordinary activities**

	2013 £m	2012 £m
<b>Current tax:</b>		
UK corporation tax on profits for the year	<u>-</u>	<u>-</u>
<b>Total tax charge on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

The rate of current tax charge on profit on ordinary activities varied from the standard rate of corporation tax due to the following factors:

	2013 £m	2012 £m
<b>Current tax</b>		
<b>Profit on ordinary activities before tax</b>	<u>6.6</u>	<u>0.6</u>
<b>Current tax</b>		
UK corporation tax at 24% on profit for the year (2012 26%)	1.6	0.2
Non taxable dividends	-	(0.2)
Gain on sale not taxable due to statutory exemption	<u>(1.6)</u>	<u>-</u>
<b>Current tax charge for year</b>	<u>-</u>	<u>-</u>

No deferred tax arose during the year to 31 March 2013 (2012 £nil)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)****Factors affecting future tax charges**

On 21 March 2012 the UK Government announced a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013. The rate change was substantively enacted during the period in Finance Bill 2012.

On 20 March 2013 the Government announced that it intends to enact future reductions in the main tax rate to 21% from 1 April 2014 and 20% from 1 April 2015.

**6 Investments**

	Shares in subsidiary undertakings £m	Other investments £m	Total £m
<b>At cost.</b>			
At 1 April 2012	25.8	1.2	27.0
Disposals	-	(1.2)	(1.2)
	<u>25.8</u>	<u>-</u>	<u>25.8</u>
<b>Amounts provided for:</b>			
At 1 April 2012 and 31 March 2013	(3.2)	-	(3.2)
	<u>22.6</u>	<u>1.2</u>	<u>23.8</u>
<b>Net book amount.</b>			
At 1 April 2012	22.6	1.2	23.8
<b>At 31 March 2013</b>	<u>22.6</u>	<u>-</u>	<u>22.6</u>

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

As at 31 March 2013 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 comprised of equity shares in trade investments which were predominantly unlisted and with a cost of £nil (2012 £1.2m). During the year this investment was sold, a profit of £6.5m was made on disposal (see note 4).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)

## 7 Debtors. amounts falling due within one year

	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	<u>0.5</u>	<u>0.5</u>
	<u>0.5</u>	<u>0.5</u>

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

## 8 Debtors: amounts falling due after one year

	2013 £m	2012 £m
Long term borrowings due from group undertakings	<u>1,178.4</u>	<u>1,178.4</u>
	<u>1,178.4</u>	<u>1,178.4</u>

The loans receivable from group undertakings are unsecured, interest free and repayable on demand. The directors have confirmed that this balance will not be called upon for 12 months from the date of these financial statements

## 9 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Amounts owed to group undertakings	<u>66.4</u>	<u>61.3</u>

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

## 10 Called up share capital

	2013 £m	2012 £m
<b>Authorised:</b>		
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>
<b>Allotted, called up and fully paid:</b>		
156,642,565 (2012: 156,642,565) ordinary shares of £1 each	<u>156.6</u>	<u>156.6</u>

## 11 Reserves

	Capital redemption reserve £m	Share premium £m	Profit and loss account £m	Total £m
At 1 April 2012	16.9	14.4	956.6	987.9
Profit for the financial year	-	-	6.6	6.6
<b>At 31 March 2013</b>	<u>16.9</u>	<u>14.4</u>	<u>963.2</u>	<u>994.5</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (continued)****12 Reconciliation of movement in shareholder's funds**

	2013 £m	2012 £m
Opening shareholder's funds	<u>1,144.5</u>	<u>1,143.9</u>
Profit for the financial year	<u>6.6</u>	<u>0.6</u>
Net additions to shareholder's funds	<u>6.6</u>	<u>0.6</u>
Closing shareholder's funds	<u>1,151.1</u>	<u>1,144.5</u>

**13 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 Jersey. As at 31 March 2013, 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 AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER LIMITED FOR THE YEAR ENDED 31 MARCH 2013**

We have audited the financial statements of Southern Water Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the 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 2013 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.

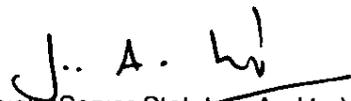
**Opinion on other matters prescribed by the Companies Act 2006**

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 Auditor  
London, United Kingdom  
24 July 2013