

SOUTHERN WATER LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2014

Registered number: 02366620

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COMPANIES HOUSE

SOUTHERN WATER LIMITED

Company information

Directors

M Carmedy
K Hall
M Wright

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 2014

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SOUTHERN WATER LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2014

The directors of Southern Water Limited (Registered No. 02366620) present their report and the audited financial statements for the year ended 31 March 2014.

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 financial statements.

GOING CONCERN

The directors believe that preparing the financial statements 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 (2013: £0.1m) from its investments. The company has net assets of £1,151.2m (2013: £1,151.1m) largely comprising of loans to other group companies of £1,178.4m (2013: £1,178.4m) and cash of £11.1m (2013: £16.0m) offset by loans from other group companies of £61.4m (2013: £66.4m).

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 2014. The retained profit for the year of £0.1m (2013: £6.6m (includes £6.5m profit on sale of investment)) has been transferred to the reserves.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements 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.

SOUTHERN WATER LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

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 these 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 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.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

INDEPENDENT AUDITOR

Deloitte LLP have indicated their willingness to continue in office.

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



K Hall
Company Secretary
22 July 2014

SOUTHERN WATER LIMITED

	Note	2014 £m	2013 £m
Income from investments	3	0.1	0.1
Exceptional item: Profit on disposal of fixed asset investments	4	-	6.5
Profit on ordinary activities before taxation	4	<u>0.1</u>	<u>6.6</u>
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	11	<u>0.1</u>	<u>6.6</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 2014

	Note	2014 £m	2013 £m
Fixed assets			
Investments	6	22.6	22.6
Current assets			
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		11.1	16.0
		<u>1,190.0</u>	<u>1,194.9</u>
Creditors: amounts falling due within one year	9	(61.4)	(66.4)
Net current assets		<u>1,128.6</u>	<u>1,128.5</u>
Net assets		<u>1,151.2</u>	<u>1,151.1</u>
Capital and reserves			
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	963.3	963.2
Total shareholder's funds	12	<u>1,151.2</u>	<u>1,151.1</u>

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

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 22 July 2014 and are signed on its behalf by:


M Carmedy
 Director

SOUTHERN WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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 £49.8m. 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 financial statements 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 its cash flows are included 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 financial statements are publicly available from the address given in note 13.

Basis of preparation

The financial statements 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 financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2 Employee information

The company has no employees (2013: 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

	2014	2013
	£m	£m
Dividends receivable	<u>0.1</u>	<u>0.1</u>

4 Profit on ordinary activities before taxation

In 2014 and 2013 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 were paid 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.

5 Tax on profit on ordinary activities

	2014	2013
	£m	£m
Current tax		
UK corporation tax on profits for the year	<u>-</u>	<u>-</u>
Total tax charge on profit on ordinary activities	<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:

	2014	2013
	£m	£m
Current tax		
Profit on ordinary activities before tax	<u>0.1</u>	<u>6.6</u>
Current tax		
UK corporation tax at 23% on profit for the year (2013: 24%)	-	1.6
Non-taxable dividends	-	-
Gain on sale not taxable due to statutory exemption	<u>-</u>	<u>(1.6)</u>
Current tax charge for year	<u>-</u>	<u>-</u>

No deferred tax arose during the year to 31 March 2014 (2013: £nil).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

5 Tax on profit on ordinary activities (continued)

Factors affecting future tax charges

On 20 March 2013 the UK Government announced a reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014, and to 20% effective from 1 April 2015. These rate changes were enacted in Finance Bill 2013 during the period.

6 Investments

	Shares in subsidiary undertakings £m
At cost	
At 1 April 2013 and 31 March 2014	25.8
Amounts provided for	
At 1 April 2013 and 31 March 2014	(3.2)
Net book amount	
At 31 March 2014	22.6
At 31 March 2013	22.6

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

As at 31 March 2014 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

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7 Debtors: amounts falling due within one year

	2014	2013
	£m	£m
Amounts owed by subsidiary undertakings	<u>0.5</u>	<u>0.5</u>

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

8 Debtors: amounts falling due after one year

	2014	2013
	£m	£m
Long-term borrowings due from group undertakings	<u>1,178.4</u>	<u>1,178.4</u>

The loans due 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

	2014	2013
	£m	£m
Amounts owed to group undertakings	<u>61.4</u>	<u>66.4</u>

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

10 Called up share capital

	2014	2013
	£m	£m
Allotted, called up and fully paid:		
156,642,565 (2013: 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 2013	16.9	14.4	963.2	994.5
Profit for the financial year	-	-	0.1	0.1
At 31 March 2014	<u>16.9</u>	<u>14.4</u>	<u>963.3</u>	<u>994.6</u>

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12 Reconciliation of movement in shareholder's funds

	2014 £m	2013 £m
Opening shareholder's funds	<u>1,151.1</u>	<u>1,144.5</u>
Profit for the financial year	<u>0.1</u>	<u>6.6</u>
Net additions to shareholder's funds	<u>0.1</u>	<u>6.6</u>
Closing shareholder's funds	<u>1,151.2</u>	<u>1,151.1</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 2014, 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 financial statements, which contain the financial statements of Southern Water 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, BN13 3NX.

SOUTHERN WATER LIMITED

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

We have audited the financial statements of Southern Water Limited for the year ended 31 March 2014 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 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

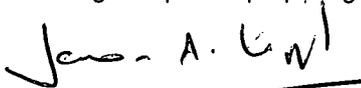
Opinion on other matter prescribed by the Companies Act 2006

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; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing a Strategic Report or preparing the Directors' Report.



James Leigh (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

7 August 2014