

**SOUTHERN WATER LIMITED**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 MARCH 2015**

**Registered number: 02366620**

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# **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 2015**

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## **SOUTHERN WATER LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2015**

The directors of Southern Water Limited (Registered No. 02366620) present their report and the audited financial statements for the year ended 31 March 2015.

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 £nil (2014: £0.1m) from its investments. The company has net assets of £1,151.2m (2014: £1,151.2m) largely comprising of loans to other group companies of £1,178.4m (2014: £1,178.4m) and cash of £11.1m (2014: £11.1m) offset by loans from other group companies of £61.4m (2014: £61.4m).

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 2015. The retained profit for the year of £nil (2014: £0.1m) 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 2015 (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  
21 July 2015

## SOUTHERN WATER LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

|  | Note | 2015<br>£m      | 2014<br>£m        |
|--|------|-----------------|-------------------|
| Income from investments                              | 3    | -               | 0.1               |
| <b>Profit on ordinary activities before taxation</b> | 4    | <u>-</u>        | <u>0.1</u>        |
| Tax on profit on ordinary activities                 | 5    | -               | -                 |
| <b>Profit for the financial year</b>                 | 11   | <u><u>-</u></u> | <u><u>0.1</u></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.

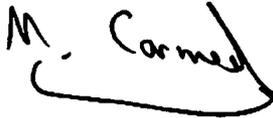
**SOUTHERN WATER LIMITED**

**BALANCE SHEET AS AT 31 MARCH 2015**

|   | Note | 2015<br>£m     | 2014<br>£m     |
|---|------|----------------|----------------|
| <b>Fixed assets</b>                                   |      |                |                |
| Investments   | 6    | 22.6           | 22.6           |
| <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                              |      | 11.1           | 11.1           |
|   |      | <u>1,190.0</u> | <u>1,190.0</u> |
| <b>Creditors: amounts falling due within one year</b> | 9    | <b>(61.4)</b>  | <b>(61.4)</b>  |
| <b>Net current assets</b>                             |      | <u>1,128.6</u> | <u>1,128.6</u> |
| <b>Net assets</b>                                     |      | <u>1,151.2</u> | <u>1,151.2</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   | 963.3          | 963.3          |
| <b>Total shareholder's funds</b>                      | 12   | <u>1,151.2</u> | <u>1,151.2</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 21 July 2015 and are signed on its behalf by:



**M Carmedy**  
Director

## SOUTHERN WATER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

#### 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.

## SOUTHERN WATER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

#### 2 Employee information

The company has no employees (2014: 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

|                      | 2015<br>£m | 2014<br>£m |
|----------------------|------------|------------|
| Dividends receivable | <u>-</u>   | <u>0.1</u> |

#### 4 Profit on ordinary activities before taxation

In 2015 and 2014 audit fees of £1,000 were borne by SWS.

#### 5 Tax on profit on ordinary activities

|  | 2015<br>£m | 2014<br>£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:

|  | 2015<br>£m | 2014<br>£m |
|--|------------|------------|
| <b>Current tax</b>   |            |            |
| <b>Profit on ordinary activities before tax</b>              | <u>-</u>   | <u>0.1</u> |
| <b>Current tax</b>   |            |            |
| UK corporation tax at 21% on profit for the year (2014: 23%) | -          | -          |
| Non-taxable dividends  | -          | -          |
| Gain on sale not taxable due to statutory exemption          | <u>-</u>   | <u>-</u>   |
| <b>Current tax charge for year</b>                           | <u>-</u>   | <u>-</u>   |

No deferred tax arose during the year to 31 March 2015 (2014: £nil).

**SOUTHERN WATER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

**5 Tax on profit on ordinary activities (continued)**

**Factors affecting future tax charges**

From 1 April 2015, the main rate of corporation tax reduced to 20%. This rate has been used to calculate any deferred tax balances as it was substantively enacted at the balance sheet date. In the budget on 8 July 2015, the government announced further reduction in the main rate of corporation tax to 19% in 2017 and 18% in 2020. These changes have not been substantively enacted.

**6 Investments**

|                                   | <b>Shares in<br/>subsidiary<br/>undertakings<br/>£m</b> |
|-----------------------------------|---|
| <b>At cost</b>                    |   |
| At 1 April 2014 and 31 March 2015 | 25.8  |
| <b>Amounts provided for</b>       |   |
| At 1 April 2014 and 31 March 2015 | (3.2)   |
| <b>Net book amount</b>            |   |
| <b>At 31 March 2015</b>           | <b>22.6</b>   |
| At 31 March 2014                  | 22.6  |

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

As at 31 March 2015 the company's subsidiaries are listed below

| <b>Company</b>                      | <b>Class of<br/>share<br/>capital</b> | <b>% shares<br/>held</b> | <b>Activity</b> | <b>Country of<br/>incorporation</b> |
|-------------------------------------|---------------------------------------|--------------------------|-----------------|-------------------------------------|
| 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                                  |

**SOUTHERN WATER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

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

|   | <b>2015<br/>£m</b> | <b>2014<br/>£m</b> |
|---|--------------------|--------------------|
| 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**

|  | <b>2015<br/>£m</b> | <b>2014<br/>£m</b> |
|--|--------------------|--------------------|
| 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**

|                                    | <b>2015<br/>£m</b> | <b>2014<br/>£m</b> |
|------------------------------------|--------------------|--------------------|
| Amounts owed to group undertakings | <u>61.4</u>        | <u>61.4</u>        |

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

**10 Called up share capital**

|  | <b>2015<br/>£m</b> | <b>2014<br/>£m</b> |
|--|--------------------|--------------------|
| <b>Allotted, called up and fully paid:</b><br>156,642,565 (2014: 156,642,565) ordinary shares of £1 each | <u>156.6</u>       | <u>156.6</u>       |

**11 Reserves**

|                               | Capital<br>redemption<br>reserve<br>£m | Share<br>premium<br>£m | Profit and<br>loss<br>account<br>£m | <b>Total<br/>£m</b> |
|-------------------------------|--|------------------------|-------------------------------------|---------------------|
| At 1 April 2014               | 16.9                                   | 14.4                   | 963.3                               | <b>994.6</b>        |
| Profit for the financial year | -                                      | -                      | -                                   | -                   |
| <b>At 31 March 2015</b>       | <u>16.9</u>                            | <u>14.4</u>            | <u>963.3</u>                        | <u><b>994.6</b></u> |

## SOUTHERN WATER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

#### 12 Reconciliation of movement in shareholder's funds

|                               | 2015<br>£m     | 2014<br>£m     |
|-------------------------------|----------------|----------------|
| Opening shareholder's funds   | 1,151.2        | 1,151.1        |
| Profit for the financial year | -              | 0.1            |
| Closing shareholder's funds   | <u>1,151.2</u> | <u>1,151.2</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 2015, 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 2015 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 2015 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

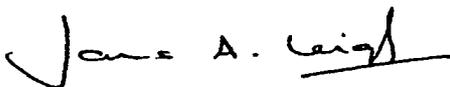
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information 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  
23 July 2015