

SOUTHERN WATER SERVICES GROUP LIMITED

**ANNUAL REPORT
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2021**

Registered number: 04374956



SOUTHERN WATER SERVICES GROUP LIMITED
Annual Report and Financial Statements for the year ended
31 March 2021

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SOUTHERN WATER SERVICES GROUP LIMITED

COMPANY INFORMATION

The company is a private company limited by shares.

Directors

I McAulay
J Statton

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
1 New Street Square
London
EC4A 3HQ
United Kingdom

Registered number

04374956

SOUTHERN WATER SERVICES GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The strategic report for the year ended 31 March 2021 has been prepared in terms of Section 414C of the Companies Act 2006.

Southern Water Services Group Limited "the company" (Registered No. 04374956) 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 will continue to act as a holding company for SWS Group Holdings Limited.

KEY PERFORMANCE INDICATORS

Southern Water Services Group Limited acts as an intermediate holding company for the overall 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, BN13 3NX.

Given the limited activity of the company, additional information including a review of the company's business, future developments and information of the principal risk and uncertainties facing the company is presented in the directors' report. As a result, no further information is included in this strategic report.

Approved by the Board and signed on its behalf by.



I McAulay
Director
14 July 2021

SOUTHERN WATER SERVICES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors of Southern Water Services Group Limited (Registered No. 04374956) present their annual report and audited financial statements of the company for the year ended 31 March 2021.

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

PRINCIPAL ACTIVITIES

The company was established to complement the activities of the other companies in the group. The company continues to act as a holding company for SWS Group Holdings Limited.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company acted as a holding company during the year.

The company did not trade during the year, and there is no intention for it to trade in the future.

During the year the company received dividends of £4.0m (2020: £7.1m) from its subsidiary company SWS Group Holdings Limited. These dividends, along with associated group tax relief of £0.9 million, enabled the company to pay £4.9m of the interest of £9.5m due to Southern Water Services Limited on an inter-company loan as disclosed in note 11 to the financial statements.

No interim or final dividend has been declared or paid for the year ended 31 March 2021. No further dividends have been proposed or declared post year end.

The company generated a loss after tax for the financial year of £3.7m (2020: £nil).

The company has net assets of £683.7m (2020: £687.4m) largely comprising an investment in SWS Group Holdings Limited of £828.7m (2020: £828.7m) offset by loans from other group undertakings of £141.3m (2020: £141.3m).

Net assets decreased by £3.7m mainly due to the loss in the current year.

Covid-19 is not expected to have significant impact on the company given that the company is a non-trading holding company.

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 SWS Group Holdings Limited. Ultimately this is reliant on cash funds being available at the main trading company within the group, 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 company acts as a holding company for other companies within the group and as such does not currently undertake any trade. In addition, it presently does not hold any external financial obligations outside of the group. Therefore, there are limited future cash commitments anticipated and the company's current liquidity position is deemed sufficient.

On the basis of the above, 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 the foreseeable future, and 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 2021 in the forthcoming year, however there may be wider economic factors, such as the UK's departure from the European Union and the impact of COVID-19, which could affect future company dealings. However, the company is safeguarded by being a holding company not engaged in any trade. The underlying operational company Southern Water Services Limited has considered the impact of Covid-19 and disclosed this in its Annual Report. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

SOUTHERN WATER SERVICES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (continued)

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no significant events after the statement of financial position date to report.

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:

I McAulay
J Statton

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;
- 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 SERVICES GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (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
14 July 2021

SOUTHERN WATER SERVICES GROUP LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £m	2020 £m
Continuing operations			
Finance income	4	4.0	7.1
Finance costs	5	<u>(9.5)</u>	<u>(8.8)</u>
Net finance costs		(5.5)	(1.7)
Loss before taxation	6	<u>(5.5)</u>	<u>(1.7)</u>
Tax on loss	7	1.8	1.7
Loss for the financial year		<u>(3.7)</u>	<u>-</u>

There were no other comprehensive income or losses for the years ending 31 March 2020 and 31 March 2021, accordingly no separate statement of other comprehensive income is presented.

SOUTHERN WATER SERVICES GROUP LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investments	8	<u>828.7</u>	<u>828.7</u>
		828.7	828.7
Current assets			
Other receivables	9	0.8	-
Cash at bank and in hand		<u>0.1</u>	<u>-</u>
		0.9	-
Total assets		<u>829.6</u>	<u>828.7</u>
Current liabilities			
Other payables	10	(4.6)	-
Non-current liabilities			
Borrowings: amounts falling due after one year	11	(141.3)	(141.3)
Total liabilities		<u>(145.9)</u>	<u>(141.3)</u>
Net assets		<u>683.7</u>	<u>687.4</u>
Equity			
Called up share capital	12	7.5	7.5
Share premium	13	679.8	679.8
Retained earnings		(3.6)	0.1
Total equity		<u>683.7</u>	<u>687.4</u>

The financial statements of Southern Water Services Group Limited (Registered No: 04374956) were approved by the Board and authorised for issue on 14 July 2021.

Signed on behalf of the Board of Directors:



I McAulay
Director
14 July 2021

SOUTHERN WATER SERVICES GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £m	Share Premium £m	Retained Earnings £m	Total £m
Balance at 1 April 2019	7.5	679.8	0.1	687.4
Result for the financial year	-	-	-	-
Balance at 31 March 2020	7.5	679.8	0.1	687.4
Result for the financial year	-	-	(3.7)	(3.6)
Balance at 31 March 2021	7.5	679.8	(3.6)	683.7

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting Policies

Basis of preparation

Southern Water Services Group 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 and the principal activities of the company are disclosed 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 are set out below and have been applied consistently throughout the current and preceding year.

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, fair value measurement, standards not yet effective, presentation of a statement of financial position as at the beginning of the preceding period following a retrospective accounting policy application or restatement, capital management, related party transactions and impairment of assets. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

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 SWS Group Holdings Limited as an individual company and do not contain consolidated financial information as the parent of subsidiary companies. The company is exempt under Section 401 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 Southern Water website.

Adoption of new and revised accounting and financial reporting standards

There have been no new or revised accounting standards adopted in the current year that had a significant or material impact on the financial statements.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1 Accounting policies (continued)

Going concern

The company acts as a holding company for other companies within the group and as such does not currently undertake any trade. In addition, it presently does not hold any external financial obligations outside of the group. Therefore, there are limited future cash commitments anticipated and the company's current liquidity position is deemed sufficient.

On the basis of the above, 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 the foreseeable future, and 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 14.

Investments, dividends and other investment income

Investments held as fixed 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 fixed 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.

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 expenses

Interest income, interest payable and similar income and expenses are recognised in profit or loss in the period in which they are incurred.

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 for the reasons that follow. The financial assets and liabilities held by the company were previously held at amortised cost, as described below, and there has been no change to their accounting treatment. The company has always conducted an annual impairment review of its financial assets and taken into consideration future expected cash flows. The company does not currently hedge account.

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.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

1 Accounting policies (continued)

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.

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.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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 on-going 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 following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Going concern

The directors have determined that preparing the financial statements using the Going Concern assumption is appropriate. As referred to in the Directors Report and Accounting policies (note1) that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and continue to adopt the going concern basis in preparing the financial statements.

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. Having conducted this exercise none of the assets are currently considered to be impaired, however, this judgement is subjective by nature. Therefore there is no impairment recognised in the financial statements.

Regulatory returns are sensitive to the actual performance of Southern Water Services Limited, the only operating company in the group.

Key sources of estimation uncertainty

The company does not currently have any key sources of estimation uncertainty.

3 Employee information

The company had no employees (2020: 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.

4 Finance income

	2021 £m	2020 £m
Amounts due from group undertakings	<u>4.0</u>	<u>7.1</u>

Amounts due from group undertakings relate to dividends received from SWS Group Holdings Limited.

5 Finance costs

	2021 £m	2020 £m
Amounts owed to group undertakings	<u>9.5</u>	<u>8.8</u>

Amounts owed to group undertakings relate to interest payable to Southern Water Services Limited.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

6 Loss before taxation

In 2021 and 2020 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 Tax on Loss

	2021 £m	2020 £m
Current Tax:		
Current year	1.8	1.7
Total current tax credit	<u>1.8</u>	<u>1.7</u>

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

	2021 £m	2020 £m
Loss before taxation	<u>(5.5)</u>	<u>(1.7)</u>
UK corporation tax rate at 19% on loss for the year (2020: 19%)	1.0	0.3
Non-taxable dividends	0.8	1.4
Total tax credit for year	<u>1.8</u>	<u>1.7</u>

Factors that may affect future tax charges

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax liability would continue to be £nil.

No deferred tax arose during the year to 31 March 2021 (2020: nil).

8 Investments

	Shares in subsidiary undertakings £m
Cost at 1 April 2020 and 31 March 2021	<u>828.7</u>

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation	Registered office
SWS Group Holdings Limited	Ordinary	100,100	100%	Holding company	UK	Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

8 Investments (continued)

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

By virtue of the company's ownership of SWS Group Holdings Limited it also has the following indirect holdings in subsidiary undertakings of the below companies.

Company	Registered Office	Activity
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 Services Finance Limited is registered in the UK for tax purposes.

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

9 Other receivables

	2021 £m	2020 £m
Amounts due from group undertakings	<u>0.8</u>	<u>-</u>

Amount due from group undertakings include corporation tax relief receivable from Southern Water Services Limited and has been accrued at the year end.

10 Other payables

	2021 £m	2020 £m
Amounts owed to group undertakings	<u>4.5</u>	<u>-</u>

Amount owed to group undertakings include interest payable to Southern Water Services Limited. Details of loan terms and interest rate are disclosed in note 11.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

11 Borrowings: amounts falling due after one year

	2021 £m	2020 £m
Amounts owed to group undertakings (note (i) & (ii) below)	<u>141.3</u>	<u>141.3</u>

Notes

(i) Within the balance above is an amount due to Southern Water Services Limited of £130.0m (2020: £130.0m) which is secured on the assets of the company held under the Southern Water Services Group Security agreement and this amount is repayable on 31 July 2052 with interest payable at 7% per annum.

(ii) Within the balance above is an amount due to Southern Water Investments Limited of £11.3m (2020: £11.3m) which is unsecured, interest free and without repayment dates. Southern Water Investments Limited have confirmed that these balances will not be called upon for 12 months from the date of these financial statements.

(iii) All entities are wholly owned within group.

	2021 £m	2020 £m
Repayments fall due as follows:		
After five years not by instalments	<u>141.3</u>	<u>141.3</u>

12 Called up share capital

	2021 £m	2020 £m
Authorised allotted, called up and fully paid:		
7,537,139 ordinary shares (2020: 7,537,139) of £1 each	<u>7.5</u>	<u>7.5</u>

The company has one class of ordinary shares which carry no right to fixed income.

During 2019 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 a part of this process the company issued 2,537,139 ordinary shares at nominal value of £1 each plus a premium as disclosed in note 13 below.

13 Share premium

	2021 £m	2020 £m
Share premium account	<u>679.8</u>	<u>679.8</u>

During 2019 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 a part of the process, on 29 November 2018 the company issued 2,183,900 ordinary shares at nominal value of £1 each plus a premium, for proceeds totalling £587.3m. The premium paid per share was £267.92.

On 22 March 2019 the company issued a further 353,239 ordinary shares at nominal value of £1 each plus a premium, for proceeds totalling £95.0m. The premium paid per share was £267.94.

SOUTHERN WATER SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14 Ultimate parent and controlling party

The immediate parent company is Southern Water 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, JE4 9WG. Greensands Holdings Limited is itself owned and controlled by a consortium of investors. At 31 March 2021, no single investor owned a controlling shareholding.

Greensands Holdings Limited is the largest and the smallest parent company and only group company that prepares consolidated financial statements, which contain the financial statements of Southern Water Services Group 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.

15 Events after statement of financial position date

There were no significant events after the statement of financial position date.

SOUTHERN WATER SERVICES GROUP LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Southern Water Services Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its result 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 which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

SOUTHERN WATER SERVICES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER INVESTMENTS LIMITED (CONTINUED)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

SOUTHERN WATER SERVICES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER INVESTMENTS LIMITED (CONTINUED)

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.

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.



Anthony Matthews FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 July 2021