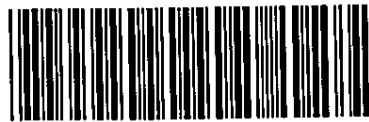


SOUTHERN WATER (NR) HOLDINGS LIMITED

**REPORT OF THE DIRECTORS
AND ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2009**

Registered number: 04772485

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COMPANIES HOUSE

SOUTHERN WATER (NR) HOLDINGS LIMITED

Company information

Directors

H Goodbourn
L Dawson

Secretary

K Hall

Auditors

PricewaterhouseCoopers LLP
First Point
Buckingham Gate
Gatwick
RH6 0PP

Bankers

Natwest
27 South Street
Worthing
West Sussex
BN11 3AR

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Register number

04772485

SOUTHERN WATER (NR) HOLDINGS LIMITED
Report of the directors and accounts for the year
ended 31 March 2009

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Southern Water (NR) Holdings Limited

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and the audited accounts for the year ended 31 March 2009.

The report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be that of an intermediate holding company for the subsidiary undertaking disclosed in note 7 to the accounts.

REVIEW OF THE BUSINESS

The Company received no dividends during the year (2008: £2.4m) from its subsidiary undertaking Southern Water (NR) Limited, it did not declare or pay a dividend during the year (2008: £2.4m).

The Company has nil net assets (2008: £nil) comprising largely of an investment in Southern Water (NR) Limited of £176.0m (2008: £176.0m) and amounts owed by group undertakings of £176.1m (2008: £176.1m).

The Company acted as a holding Company during the year.

The principal risk to the Company is the occurrence of events that might affect the value of its investment in Southern Water (NR) Limited and the recoverability of its debt from that company.

RESULTS AND DIVIDENDS

Dividends charged in the accounts are as follows:

	2009 £m	2008 £m
Final dividend relating to prior year	-	-
Interim dividend relating to current year	-	2.4
	<u>-</u>	<u>2.4</u>

The directors have not declared a final dividend for the year ended 31 March 2009 (2008: £nil). For further detail on dividends see note 6.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009

DIRECTORS

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

H Goodbourn
L Dawson

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 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

STATEMENT OF PROVISION OF INFORMATION TO AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

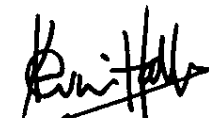
(2) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the board of directors and signed by order of the board.



Kevin Hall
Company Secretary

31 July 2009

Southern Water (NR) Holdings Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £m	2008 £m
Income from fixed asset investments	3	-	2.4
Profit on ordinary activities before taxation	4	<u>-</u>	<u>2.4</u>
Tax on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		<u>-</u>	<u>2.4</u>
Dividends	6	-	(2.4)
Retained profit for the financial year	11	<u>-</u>	<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 before taxation and the retained profit for the years stated above and their historical cost equivalents.

Southern Water (NR) Holdings Limited

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	7	176.0	176.0
Current assets			
Debtors: amounts falling due within one year	8	0.1	0.1
Creditors: amounts falling due within one year	9	(176.1)	(176.1)
Net current liabilities		<u>(176.0)</u>	<u>(176.0)</u>
Total assets less current liabilities		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	-	-
Total shareholders' funds	12	<u>-</u>	<u>-</u>

The accounts on pages 4 to 9 were approved by the board and authorised for issue on 31 July 2009 and are signed on its behalf by:



Howard Goodbourn
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

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 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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 intend 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.

Related party disclosure

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Greensands Holdings Limited, whose accounts are publicly available from the address in note 13.

Basis of preparation

The accounts contain information about Southern Water (NR) 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 228a of the Companies Act 1985 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 ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

2 Employee information

The Company has no employees (2008: 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.

3 Income from fixed asset investments

	2009 £m	2008 £m
Income from shares in group undertakings	-	2.4

Income from shares in group undertakings consists of dividends received from Southern Water (NR) Limited.

4 Profit on ordinary activities before taxation

In 2009 and 2008 audit fees were borne by Southern Water Services Limited ("SWS").

5 Tax on profit on ordinary activities

No UK tax charge arises in respect of the profit on ordinary activities for the year. In the prior year the current tax charge varied from the standard rate of corporation tax due to the following factors:

	2009 £m	2008 £m
Current tax		
Profit on ordinary activities before tax	-	2.4
UK corporation tax at 28% on profit for the year (2008: 30%)	-	0.7
UK dividends from subsidiary companies	-	(0.7)
Current tax charge for year	-	-

No deferred tax arose during the year to 31 March 2009 (2008: nil).

6 Dividends per ordinary share

	2009 £ per ordinary share	2008 £ per ordinary share	2009 Total £m	2008 Total £m
Interim dividend	-	2.4	-	2.4
Total dividend	-	2.4	-	2.4

The directors have not declared a final dividend for the year ended 31 March 2009 (2008: £nil per share).

Southern Water (NR) Holdings Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

7 Investments

Shares in
subsidiary
undertakings
£m

At cost:

At 1 April 2008 and 31 March 2009

176.0

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorpor- ation
Southern Water (NR) Limited	Ordinary	175,000,002	100%	Holding company	UK

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

8 Debtors: amounts falling due within one year

2009
£m

2008
£m

Amounts owed by group undertakings

0.1

0.1

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

9 Creditors: amounts falling due within one year

2009
£m

2008
£m

Amounts owed to group undertakings

176.1

176.1

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

Southern Water (NR) Holdings Limited

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

10 Called up share capital

	2009 £m	2008 £m
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
1 ordinary share (2008: 1) of £1 each	<u>1</u>	<u>1</u>

11 Reserves

	Profit and loss account £m
At 1 April 2008	-
Profit for the financial year	-
Dividends	-
At 31 March 2009	<u>-</u>

12 Reconciliation of movement in shareholders' funds

	2009 £m	2008 £m
Profit for the year	-	2.4
Dividends	-	(2.4)
Retained profit for the financial year	<u>-</u>	<u>-</u>
Opening shareholders' funds	-	-
Closing shareholders' funds	<u>-</u>	<u>-</u>

13 Ultimate parent and controlling party

The immediate parent company is Southern Water Investments Limited

The ultimate parent and controlling company is Greensands Holdings Limited, a company incorporated in the Jersey. At 31 March 2009, Greensands Holdings Limited directly owned 100% of the share capital of Southern Water (NR) Holdings Limited. As at 31 March 2009, the major shareholders in Greensands Holdings Limited were a consortium including JPMorgan Asset Management, Challenger Infrastructure Fund and UBS.

Greensands Holdings Limited is the only group company that prepares consolidated accounts, which contain the accounts of Southern Water (NR) Holdings Limited. Copies of Greensands Holdings Limited's consolidated accounts may be obtained from the Company Secretary of Greensands Holdings Limited, at Whiteley Chambers, Don Street, St. Helier, JE4 9WG.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN WATER (NR) HOLDINGS LIMITED FOR THE YEAR ENDED 31 MARCH 2009

We have audited the financial statements of Southern Water (NR) Holdings Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Southern Water (NR) Holdings Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN WATER (NR)
HOLDINGS LIMITED FOR THE YEAR ENDED 31 MARCH 2009**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick*

6 August2009