GREENSANDS FINANCE LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2021

Registered number: 11493345

GREENSANDS FINANCE LIMITED

Annual Report and Financial Statements for the year ended 31 March 2021

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COMPANY INFORMATION

Directors
B Somes
H De Run
M Nagle
J Lynch

Company Secretary
R Manning

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Worthing
West Sussex
United Kingdom (England and Wales)
BN13 3NX

Bankers
BNY Mellon
London Branch
One Canada Square
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London
E14 5AL

Auditor
Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Registered number
11493345

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.

Greensands Finance Limited ‘the company’ (Registered No. 11493345) is incorporated in the United Kingdom and was established to complement the activities of the other companies in the Greensands Holdings group. The company acts as a holding company for Southern Water Capital Limited and Greensands Financing Plc.

The company did not trade during the period, and there is no intention for it to trade in the future. However, the company will continue to act as a holding company for the subsidiaries detailed in note 8.

KEY PERFORMANCE INDICATORS

Greensands Finance 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 can be found in the directors’ report, which describes the business model and strategy employed by the company. The report also includes a review of the company's performance during the year, insight on future developments and information about the principal risks and uncertainties facing the company. As a result, no further information is included in this strategic report.

Approved by the Board and signed on its behalf by:

B Somes
Director
6th July 2021

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2021

The directors of Greensands Finance Limited (Registered No. 11493345) present their Annual report and the audited accounts for the period ended 31 March 2021.

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

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of an intermediate holding company for the subsidiary undertakings disclosed in note 8 to the financial statements.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company was incorporated on 31 July 2018.

The company did not trade during the period, and there is no intention for it to trade in the future. However, the company will continue to act as a holding company for the subsidiaries detailed in note 8.

During the period the company received finance income of £32.7m (2020: £42.4m), paid finance costs of £34.6m (2020: £34.6m), recorded a loss on derivatives of £11.8m (2020: gain £9.5m) and paid professional fees of £3.2m (2020: £1.1m). The tax credit was £2.6m (2020: charge £1.3m). Therefore, the result for the period after tax was a loss of £14.3m (2020 profit after tax £14.9m).

No interim dividends were paid during the period. The directors have not declared a final dividend for the period. The retained loss for the period of £14.3m (2020: retained profit £14.9m) has been transferred to reserves. No further dividends have been declared post year end.

The company has net assets of £189.2m (2020: £203.5m) comprising its investment in Southern Water Capital Limited and Greensands Financing Plc of £189.6m (2020: £189.6m), amounts due from group undertakings of £772.1m (2020: £752.6m), prepayments of £5.0m (2020: £nil) and cash of £48.7m (2020: £78.4m). These balances are offset by amounts owed to group undertakings of £672.8m (2020: £675.1m), loans and other borrowings of £149.5m (2020: £149.5m), group derivative financial liabilities of £3.1m (2020: assets of £8.7m) and £0.8m (2020: £1.2m) of interest payable.

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

PRINCIPAL RISK AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in impairment of the value of its investments in Greensands Financing Plc and Southern Water Capital Limited.

GOING CONCERN

The directors have undertaken a detailed review of the Company's liquidity requirements compared with the cash and facilities available, the financial covenant position including projections based on future forecasts, the current credit ratings of entities within the Group and financial risk.

During this process it was identified that the implementation of the 2019 Final Determination for Southern Water Services Limited and reduced dividends arising was leading to increasing difficulties in complying with the financial covenants applicable to the debt held in the group structure above Southern Water Services Limited. The Greensands Group's financing may also be subject to certain credit rating covenants outside of the Greensands Holdings Limited ('parent company') Directors' control.

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

At 31 March 2021 the Greensands Group was in compliance with its financial covenants, however ratios were close to trigger levels and the parent company gearing was at a ‘lock up’ level, restricting the flow of dividends out of the Group. The liquidity available to pay interest on debt at the Greensands holding companies level would be exhausted by October 2021 if refinancing steps are not successful.

As disclosed in the Group Annual Report to 31 March 2021 the Board of Greensands Holdings, the ultimate parent undertaking have initiated a strategic review and engaged external specialist advisors to identify and assess the options available, to the Board and shareholders, to financially restructure the Greensands Group above the regulated company Southern Water. The financial restructuring plans under consideration, amongst a range of options, include additional investment from third parties where negotiations are at an advanced stage. Other options should these not complete could include covenant amendments, liquidity being made available and/or debt restructuring to provide liquidity to meet the requirements of the Group’s borrowing facilities. Whilst discussions regarding additional investment from third parties are at an advanced stage, final agreement on these plans and contractual completion has not yet happened. This represents a material uncertainty associated with the going concern assumption. Having considered the status of the discussions with third parties the directors have a reasonable expectation that the company will maintain adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the approval of these financial statements.

As a result of the factors listed above, the directors have a reasonable expectation that the Company will maintain adequate resources to continue in operational existence for the next 12 months and they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, there is a material uncertainty related to a financial restructuring which has not been completed at the time of issuing the financial statements as identified above, which raise significant doubt about the ability of the Company to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2021 in the forthcoming year, however there maybe 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.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

DIRECTORS AND OFFICERS

The directors who held office during the period and up to the date of signing the financial statements were as follows:

B Somes	
R Wall	Resigned as Director 13 October 2020
J Lynch	
H De Run	Appointed as Director 13 October 2020
M Nagle	Appointed as Director 26 April 2021

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.

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

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; 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.

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

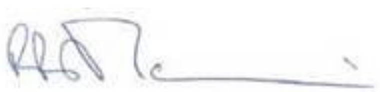
(2) each director has taken all the steps that he ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

Deloitte LLP, have indicated their willingness to continue in office 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 on behalf of the Board.



R Manning
Company Secretary
6th July 2021

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Note	**Year ended 31 March 2021 £m**	Year ended 31 March 2020 £m
Continuing operations			
Operating costs		**(3.2)**	(1.1)
Operating loss		**(3.2)**	(1.1)
Finance income	4	**32.7**	42.4
Finance costs	5	**(34.6)**	(34.6)
Fair value (loss)/gains on derivative financial instruments	13	**(11.8)**	9.5
Net finance (costs)/income		**(13.7)**	17.3
(Loss)/profit before taxation	6	**(16.9)**	16.2
Tax on (loss)/profit	7	**2.6**	(1.3)
(Loss)/profit for the financial year		**(14.3)**	14.9

There was no other comprehensive income or losses for the period ending 31 March 2020 and year ended 31 March 2021. Accordingly, no separate statement of comprehensive income is presented.

There is no material difference between the loss for the period and year stated above and their historical cost equivalents.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	**2021 £m**	2020 £m
Non-current assets			
Investments	8	**189.6**	189.6
Other non-current assets	9	**726.3**	702.1
Derivative financial instruments - group	13	**-**	8.7
Total non-current assets		**915.9**	900.4
Current assets			
Other receivables	10	**50.8**	50.5
Cash and cash equivalents		**48.7**	78.4
		99.5	128.9
Total assets		**1,015.4**	1,029.3
Current liabilities			
Other payables	11	**(25.4)**	(43.6)
Borrowings: amounts falling due within one year	12	**(100.0)**	(100.0)
		(125.4)	(143.6)
Non-current liabilities			
Derivative financial instruments - group	13	**(3.1)**	-
Borrowings: amounts falling due after one year	14	**(697.7)**	(682.2)
		(700.8)	(682.2)
Total liabilities		**(826.2)**	(825.8)
Total net assets		**189.2**	203.5
Equity			
Called up share capital	15	**44.7**	44.7
Share premium account	16	**144.8**	144.8
Retained earnings	17	**(0.3)**	14.0
Total equity		**189.2**	203.5

The financial statements of Greensands Finance Limited (Registered No. 11493345) on pages 6 to 19 were approved by the board of directors and authorised for issue on 6th July 2021. They were signed on its behalf by:

B Somes
Director
6th July 2021

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

	Called up share capital (Note 15) £m	Share premium account (Note 16) £m	Retained earnings (Note 17) £m	Total £m
Balance at 1 April 2019	**44.7**	**144.8**	**(0.9)**	**188.6**
Profit for the financial period and total comprehensive income	-	-	**14.9**	**14.9**
Balance at 31 March 2020	**44.7**	**144.8**	**14.0**	**203.5**
Loss for the financial year and total comprehensive expense	**-**	**-**	**(14.3)**	**(14.3)**
Balance at 31 March 2021	**44.7**	**144.8**	**(0.3)**	**189.2**

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

1 Accounting policies

Basis of preparation
Greensands Finance 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. The nature of the company's operations and its principal activities are set out in the Report of the Directors report on page 3.

These financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The financial statements have been prepared under the historical cost convention.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 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, which have been applied consistently throughout the current period, are set out in this Note 1.

The financial statements 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.

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability as if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements contain information about Greensands Finance Limited as an individual company. 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 undertakings are included by full consolidation in the publicly available consolidated financial statements of the holding company, Greensands Holdings Limited, from the address given in note 18.

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.

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

1 Accounting policies (continued)

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.

Going Concern

The directors have undertaken a detailed review of the Company's liquidity requirements compared with the cash and facilities available, the financial covenant position including projections based on future forecasts, the current credit ratings of entities within the Group and financial risk.

During this process it was identified that the implementation of the 2019 Final Determination for Southern Water Services Limited and reduced dividends arising was leading to increasing difficulties in complying with the financial covenants applicable to the debt held in the group structure above Southern Water Services Limited. The Greensands Group's financing may also be subject to certain credit rating covenants outside of the Greensands Holdings Limited ('parent company') Directors' control.

At 31 March 2021 the Greensands Group was in compliance with its financial covenants, however ratios were close to trigger levels and the parent company gearing was at a 'lock up' level, restricting the flow of dividends out of the Group. The liquidity available to pay interest on debt at the Greensands holding companies level would be exhausted by October 2021 if refinancing steps are not successful.

As disclosed in the Group Annual Report to 31 March 2021 the Board of Greensands Holdings, the ultimate parent undertaking have initiated a strategic review and engaged external specialist advisors to identify and assess the options available, to the Board and shareholders, to financially restructure the Greensands Group above the regulated company Southern Water. The financial restructuring plans under consideration, amongst a range of options, include additional investment from third parties where negotiations are at an advanced stage. Other options should these not complete could include covenant amendments, liquidity being made available and/or debt restructuring to provide liquidity to meet the requirements of the Group's borrowing facilities. Whilst discussions regarding additional investment from third parties are at an advanced stage, final agreement on these plans and contractual completion has not yet happened. This represents a material uncertainty associated with the going concern assumption. Having considered the status of the discussions with third parties the directors have a reasonable expectation that the company will maintain adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the approval of these financial statements.

As a result of the factors listed above, the directors have a reasonable expectation that the Company will maintain adequate resources to continue in operational existence for the next 12 months and they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, there is a material uncertainty related to a financial restructuring which has not been completed at the time of issuing the financial statements as identified above, which raise significant doubt about the ability of the Company to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 18.

Investments, interest payable and similar income and expenses

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. 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 balance sheet 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 balance sheet 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.

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.

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.

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

1 Accounting policies (continued)

Financial instruments (continued)

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.

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 may be 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.

Any estimates and underlying assumptions are reviewed on an ongoing 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.

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

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 the financial statements.

Going Concern
The Directors' have determined that preparing the financial statements using the Going Concern assumption is still appropriate. As referred to in the Director's Report and Accounting policies (note 1) there are material uncertainties that exist at the time of approving the financial statements. However, the Director's believe that the financial restructuring options available and ongoing work around mitigation plans are far enough advanced to warrant the existence of the Company in the next 12 months from the date of approval.

Impairment
Impairment is recognised in the income statement when there is evidence that the value of an asset 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 asset 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.

3 Employee information

The Company has no employees.

The services of the directors are deemed to be wholly attributable to their services to Greensands Holdings Limited. The total sum of payments received by directors for their services in the year to Greensands Holdings Limited has been recorded in the consolidated financial statements of that company, which are available to the public and can be obtained from the Southern Water website (www.southernwater.co.uk).

The directors received no emoluments during the period in respect of their services to the Greensands Finance Limited.

4 Finance income

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Dividends received from Southern Water Capital Limited	**-**	9.5
Interest receivable from Southern Water Capital Limited	**32.7**	32.9
	32.7	42.4

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

5 Finance costs

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Interest payable to Greensands Financing Plc	**16.0**	16.0
Interest payable to Greensands Finance Holdings Limited	**15.3**	15.1
Interest payable on loans	**3.3**	3.5
	34.6	34.6

For the terms attached to these loans please refer to note 12 and 14.

6 (Loss)/profit before taxation

Financial statement audit fees of £1,000 were borne by Greensands Holdings Limited and not recharged to the company.

7 Tax on (loss)/profit

	Year ended 31 March 2021 £m	**Year ended 31 March 2020 £m**
Current tax:		
Current year	**2.6**	(1.3)
Total current tax credit/(charge)	**2.6**	(1.3)

The tax on (loss)/profit for the period can be reconciled to the income statement as follows:

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
(Loss)/profit before taxation	**(16.9)**	16.2
UK corporation tax rate at 19% (2020: 19%) on (loss)/profit for the period	**3.2**	(3.1)
UK dividends from subsidiary companies	**-**	1.8
Permanent differences	**(0.6)**	-
Total tax credit/(charge) for the period	**2.6**	(1.3)

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
At cost & net book amount:	
At 1 April 2020	189.6
31 March 2021	**189.6**

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation	Registered office
Greensands Financing Plc	Ordinary	50,000	100%	Holding company	UK	Southern House Yeoman Road Worthing West Sussex BN13 3NX
Southern Water Capital Limited	Ordinary class A Ordinary class B	5,569,100 39,039,391	100%	Holding company	UK	Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX

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

During the year to 31 March 2019 the Greensands group of companies undertook a financial restructure. As part of this process the company was newly incorporated along with two other new companies for the purposes of raising debt finance to be used in the operating company Southern Water Services Limited. As part of this process the company acquired an investment in Greensands Financing Plc consisting of the entire issued ordinary share capital of 50,000 £1 shares. As at 31 March 2021, this amount remains unpaid.

The company also acquired share capital of 40,050,000 in Southern Water Capital Limited at nominal value. These represent £1 shares in the following holdings - Ordinary A shares of 5,000,000 and Ordinary B shares of 35,050,000. Southern Water Capital Limited subsequently issued a further 4,558,491 ordinary A (569,100 shares) and B (3,989,391 shares) £1 shares for the purchase price of £149.4m, the excess paid relates to the premium charged.

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

8 Investments (continued)

By virtue of the company's ownership of Southern Water Capital Limited it also has the following indirect holdings in subsidiary undertakings of the below companies.

Company	Registered Office	Activity
Southern Water Investments Limited	Southern House, Yeoman Road, Worthing	Holding company
Southern Water Services Group Limited	Southern House, Yeoman Road, Worthing	Holding company
SWS Group Holdings Limited	Southern House, Yeoman Road, Worthing	Holding company
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 Retail Services Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water (NR) Limited	1 Exchange Crescent, Conference Square, Edinburgh	Holding company
Southern Water Limited	Southern House, Yeoman Road, Worthing	Holding company
Bowsprit Holdings Limited	Southern House, Yeoman Road, Worthing	Dormant
Bowsprit Property Development Limited	Southern House, Yeoman Road, Worthing	To hold property rights
Monk Rawling Limited	Southern House, Yeoman Road, Worthing	Dormant
Southern Water Industries Limited	Southern House, Yeoman Road, Worthing	Dormant
EcoClear 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

9 Other non-current assets

	2021 £m	2020 £m
Loans due from Southern Water Capital Limited		
£140.0m – 6 month libor plus 6.00%/5.25% 2025 (see note (ii)(a) below)	**149.0**	139.9
£95.0m – Libor plus 6.00%/5.25% 2026 (see note (ii)(b) below)	**100.9**	94.8
£397.4m – 3.38% to 4.03% 2023 to 2030 (see note (ii)(c) below)	**398.3**	398.0
£49.5m – 6 month libor plus 2.50% 2025 (see note (ii)(d) below)	**49.5**	49.5
Other amounts due from Southern Water Capital (i)	**8.7**	-
Amounts due from Greensands Investments Limited (i)	**19.9**	19.9
	726.3	702.1

Notes:

(i) All amounts due from group undertakings after one year are unsecured.

(ii) The following loan funds have been on-lent to Southern Water Capital Limited (SWC) as part of group refinancing:

a. £149.0m has accrued interest at 6.57% for the year ended 31 March 2021 and the underlying loan has a term of 7 years, maturing in 2025. During the year interest due of £9.6m was capitalised on this loan. This has triggered an interest rate margin increase on the facility as displayed in the above table.

b. £100.9m has accrued interest at 6.45% for the year ended 31 March 2021 and the underlying loan has a term of 7 years, maturing in 2026. During the year interest due of £6.1m was capitalised on this loan. This has triggered an interest rate margin increase on the facility as displayed in the above table.

c. £398.3m has accrued interest across a range of 3.66% to 4.17% for the year ended 31 March 2021 and the underlying loans have terms ranging from 5 to 12 years, maturing between 2024 and 2031.

d. £49.5m has accrued interest at 2.80% for the year ended 31 March 2021 and the underlying loan has a term of 7 years, maturing in 2025.

(iii) All entities are wholly owned within the group.

10 Other receivables

	2021 £m	2020 £m
Amounts due from group undertakings	**45.8**	50.5
Prepayments	**5.0**	-
	50.8	50.5

All remaining amounts due from group undertakings are unsecured, interest free and repayable on demand.

All entities are wholly owned within the group.

11 Other payables

	2021 £m	2020 £m
Amounts owed to group undertakings	**24.6**	42.4
Accrued interest	**0.8**	1.2
	25.4	43.6

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

All entities are wholly owned within the group.

Accrued interest relates to two external loans. One loan relates to the revolving credit facility disclosed in note 12, drawn for a 6 month period. The total amount drawn is £100.0m (2020: £100.0m) and interest accrues at 6 month libor plus a margin of 1.5%.

Further details regarding the second loan can be found in note 14.

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

12 Borrowings: amounts falling due within one year

	2021 £m	2020 £m
Revolving credit facility	**100.0**	100.0

The revolving credit facility is drawn for a rolling 6 month period and issued by external banking facilities. The interest rate is variable (1.5% margin plus 6 month Libor).

13 Derivative financial instruments

Categories of financial instruments at fair value

	2021 £m	2020 £m
Derivative (liabilities)/assets carried at fair value through profit or loss (FVTPL):		
Cross currency swaps – not hedge accounted (group)	**(3.1)**	8.7
Total derivative financial (liabilities)/assets	**(3.1)**	8.7

Changes in value of financial instruments at fair value	**2021 £m**	2020 £m
(Loss)/profit for the period has been arrived at after charging:		
Group financial (liabilities)/assets at fair value		
Designated as FVTPL	**(11.8)**	9.5
Fair value (losses)/gains on derivative financial instruments	**(11.8)**	9.5

The above derivative reflects a cross currency swap entered into by the company with its wholly owned subsidiary Greensands Financing Plc. The company and Greensands Financing Plc have entered into a swap agreement on exactly the same terms as the external agreement held by Greensands Financing Plc with Sumitomo Mitsui Banking Corporation (SMBC).

The swap was entered into to mitigate the risk of foreign currency exchange rate fluctuations that the company is exposed to having raised a proportion of debt in US Dollars (USD). The swap allows the company to pay interest and the principal amount on maturity at a fixed exchange rate thereby removing uncertainty.

The valuation of the over the counter (OTC) swap has been provided by SMBC using their pricing model and method. As at 31 March 2021 the swap was out of the money for the company due to GBP strengthening against the USD from inception of the related loans at 31 October 2018 to 31 March 2021.

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

14 Borrowings: amounts falling due after one year

	2021 £m	2020 £m
Loans from Greensands Financing Plc		
- £397.4m – 3.38% to 4.03% 2023 to 2030 (see note (iii) below)	**398.3**	398.0
- Other loans from Greensands Financing Plc (see note (iv) below)	**-**	-
Total loans and borrowings from Greensands Financing Plc	**398.3**	398.0
Loans from Greensands Finance Holdings Limited		
- £140.0m – 6 month libor plus 6.00%/5.25% 2025 (see note (ii) below)	**149.0**	139.9
- £95.0m – Libor plus 6.00%/5.25% 2026 (see note (ii) below)	**100.9**	94.8
Total loans and borrowings from Greensands Finance Holdings Limited	**249.9**	234.7
Loans and other borrowings (note (i) below)		
- £50m Facility Agreement 2025 – Libor plus 2.5%	**49.5**	49.5
	697.7	682.2

Notes:

(i) The £49.5m 6 month Libor plus 2.5% were issued on 29 November 2018 and matures in 2025.

(ii) All amounts owed to group undertakings are unsecured. Included within this balance are sums of £149.0m and £100.9m that have been passed down from the parent company, Greensands Finance Holdings Limited and have been on-lent as part of a group refinancing exercise undertaken during the year. Interest has accrued at 6.57% and 6.45% respectively for the period ended 31 March 2021.

During the year interest due of £15.7m was capitalised on the aforementioned loans. This has triggered an interest rate margin increase on the facilities as displayed in the above table.

(iii) This loan relates to funds passed across from the company’s subsidiary, Greensands Financing Plc. The balance of £398.3m has accrued interest across a range of 3.66% to 4.17% for the period ended 31 March 2021 and the underlying loans have terms ranging from 5 to 12 years, maturing between 2023 and 2030.

(iv) The remaining element of amounts due to group undertakings is unsecured, interest free and repayable on demand.

(v) All entities are wholly owned within the group.

	2021 £m	2020 £m
Repayments fall due as follows:		
Between two and five years	**552.6**	-
After five years not by instalments	**145.2**	682.1
	697.8	682.1

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

15 Called up share capital

	2021 £m	2020 £m
Authorised:		
44,608,491 ordinary shares of £1 each	**44.7**	44.7
Allotted, called up and fully paid:		
44,608,491 ordinary share of £1 each	**44.7**	44.7

The company was newly incorporated on 31 July 2018 and issued the above £1 shares to its immediate parent company Greensands Finance Holdings Limited in the following classes:

Ordinary A shares of 5,569,100 and Ordinary B shares of 39,039,391, their aggregate nominal value is £44,608,491. The consideration received by the company was £189,447,722 with a proportion of the share issues attracting a premium as disclosed below in Note 16.

Each ordinary A and B share carries the right to vote on a poll. The right to vote is determined by reference to the register of members. All dividends shall be declared and paid according to the amounts paid up on the shares. The shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The shares are not redeemable.

16 Share premium

	2021 £m	2020 £m
Share premium account	**144.8**	144.8

Ordinary shares issued during the period in the following classes attracted a premium of £31.77 per share. Ordinary A shares of 569,100 and Ordinary B shares of 3,989,391.

17 Retained earnings

	2021 £m	2020 £m
Balance at 1 April 2020	**14.0**	(0.9)
(Loss)/profit for the financial year	**(14.3)**	14.9
Balance at 31 March	**(0.3)**	14.0

18 Ultimate parent and controlling party

The immediate parent undertaking is Greensands Finance Holdings 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, United Kingdom, 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 smallest parent company and only group company that prepares consolidated financial statements, which contain the financial statements of Greensands Finance Limited. Copies of Greensands Holdings Limited's consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at the registered address, Southern House, Yeoman Road, Worthing, BN13 3NX.

19 Post balance sheet events

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENSANDS FINANCE LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Greensands Finance 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 loss 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 19.

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.

Material uncertainty related to going concern
We draw attention to note 1 of the financial statements which indicates that there are possible scenarios, where covenants applicable to the debt held in the group structure above Southern Water Services Limited may be stressed over the next 12 months and liquidity available to pay interest on this debt is scheduled to be exhausted by October 2021. As stated in note 1 to the financial statements these events or conditions along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENSANDS FINANCE 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 group's industry and its control environment, and reviewed the group'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 also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.
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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENSANDS FINANCE 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 their 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

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