SW (FINANCE) I PLC

ANNUAL REPORT

AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2024

Registered number: 13677506

COMPANY INFORMATION

The company is a public company limited by shares.

Directors
Stuart Ledger
Richard Manning

Company secretary
Richard Manning

Registered office
Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Bankers
HSBC Bank Plc
PO Box 125
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London
SE1 9DZ

Auditor
Deloitte LLP
Statutory Auditor
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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED

31 MARCH 2024

Contents	**Page**

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

The strategic report for the period ended 31 March 2024 has been prepared in terms of Section 414C of the Companies Act 2006.

SW (Finance) I Plc ('the company') (Registered No. 13677506) 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 financing company for its parent company Southern Water Services Limited.

The company did not trade during the period, and there is no intention for it to trade in the future. The company's activity was in relation to providing financing for Southern Water Services Limited.

KEY PERFORMANCE INDICATORS

SW (Finance) I Plc acts as a financing company for Southern Water Services Limited and as such does not have any KPIs as an individual company. KPIs are monitored at the group level and are disclosed in the strategic report section of the annual report of Greensands Holdings Limited which may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, BN13 3NX.

REVIEW OF THE BUSINESS

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 financing company for its parent company, Southern Water Services Limited.

During the period the company had finance income of £281.4m from its loan to Southern Water Services Limited and incurred finance costs of £281.4m on its long-term borrowings during the period.

No interim dividends were paid during the period. The directors have not declared a final dividend for the period. The directors have not declared a final dividend for the period ended 31 March 2024.

The company has net assets of £0.1m comprising its loans to Southern Water Services Limited of £4,792.4m, and other current assets of £174.7m, offset by long-term borrowings of £4,792.3m and other current payables of £174.7m.

PRINCIPAL RISKS AND UNCERTAININITIES

The principal risk that the company is exposed to is the occurrence of events that would result in an impairment to and the recoverability of its intercompany debt. Ultimately this is reliant on cash funds being available at 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 in its Annual Report which can be obtained from the Company Secretary of Southern Water Services Limited, at the registered address, Southern House, Yeoman Road, Worthing, BN13 3NX or on its website at https://www.southernwater.co.uk/media/mmcogsam/annual_report_and_financial_statements_2023_24.pdf.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Southern Water Group manages its treasury operations on a group basis. Financial risk management is performed by Southern Water Services Limited's Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Southern Water Services' Annual Report and Financial Statements (which does not form part of this report). The principal financial risks to which the company is exposed are interest rate, liquidity and RPI risks. The Board has approved policies for the management of these risks. The company does not use derivative financial instruments for speculative purposes.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk
The company's interest rate risk is primarily in relation to its fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Interest rate derivatives are used to manage the overall interest rate profile within the company policy, which is to maintain a higher proportion of net debt at fixed rates of interest having regard to the prevailing interest rate outlook.

Liquidity risk
The company raises funds, as required, to ensure that it has sufficient cash and/or facilities to fund the business of Southern Water Services Limited ("SWS") for the next twelve months. Amounts raised are passed on to SWS on identical terms. SWS guarantees the company's obligations under these arrangements.

RPI risk and sensitivity analysis
The principal market risks are interest rates and movements in RPI. Interest rates are currently either fixed or fully effective swap instruments are in place to swap floating rates for fixed. RPI impacts indexation, however annual indexation credited to interest income is the same as that charged to interest expense, so there is no impact on the company's profit or loss.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2023 in the forthcoming year, however there may be wider economic factors, such as the rising cost of inflation, which could affect future company dealings. However, the company is safeguarded by being a company not engaged in any trade.

The company's parent company Southern Water Services Limited has considered the impact of wider economic factors and disclosed this in its Annual Report which can be obtained from the Company Secretary of Southern Water Services Limited, at the registered address, Southern House, Yeoman Road, Worthing, BN13 3NX or on its website at https://www.southernwater.co.uk/media/mmcogsam/annual_report_and_financial_statements_2023_24.pdf. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

S172 (1) STATEMENT

As stated above, SW (Finance) I Plc acts as a financing company for Southern Water Services Limited ('SWS'). As a financing company, SW (Finance) I Plc has no employees, customers or suppliers. Consequently, the company's stakeholders are directly correlated to those of its parent company SWS.

The main role of the Board of SW (Finance) I Plc is to make strategic decisions. The Board applies section 172(1) in its strategic decision making by acting in good faith and by considering how their decisions will promote the success of the company for the benefit of its members as a whole.

The Directors of SW (Finance) I Plc continue to act in ways that have regard to the matters set out in section 172 (1) (a) to (f) of Companies Act 2006 when performing their duties. The purpose, culture and values that the board of SWS have established have been geared towards applying the matters outlined in section 172(1).

Under section 172 of the Companies Act 2006, directors need to consider the interests of the company's key stakeholders as well as the need to take into account the impact on the environment and the outcomes over the long term. SWS and its board engage with a variety of stakeholders through various mechanisms, including membership of stakeholder panels, regular meetings with stakeholders, public meetings as well as speaking to people and visiting operational sites.

Delivery for customers is one of SWS's key priorities. The board of SWS ('SW Board') receives regular reports from management regarding customer performance and attitudes. The introduction of performance metrics that take into account the wider customer experience has also led to an increased need for awareness of customer views. The needs of customers is a top concern of the SW Board, particularly where they may face significant challenges, whether these be financial, physical or mental health-related, as a result of the COVID-19 pandemic and current economic situation in particular.

S172 (1) STATEMENT (continued)

The SW Board receive regular updates on environmental matters, including legislative changes, key areas of concern such as climate change, biodiversity and water resources. The SW Board receives regular updates on compliance and regulatory matters, regulators' reports and enterprise risk throughout the year. The SW Board is also updated on culture, employee engagement and ethical business, including the annual review and approval of the Code of Ethics.

Since the start of the COVID-19 pandemic, the SWS CEO has held regular 'Company Conversations' with its workforce which address a variety of topics, including SWS's performance. These forms of engagement are supported by regular Gallup all-employee surveys.

Regular meetings between senior representatives of SWS's key regulators – Ofwat, the EA and the DWI – and senior executives and Chair of SWS take place, in order to discuss our performance and compliance, as well as its plans for the future. Since the major investment by a fund managed by Macquarie Asset Management in the group, the three shareholder-nominated non-executive directors of SWS ensure that the views of its major shareholder are communicated. In addition, the SW Board and executives have engaged extensively with the new investor, including through various 'deep-dives' into aspects of SWS's operation and in terms of developing its strategy.

Managing risk

SWS's approach to risk management is designed to provide a clear and consistent framework for managing and reporting risks associated with its operations, to executive management and to the SW Board. Its' risk management framework is the totality of systems, structures, policies, processes and people that identify, measure, monitor, report and control or mitigate internal and external sources of risk. The framework seeks to promote better decision-making, avoid incidents and encourage the best outcome for SWS and its customers through:

1 Risk identification and ownership: understand the risk environment, identify the specific risks the company faces and assess potential exposure.
2 Risk assessment: determine how best to manage identified risks to balance exposure.
3 Risk response: take action to manage the risks the company does not want to be exposed to, ensuring resources are effectively and efficiently prioritised and used.
4 Risk monitoring, reporting and escalation: report to the Audit Committee, the Health and Safety and Operational Risk Committee and to the SW Board on a periodic basis on how significant risks are being managed, monitored, assured and the improvements that are being made.
5 Risk appetite and communication: use analysis to support the SW Board's determination of risk appetite and to monitor and report against it.

Risk management embedded in business processes

SWS's risk management approach is embedded within the business units and their business processes. It has established a risk management approach that provides a consistent basis for measuring risk to:

- Establish a common understanding of risks on a like-for-like basis, taking into account potential impact and likelihood;
- Report risks and their management to the appropriate levels of the company;
- Inform prioritisation of specific risk management activities and resource allocation.

All areas of SWS review significant risks and business processes to help inform and enable risk-based decision-making. As part of SWS's annual planning process, the Executive Leadership Team and SW Board review the company's principal and emerging risks.

Approved by the Board and signed on its behalf by:

Stuart Ledger
Director
29 July 2024

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

The directors of SW (Finance) I Plc (Registered No. 13677506) present their annual report and the audited financial statements for the period ended 31 March 2024.

PRINCIPAL ACTIVITIES

The company provides financing to Southern Water Services Limited (SWS).

STRATEGIC REPORT

The information that fulfils the requirement of the Strategic Report can be found on pages 1 to 3.

FUTURE DEVELOPMENTS

The information regarding future developments of the company can be found in the Strategic Report on pages 1 to 3.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

RESULTS AND DIVIDENDS

During the period the company had finance income of £276.2m (Period to 31 March 2023: £189.0m) from its loan to Southern Water Services Limited and incurred finance costs of £276.2m (Period to 31 March 2023: £188.9m) on its long-term borrowings during the period.

No interim dividends were paid during the period. The directors have not declared a final dividend for the period. The directors have not declared a final dividend for the period ended 31 March 2024.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Financial Risk Management Policy is included in the Strategic Report which can be found on pages 1 to 3.

STREAMLINED ENERGY AND CARBON REPORT

The company is exempt from producing the Streamlined Energy and Carbon Report (SECR) by virtue of the fact it is non-trading and does not directly consume energy. The SECR for the group is included in the consolidated financial statements of Greensands Holdings Limited, which are available to the public and can be obtained from the Southern Water website (www.southernwater.co.uk).

DIRECTORS

The directors who served during the period and up to the date of signing, unless otherwise stated, were:

Richard Manning
Stuart Ledger (appointed 25 October 2023)
Lawrence Gosden (resigned 25 October 2023)

The company secretary in the period and at the date of signing was Richard Manning.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

GOING CONCERN

The directors believe, after due and careful enquiry, that the company has sufficient resources for its present requirements and, therefore, consider it appropriate to adopt the going concern basis in preparing the financial statements to 31 March 2024.

SW (Finance) I Plc is a company within the Greensands Holdings Limited group of companies. These companies exist to support the only operating company within the group, Southern Water Services Limited (SWS), which is the parent company of SW (Finance) I Plc.

SW (Finance) I Plc holds £4,801.6m of borrowings at 31 March 2024 with £14.5m due within the 12 months to 31 March 2025. Under the loan agreement between Southern Water Services Limited ('SWS') and SW (Finance) I Plc, SW (Finance) I Plc on-lends to SWS an amount equal to each bond or other debt raised externally at the same interest rate. These loans have the same repayment terms as the external and intercompany loans disclosed in note 14 to the accounts. No trading activity is carried out by SW (Finance) I Plc, which is therefore dependent upon interest receivable from SWS to support its existence.

On the basis of their assessment of the Southern Water Services Limited's financial position as disclosed in the financial statements published on 15 July 2024, and the board approved latest cash flow forecast, the directors have a reasonable expectation that the company has 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. This assessment includes consideration of the forecast cash flows over the 12 months to July 2025, and the capital structure of the company and financing needs for the period. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTOR'S INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

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 Standards57), 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024 (continued)

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:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Deloitte LLP have indicated their willingness to continue in office and appropriate arrangements will be 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 its behalf by:

Richard Manning
Director
29 July 2024

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**Year ended 31 March 2024 £m**	Period ended 31 March 2023 £m
Continuing operations			
Administrative expenses		-	(0.1)
Loss before interest and taxation		-	(0.1)
Finance income	6	276.2	189.0
Finance costs	7	(276.2)	(188.9)
Net finance income		**-**	0.1
Result before taxation	5	**-**	-
Tax	8	**-**	-
Result for the financial period	16	**-**	-

The above results relate entirely to continuing operations.

The Notes on pages 10 to 18 form part of these financial statements.

There have been no recognised gains or losses for the current or the prior financial period other than as stated in the income statement and, accordingly, no separate statement of comprehensive income is presented.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Notes	**2024** **£m**	2023 £m
Non-current assets			
Loans and receivables	9	**4,787.2**	3,595.5
		4,787.2	3,595.5
Current assets			
Other receivables	10	**57.7**	30.2
Cash and cash equivalents	11	**117.0**	30.1
		174.7	60.3
Total assets		**4,961.9**	3,655.8
Current liabilities			
Other payables	12	**(160.2)**	(60.3)
Borrowings		**(14.5)**	-
		(174.7)	(60.3)
Net current assets		**0.1**	-
Total assets less current liabilities		**4,787.2**	3,595.5
Non-current liabilities			
Borrowings: amounts falling due after one year	14	**(4,787.1)**	(3,595.4)
		(4,787.1)	(3,595.4)
Net assets		**0.1**	0.1
Equity			
Called-up share capital	15	**-**	-
Share premium	16	**0.1**	0.1
Retained earnings	17	**-**	-
Total equity		**0.1**	0.1

The financial statements of SW (Finance) I Plc (Registered No. 13677506) were approved by the Board of directors and authorised for issue on 29 July 2024. They were signed on its behalf by:

Stuart Ledger
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Called up share capital £m (Note 15)	Share premium £m (Note 16)	Retained earnings £m (Note 17)	Total £m
On incorporation 13 October 2021	**-**	**-**	**-**	**-**
Share capital issued on incorporation	-	-	-	-
Share issue in period	-	0.1	-	0.1
Result for the financial period and total comprehensive result	-	-	-	-
Balance at 31 March 2023	**-**	**0.1**	**-**	**0.1**
Result for the financial year and total comprehensive result	-	-	-	-
Balance at 31 March 2024	**-**	**0.1**	**-**	**0.1**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1 General information

SW (Finance) I Plc 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 registered office is given on the Company Information page. The nature of the company's operations and its principal activities are set out in the business review on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2 Adoption of new and revised Standards

There are no new major standards applicable for the year ended 31 March 2024. A number of amendments however are effective for periods beginning from 1 January 2023. These changes had no impact on the company's financial statements.

3 Material accounting policies

Basis of accounting

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC). Accordingly, the company prepared its financial statements in accordance with FRS 101 'Reduced Disclosure Framework'.

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 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 the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. 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.

3 Material accounting policies (continued)

Going concern

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 at least 12 months following the approval of these financial statements.

On the basis of their assessment of the company's overall financial position, and the group's ability to raise new finance, they continue to adopt the going concern basis of accounting in preparing the annual financial statements, further details can be found in the Directors' Report on pages 4 to 6.

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.

Financial Instruments

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 and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are 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
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

3 Material accounting policies (continued)

Financial assets (continued)

(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

Fixed rate interest-bearing borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with the 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.

The carrying value of index-linked debt instruments is adjusted for the annual movement in the retail price index. The change in value arising from indexation is charged or credited to the profit and loss account in the year in which it arises.

Premiums and proceeds from gilt lock agreements received on issue of debt instruments are credited to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

The taxation charge in the profit and loss account is based on the company being considered a securitisation company under the UK ‘Taxation of Securitisation Companies Regulations 2006’ (SI 2006/3296). Therefore, the company does not calculate its UK corporation tax based on its accounting profit or loss. Instead the company applies current tax rates to its retained profits as specified in the documentation governing the securitisation transaction into which the company has entered.

Deferred taxation is net 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.

Interest income, interest payable and similar income and charges

Interest income, interest payable and similar income and charges are recognised on an accruals basis. The policy for interest income and expense is detailed in the financial instruments policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3 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 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.

Key sources of estimation uncertainty

Impairment
Loans and other receivables are assessed for impairment in accordance with IFRS 9. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred or are expected to occur after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Following their review the directors concluded that no impairment to the carrying value of financial assets at 31 March 2024.

Critical judgements in applying the company's accounting policies

The company has no critical judgements, apart from those involving estimations, that are applied in the preparation of the financial statements.

5 Result before taxation

The company had no employees, other than the directors, during the period ended 31 March 2024.

In 2024, the company audit fees were borne by Greensands Holdings Limited and not recharged to the company. The total audit fee for the group (excluding Southern Water Services Limited) is £123,000 (2023: £125,000). There were no non-audit fees for years ended 31 March 2023 and 2024.

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 .

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

6 Finance income

	2024 £m	2023 £m
Interest on loans to group undertakings	**196.6**	101.6
Indexation	**79.6**	87.4
	276.2	189.0

7 Finance costs

	2024 £m	2023 £m
Loan interest	**171.3**	89.7
Interest on loans from group undertakings	**25.3**	11.8
Indexation	**79.6**	87.4
	276.2	188.9

8 Tax

	2024 £m	2023 £m
Tax		
UK corporation tax	**-**	-
Tax (credit)/charge on result	**-**	-

No deferred tax arose during the period to 31 March 2024.

The tax assessed for the period is different to the standard rate of corporation tax in the UK due to the following factors:

	Year ended 31 March 2024 £m	Period ended 31 March 2023 £m
Result before taxation	-	-
UK corporation tax rate at standard rate of tax of 25% (2023: 19%) on result for the period	-	-
Adjustments in accordance with securitisation tax rules (see note (i) below)	-	-
Tax charge for period	-	-

(i) For UK corporation tax purposes, the company has been considered as a securitisation company under the ‘Taxation of Securitisation Companies Regulations 2006’ (SI 2006/3296). Therefore, the company is not required to pay corporation tax on its accounting profit or loss. Instead the company is required to pay tax on its retained profits as specified in the documentation governing the securitisation transaction into which the company has entered.

Factors that may affect future tax charges:

The Spring Finance Bill 2023 confirmed that the main rate of corporation tax increased to 25% from 1 April 2023 (from 19%) and therefore all deferred assets and liabilities have been calculated at 25%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

9 Loans and receivables

Under the loan agreement between Southern Water Services Limited ('SWS') and SW (Finance) I Plc, SW (Finance) I Plc on-lends to SWS an amount equal to each bond or other debt raised externally at the same interest rate. These loans have the same repayment terms as the external and intercompany loans disclosed in note 14.

	2024 £m	2023 £m
Loans and receivables from parent undertaking	**4,787.2**	3,595.5

Loans and receivables are measured at amortised cost using the effective interest rate method.

10 Other receivables

	2024 £m	2023 £m
Amounts owed by parent undertaking	**0.1**	-
Prepayments	**3.1**	3.1
Accrued interest receivable	**54.5**	27.1
	57.7	30.2

11 Cash and cash equivalents

Cash of £117.0m (2023: £30.1m) is held in a designated bank account in order to meet certain interest requirements on loan finance.

12 Other payables

	2024 £m	2023 £m
Receipts in advance from parent undertaking	**105.7**	33.2
Accrued interest payable	**54.5**	27.1
	160.2	60.3

Amounts owed to parent company are unsecured, interest free and repayable on demand.

13 Current borrowings

	2024 £m	2023 £m
Reserve Facility Agreement	**14.5**	-
	14.5	-

Amounts owed to parent company are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

14 Total loans and other borrowings

	2024 £m	2023 £m
Loans and other borrowings		
Class A £350m 6.192% fixed rate 2029	**351.6**	351.9
Class A £150m 3.706% index linked 2034	**396.3**	370.2
Class A £35m 3.706% index linked 2034	**80.2**	82.4
Class A £350m 6.640% fixed rate 2026	**353.5**	355.1
Class A £150m 5.000% fixed rate 2041	**136.2**	135.7
Class A £200m 4.500% fixed rate 2052	**169.4**	168.9
Class A £300m 5.125% fixed rate 2056	**277.9**	277.6
Class A £175m 2.780% fixed rate 2031	**146.1**	143.5
Class A £75m 2.960% fixed rate 2036	**56.1**	55.0
Class A £375m 2.375% fixed rate 2029	**321.2**	310.3
Class A £450m 3.000% fixed rate 2038	**316.0**	309.6
Class A £300m 1.625% fixed rate 2027	**262.8**	251.9
Class A £450m 7.375% fixed rate 2041	**444.8**	-
Class A £72m 3.315% index linked 2043	**72.5**	-
Class A £20m 4.123% index linked 2043	**20.1**	-
Class A £550m 7.000% fixed rate 2040	**544.1**	-
Total Class A debt	**3,948.8**	2,812.1
Other loans from SW (Finance) II Limited		
Artesian £165m 4.076% index linked 2033	**443.8**	415.3
Artesian £156.5m 3.635% index linked 2032	**394.5**	368.0
Reserve Facility Agreement	**14.5**	-
Total loans and other borrowings	**4,801.6**	3,595.4
Borrowings: falling due within one year	**14.5**	-
Borrowings: falling due after one year	**4,787.1**	3,595.4

These loans are guaranteed and secured pursuant to a guarantee and security agreement (the Security Agreement). The agreement is over the entire property, assets, rights and undertaking of each of Southern Water Services Limited, SW (Finance) I Plc, SW (Finance) II Limited, SWS Holdings Limited, and SWS Group Holdings Limited. In the case of Southern Water Services Limited, this is to the extent permitted by the Water Industry Act 1991 and Licence.

	2024 £m	2023 £m
Repayments fall due as follows:		
Between one and two years	**353.5**	-
Between two and five years	**935.6**	607.0
After five years not by instalments	**3,498.0**	2,988.4
	4,787.1	3,595.4
On demand or within one year not by instalments	**14.5**	-
	4,801.6	3,595.4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

15 Called-up share capital

Ordinary Shares of £1 each	2024 Number/£	2023 Number/£
Allotted:		
At 1 April	**50,001**	-
On incorporation	**-**	50,000
Issued 30 September 2022	**-**	1
At 31 March	**50,001**	50,001
Allotted, called-up and fully paid:		
At 1 April	**12,501**	-
On incorporation	**-**	12,500
New share issue 30 September 2022	**-**	1
At 31 March	**12,501**	12,501

The total aggregate amount of allotted share capital includes 37,500 ordinary shares of £1 unpaid.

16 Share premium

	2024 £	2023 £
At 1 April	**86,130**	-
On incorporation	**-**	-
Issued 30 September 2022	**-**	86,130
At 31 March	**86,130**	86,130

17 Retained earnings

	£m
At 13 October 2021	-
Result for the financial period	-
Equity dividends paid	-
At 31 March 2023	**-**
Result for the financial period	-
Equity dividends paid	-
At 31 March 2024	**-**

18 Ultimate holding company and related party transactions

The immediate parent undertaking is Southern Water Services Limited.

Greensands Holdings Limited (Registered Number: Jersey 98700) is the parent undertaking of the smallest and largest and only group to consolidate these financial statements. Greensands Holdings Limited (‘GSH’) was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, United Kingdom, JE4 9WG. Copies of the consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, BN13 3NX.

Macquarie Asset Management (through a Macquarie group company, Mscif Wight Bidco Limited) as the major shareholder in the consortium of investors owning Greensands Holdings Limited, is the ultimate parent and controlling party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (continued)

19 Capital instruments

The company's objective when managing capital is to maintain a positive value of capital employed to safeguard the company's ability to continue as a going concern, so that it can continue to provide finance for its parent company, Southern Water Services Limited.
No specific value of capital, or capital ratio, is required to be maintained.

20 Events after the statement of financial position date

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SW (Finance) I PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of SW (Finance) I plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 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 20.

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).

2. 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was recoverability of inter-company loans. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk

Materiality	The materiality that we used in the current year was £4.08m which was determined on the basis of 0.1% of total assets of the entity.
Scoping	Audit work to respond to the risks of material misstatements was performed directly by the audit engagement team.
Significant changes in our approach	We no longer consider going concern to be a key audit matter in the current year as a result of the material uncertainty reported in the prior year being resolved. The material uncertainty in FY23 was due to uncertainties relating to equity and debt financing and has been resolved following the equity raise of £375m and £1.1 billion additional debt received in FY24 by the Southern Water Services Limited (SWS), which is the only trading entity within Greensands Holdings Limited (GSH) group.

4. 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained an understanding of relevant controls related to the directors' assessment of going concern;
- Obtained third party bank confirmations for company's bank accounts, which confirmed cash balances and borrowings, inspected facility agreements and compared to the facilities assumed in the forecasts;
- Obtained the directors' going concern assessment, and that of Southern Water Services Limited, including cashflow forecast, liquidity requirements and forecast covenant calculations for the going concern period and have performed testing of the mathematical accuracy, understanding the position of the company within the group and intra-group interest and dividend flows, and testing the existence of cross-guarantees between entities;
- Assessed the forecasts used for the going concern assessment period for reasonableness and reconciled the data with information from other areas of the audit. We have also evaluated the appropriateness of key assumptions in the forecasts, which include repayments of debt;
- Evaluated the impact of the most recent available credit ratings of the company on going concern assessment; and
- Assessed the appropriateness of the disclosures within the financial statements.

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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of inter-company loans receivable

Key audit matter description	As at 31 March 2024 the company has an inter-company loan due from the parent company Southern Water Services Limited ('SWS') of £4,787.2 million (2023: £3,595.5 million, alongside external debt of £4,801.6 million (2023: £3,595.4 million), comprising Class A listed debt in the form of Eurobonds and a CPI-Linked bonds. The purpose of these listed debts was to raise finance to fund the operations of SWS. The ability of the Company to repay the debt and relevant interest charges externally is dependent on the recoverability of the loan from SWS and is thus dependent on the performance of SWS. Judgement is required by the Directors as to whether the inter-company loan directly supporting payment of the external loan is recoverable based on the financial position and future prospects of SWS. We consider this to be a key audit matter and have identified a potential risk of fraud with respect of this matter as the inter-company loan is of a significant value and the assessment of impairment risk involves management judgement. Further details are included within the directors' report and related notes 4 and note 10 in the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures: - Obtained an understanding of the relevant controls related to the recoverability of the inter-company loans receivable; - Assessed the recoverability of the inter-company loans receivable by evaluating the going concern assessment of SWS and its ability to continue to repay the loan; and - Assessed the appropriateness of disclosures made in the financial statements.
Key observations	Based on the work performed, we concluded the recoverability of the inter-company loans receivable is appropriate.

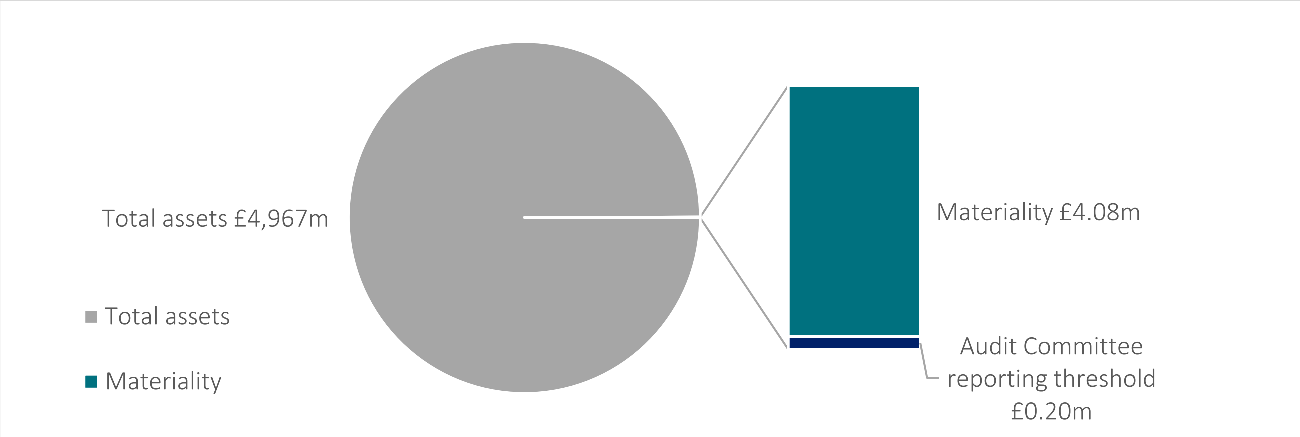
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£4.08 million (2023: £4.78 million)
Basis for determining materiality	Materiality was determined on the basis of 0.1% (2023: 0.1%) of total assets of the company and was capped to the component materiality determined for audit of Greensands holding limited, being parent company, preparing consolidated financial statements.
Rationale for the benchmark applied	The principal activity of the company is to provide financing to Southern Water Services Limited. On this basis we consider that the benchmark which will be the focus of users of the financial statements to be total assets for determining the statutory materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 31 March 2024 audit (2023: 60%). In determining performance materiality, we considered the factors, including the impact of macro-economic factors on business operations and account balances and the quality of overall control environment.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £204,000 (2023: £239,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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.

9. 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.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the recoverability of inter-company loans. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework 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 and tax legislation.

In addition, we considered provisions of other laws and regulations that 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified the recoverability of inter-company loans as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 10 June 2022 to audit the financial statements of the company for the year ending 31 March 2023 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering periods from our appointment through to the period ending 31 March 2024.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. 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.

Lucy Openshaw (Statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29/07/2024