

**SW (FINANCE) II LIMITED**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 MARCH 2024**

**Registered number: 13677558**

## SW (FINANCE) II LIMITED

### COMPANY INFORMATION

The company is a private 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  
2<sup>nd</sup> Floor, 62-76 Park Street  
London  
SE1 9DZ

#### **Auditor**

Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

#### **Registered number**

13677558

# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2024

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## SW (FINANCE) II LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

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

SW (Finance) II Limited ('the company') (Registered No. 13677558) 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 holding loan notes with SW (Finance) I PLC.

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 holding loan notes with SW (Finance) I PLC.

### KEY PERFORMANCE INDICATORS

SW (Finance) II Limited acts as a financing company for SW (Finance) I PLC 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.

### 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, holding loan notes with SW (Finance) I PLC.

During the period the company had finance income of £80.3m (Period to 31 March 2023: £56.6m) from its loan to SW (Finance) I PLC and finance costs of £80.3m (Period to 31 March 2023: £56.6m) 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 year ended 31 March 2024.

The company has net assets of £nil (31 March 2023: £nil) comprising its loans to SW (Finance) I Plc of £838.3m (31 March 2023: £783.3), offset by long-term borrowings of £838.3m (31 March 2023: £783.3).

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in an impairment to 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](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.

## SW (FINANCE) II LIMITED

### 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 to SW (Finance) I PLC and then 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](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.

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

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

## **SW (FINANCE) II LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024**

The directors of SW (Finance) II Limited (Registered No. 13677558) present their annual report and the audited financial statements for the year ended 31 March 2024.

### **PRINCIPAL ACTIVITIES**

The company holds loan notes with SW Finance I PLC.

### **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.

### **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](http://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.

## SW (FINANCE) II LIMITED

### 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) II Limited 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) II Limited.

SW (Finance) II Limited holds £838.3m of borrowings at 31 March 2024, all falling due after five years. Under the loan agreement between SW (Finance) I Plc and SW (Finance) II Limited, SW (Finance) II Limited on-lends to SW (Finance) I Plc 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 11 to the accounts. No trading activity is carried out by SW (Finance) II Limited, which is therefore dependent upon 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**SW (FINANCE) II LIMITED**

**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 on its behalf by:



**Richard Manning**  
**Director**  
29 July 2024

**SW (FINANCE) II LIMITED**

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

	Notes	<b>Period ended 31 March 2024 £m</b>	Period ended 31 March 2023 £m
<b>Continuing operations</b>			
Administrative expenses		-	-
<b>Result before interest and taxation</b>		-	-
Finance income	6	<b>80.3</b>	56.6
Finance costs	7	<b>(80.3)</b>	(56.6)
<b>Net finance (expense)/income</b>		-	-
<b>Result before taxation</b>	5	-	-
Tax	8	-	-
<b>Result for the financial period</b>		-	-

The above results relate entirely to continuing operations.

The Notes on pages 10 to 16 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.

**SW (FINANCE) II LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024**

	Notes	2024 £m	2023 £m
<b>Non-current assets</b>			
Loans and receivables	9	<u>838.3</u>	<u>783.3</u>
		<b>838.3</b>	<b>783.3</b>
<b>Current assets</b>			
Cash and cash equivalents	10	<u>-</u>	<u>-</u>
		<b>-</b>	<b>-</b>
<b>Net current assets</b>			
		<u>-</u>	<u>-</u>
<b>Total current assets less current liabilities</b>			
		<u><b>838.3</b></u>	<u><b>783.3</b></u>
<b>Non-current liabilities</b>			
Borrowings: amounts falling due after one year	11	<u>(838.3)</u>	<u>(783.3)</u>
		<u><b>(838.3)</b></u>	<u><b>(783.3)</b></u>
<b>Net assets</b>			
		<u><u>-</u></u>	<u><u>-</u></u>
<b>Equity</b>			
Called-up share capital	12	<u>-</u>	<u>-</u>
Share premium	13	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u><u><b>-</b></u></u>	<u><u><b>-</b></u></u>

The financial statements of SW (Finance) II Limited (Registered No. 13677558) 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**

**SW (FINANCE) II LIMITED**

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

	Called up share capital £m (Note 12)	Share premium £m (Note 13)	Total £m
<b>On incorporation 13 October 2021</b>	-	-	-
Share capital issued on incorporation	-		-
Share issue in period	-		-
Result for the financial period and total comprehensive result	-		-
<b>Balance at 31 March 2023</b>	<hr/> -	<hr/> -	<hr/> -
Result for the financial period and total comprehensive result	-		-
<b>Balance at 31 March 2024</b>	<hr/> <hr/> -	<hr/> <hr/> -	<hr/> <hr/> -

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

**1 General information**

SW (Finance) II Limited 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 2022. 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 revalued amounts or 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 for 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.

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

**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 14.

**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.

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

**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 year 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) 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 SWS. Accordingly no details in respect of the emoluments paid to the directors are included here as they are fully disclosed in the financial statements of SWS.



**SW (FINANCE) II LIMITED**

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

**6 Finance income**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Interest on loans to group undertakings	25.3	11.8
Indexation	55.0	44.8
	<b>80.3</b>	<b>56.6</b>

**7 Finance costs**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Loan interest	25.3	11.8
Indexation	55.0	44.8
	<b>80.3</b>	<b>56.6</b>

**8 Tax**

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Tax</b>		
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:

	<b>Year ended 31 March 2024 £m</b>	<b>Period ended 31 March 2023 £m</b>
<b>Result before taxation</b>	-	-
UK corporation tax rate at standard rate of tax of 25% (2023: 19%) on result for the period	-	-
<b>Tax charge for period</b>	-	-

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%.

## SW (FINANCE) II LIMITED

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

#### 9 Loans and receivables

Under the loan agreement between SW (Finance) I Plc and SW (Finance) II Limited, SW (Finance) II Limited on-lends to SW (Finance) Plc 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 13.

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
Loans and receivables from parent undertaking	<u><b>838.3</b></u>	<u>783.3</u>

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

#### 10 Cash and cash equivalents

Cash at bank of £1 relates to payment for share capital.

#### 11 Total loans and other borrowings

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Loans and other borrowings</b>		
Artesian £165m 4.076% index linked 2033	<b>443.8</b>	415.3
Artesian £156.5m 3.635% index linked 2032	<u><b>394.5</b></u>	<u>368.0</u>
<b>Total loans and other borrowings</b>	<u><b>838.3</b></u>	<u>783.3</u>
<b>Borrowings: falling due within one year</b>	<u>-</u>	<u>-</u>
<b>Borrowings: falling due after one year</b>	<u><b>838.3</b></u>	<u>783.3</u>

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.

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Repayments fall due as follows:</b>		
Between one and two years	-	-
Between two and five years	-	-
After five years not by instalments	<u><b>838.3</b></u>	<u>783.3</u>
On demand or within one year not by instalments	-	-
	<u><b>838.3</b></u>	<u>783.3</u>

## SW (FINANCE) II LIMITED

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

#### 12 Called-up share capital

Ordinary Shares of £1 each	2024 Number/£	2023 Number/£
<b>Allotted:</b>		
At 1 April	2	-
On incorporation	-	1
Issued 30 September 2022	-	1
<b>At 31 March</b>	<b>2</b>	<b>2</b>
<b>Allotted, called-up and fully paid:</b>		
At 1 April	2	-
On incorporation	-	1
New share issue 30 September 2022	-	1
<b>At 31 March</b>	<b>2</b>	<b>2</b>

#### 13 Share premium

	2024 £	2023 £
At 1 April	37,589	-
On incorporation	-	-
Issued 30 September 2022	-	37,589
<b>At 31 March</b>	<b>37,589</b>	<b>37,589</b>

#### 14 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 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.

#### 15 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.

#### 16 Events after the statement of financial position date

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

## SW (FINANCE) II LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SW (FINANCE) II LIMITED

#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements of SW (Finance) II Limited (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 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

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

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

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

##### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## SW (FINANCE) II LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SW (FINANCE) II LIMITED (CONTINUED)

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.

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

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

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

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

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

## SW (FINANCE) II LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SW (FINANCE) II LIMITED (CONTINUED)

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 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;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in house legal counsel concerning actual and potential litigation and claims; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

#### 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.



Lucy Openshaw FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
London, United Kingdom  
29 July 2024