

GREENSANDS FINANCING PLC

**ANNUAL REPORT
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2023**

Registered number: 11637679

GREENSANDS FINANCING PLC
Annual Report and Financial Statements for the year
ended 31 March 2023

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GREENSANDS FINANCING PLC

Company information

Directors

L Gosden
S Ledger
W Price

Secretary

R Manning

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Bankers

BNY Mellon
London Branch
One Canada Square
Canary Wharf
London
E14 5AL

Auditor

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

Registered number

11637679

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

The strategic report for the year ended 31 March 2023 has been prepared in terms of Section 414C of the Companies Act 2006.

Greensands Financing Plc 'the company' (Registered No. 11637679) 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 holding company Greensands Finance Limited.

The company did not trade during the year, and there is no intention for it to trade in the future. The company's activity was in relation to financing the Greensands Holdings group.

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 holding company not engaged in any trade. The underlying operational 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://southernwater.annualreport2022.com>. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

KEY PERFORMANCE INDICATORS

Greensands Financing Plc acts as a financing company for the overall Greensands Holdings group and as such does not have any KPIs as an individual company. KPIs are monitored at the group level and are disclosed in the consolidated financial statements of Greensands Holdings Limited which may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, BN13 3NX.

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

Approved by the Board and signed on its behalf by:



S Ledger
Director
28 July 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors of Greensands Financing Plc (Registered No. 11637679) present their report and the audited accounts for the year ended 31 March 2023.

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

PRINCIPAL ACTIVITIES

The company provides financing to Greensands Finance Limited.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company did not trade during the year, 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, Greensands Finance Limited.

During the year the company received interest income of £16.1 million (2022: £16.1 million) from its loan to Greensands Finance Limited and paid interest and fees of £16.1 million (2022: £16.1 million) on its long-term borrowings during the year. There was a £nil result for the year (2022: £nil).

No interim dividends were paid during the year (2022: £nil). The directors have not declared a final dividend for the year ended 31 March 2023 (2022: £nil). No further dividends have been declared post year end.

The company has net liabilities of £0.1 million (2022: £0.1 million) comprising its loan asset of £399.3 million (2022: £398.8 million), currency derivative asset of £5.3 million (2022: £0.3 million), and other receivables of £5.2 million (2022: £5.2 million), offset by long-term borrowings of £399.4 million (2022: £398.9 million), external derivative liability passed onto Greensands Finance Limited of £5.3 million (2022: liability of £0.3 million) and other current payables of £5.2 million (2022: £5.2 million).

PRINCIPAL RISK AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in an impairment to the value of its investment in Greensands Finance Holdings Limited 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 which can be obtained via Companies House.

The Greensands Holdings Group comprises a number of intermediary financing companies as set out below:

Corporate level	Companies
'Holdco'	Greensands Holdings Limited (GHL) Greensands Europe Limited (GSE) Greensands UK Limited (GSUK) Greensands Junior Finance Limited (GSJF) Southern Water (Greensands) Financing plc (SWGF) Greensands Senior Finance Limited (GSSF) Greensands Investments Limited (GSI)
'Midco'	Greensands Finance Holdings Limited (GSFH) Greensands Finance Limited (GSF Ltd) Greensands Financing plc (GSF plc) Southern Water Capital (SWC) Southern Water Investments Limited Southern Water Services Group (SWSG)
Southern Water Financing Group	SWS Group Holdings SWS Holdings Southern Water Services Limited (SWS) Southern Water Services (Finance) (SWSF) SW (Finance) I plc (SWFI) SW (Finance) II Limited (SWFII)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

PRINCIPAL RISK AND UNCERTAINTIES (continued)

Impairment risk:

There is no trading activity carried out within either the 'Midco' or 'Holdco' groups. The 'Midco' is dependent upon distributions received from Southern Water Services Limited and the 'Holdco' is dependent on distributions received from the 'Midco'. Loan covenants exist at the 'Holdco', 'Midco' and SWS financing group which are designed to protect investors at each respective level.

On 7 July 2023, Fitch announced its decision to downgrade the Class A Unwrapped Debt of SW (Finance) I to BBB (negative outlook) from BBB+ (negative outlook). As a consequence of the Fitch credit rating action, a credit rating downgrade Trigger Event has occurred. The consequence of the Trigger Event is that Southern Water Services Limited is not permitted to make distributions to parent companies.

Therefore, the company does not expect to receive interest on loans to subsidiary companies, or a dividend from subsidiary companies. Southern Water Services Ltd and the Greensands Finance group of companies are expected to be in Trigger until at least March 2025.

To assist in financing of the planned expenditure the group expects to receive £550 million of new equity ("the Equity Raise"), with cash expected to be received by the end of October 2023. The MidCo expects to retain £75 million of the new equity, as set out in the 'going concern' statement and this would ensure sufficient liquidity is in place to settle the debt service requirement of the MidCo, for the 12 months from the date of signing these financial statements.

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 currency risks. The Board has approved policies for the management of these risks. The company does not use derivative financial instruments for speculative purposes.

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).

Liquidity risk

The company raises funds, as required, to meet the financing requirements of the group.

The company relies on its cash reserves and support from the only trading company in the group, Southern Water Services, in order to meet its debt obligations.

Currency risk

The company holds fixed rate borrowings which are denominated in US Dollars. To mitigate this risk, the company took out currency exchange swaps which allows the interest and principal amount on maturity to be paid at a fixed exchange rate.

STREAMLINED ENERGY AND CARBON REPORT (SECR)

The company is exempt from producing the Streamlined Energy and Carbon Report (SECR) by virtue of the fact it is non-operating and does not directly consume energy. The Streamlined Energy and Carbon Report (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' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (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 2023, notwithstanding the material uncertainty discussed below.

As described in pages 3 to 4, the company is one of the 'MidCo' group of companies, which is wholly owned by Greensands Holdings Limited. The MidCo group exists to finance the activities of Southern Water Services Limited (SWS) which is a fellow subsidiary of Greensands Holdings Limited. Certain MidCo entities hold external debt which includes covenanted loan structures that are subject to distribution restrictions in certain circumstances and is further described on pages 3 to 4.

The entities within the MidCo group are all parties to the external debt and are subject to cross guarantees in respect of this, including covenant undertakings. Therefore, the financing and going concern statuses of the MidCo group of entities are interdependent and the position of the MidCo group has been considered as a whole.

No trading activity is carried out by the MidCo group entities, which are therefore dependent upon distributions received from SWS or equity support received from the parent.

The Midco group has available unrestricted cash reserves of £11.6 million as at 31 March 2023 (31 March 2022: £27.5 million), plus a committed and undrawn revolving credit facility of £40 million (31 March 2022: £100 million). Total liquidity at 31 March 2023 is therefore £51.6 million as at 31 March 2023 (31 March 2022: £127.5 million). A further cash reserve of £27.5 million is only available to use during a standstill period, which would occur if there were a Default Event at SWS. Third party debt for the MidCo group is £448.4 million at 31 March 2023 (31 March 2022: £448.5 million), intercompany payables are £285.9 million (31 March 2022: £286.4 million) and intercompany receivables are £5.4 million (31 March 2022: £13.1 million).

The debt attracts cash interest payments of c. £23 million per annum. No interest is receivable on intercompany receivables. The next scheduled MidCo group company debt maturity is November 2023 and comprises a £35.3 million loan.

The MidCo group expects to receive £75 million of new equity by the end of October 2023, as part of a £550 million equity raise for the whole group. Opening cash reserves plus the expected new equity are sufficient to make the debt repayment as set out above and service the MidCo group's remaining debt for a period of at least 12 months from the date of signing the financial statements.

SWS disclosed a material uncertainty with respect to going concern in its annual report and accounts dated 7 July 2023, connected to the expected receipt of £375 million as part of the £550 million equity raise described above.

The company does not expect to receive interest on loans to subsidiary companies, or a dividend from subsidiary companies including the operating company within the group SWS and the Greensands Finance group of companies. Both are expected to be in Trigger until at least March 2025, due to their credit ratings being downgraded, the consequence of which is that these companies are not permitted to make distributions to parent companies.

If the £550 million Equity Raise is successful, then the Directors believe that MidCo group, including the company, will have sufficient liquidity over the going concern period and to meet its financial commitments as they fall due.

If the £550 million Equity Raise does not proceed by the end of October 2023, the MidCo group will not be able to repay £35.3 million of borrowings due to be repaid in November 2023.

The Directors are of the opinion that that the Equity Raise will be received but given it has not been committed at the date of the financial statements and its commitment is not within the Directors' control, believe that the risk that the equity is not received constitutes a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (continued)

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

DIRECTORS AND OFFICERS

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

I McAulay	Resigned as Director 30 June 2022
S Boelen	Resigned as Director 31 July 2022
A Nadim	Appointed as Director 31 July 2022, Resigned as Director 27 January 2023
W Price	
L Gosden	Appointed as Director 1 July 2022
S Ledger	Appointed as Director 27 January 2023

DIRECTORS' INDEMNITIES

The company maintains liability insurance for its directors and officers, which is also maintained for the directors and officers of its holding companies and fellow subsidiaries. Following shareholder approval, the company has also provided an indemnity for its directors and the company secretary, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006. An indemnity has also been provided for the directors and company secretaries of the company's holding companies and fellow subsidiaries.

DIRECTORS RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023 (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:


- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) each director has taken all the steps that he ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

AUDITOR

Deloitte LLP, have indicated their willingness to continue in office and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:



R Manning
Company Secretary
28 July 2023

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	Note	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Continuing operations			
Operating costs	8	-	-
Operating result		-	-
Finance income	6	16.1	16.1
Finance costs	7	(16.1)	(16.1)
Net finance result		-	-
Result before taxation	8	-	-
Tax	9	-	-
Result for the financial year		-	-

The above results relate entirely to continuing operations.

The Notes on pages 11 to 19 form part of these financial statements.

There was no other comprehensive income or losses for the year ending 31 March 2022 and 31 March 2023. Accordingly, no separate statement of comprehensive income is presented.

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	2023 £m	2022 £m
Non-current assets			
Other non-current assets	10	399.3	398.8
Derivative financial instruments – external/group	14	5.3	0.3
		<u>404.6</u>	<u>399.1</u>
Current assets			
Other receivables	11	5.2	5.2
Cash		-	-
		<u>5.2</u>	<u>5.2</u>
Total assets		<u>409.8</u>	<u>404.3</u>
Current liabilities			
Other payables	12	(5.2)	(5.2)
		<u>(5.2)</u>	<u>(5.2)</u>
Non-current liabilities			
Borrowings: amounts falling due after one year	13	(399.4)	(398.9)
Derivative financial instruments – group/external	14	(5.3)	(0.3)
		<u>(404.7)</u>	<u>(399.2)</u>
Total liabilities		<u>(409.9)</u>	<u>(404.4)</u>
Net liabilities		<u>(0.1)</u>	<u>(0.1)</u>
Equity			
Called up share capital	15	0.1	0.1
Accumulated losses	16	(0.2)	(0.2)
Total deficit		<u>(0.1)</u>	<u>(0.1)</u>

The financial statements of Greensands Financing Plc (Registered No. 11637679) on pages 8 to 19 were approved by the board of directors and authorised for issue on 28 July 2023. They were signed on its behalf by:



S Ledger
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital (note 15) £m	Accumulated losses (note 16) £m	Total £m
Balance at 31 March 2021	<u>0.1</u>	<u>(0.2)</u>	<u>(0.1)</u>
Result for the financial year and total comprehensive result	-	-	-
Balance at 31 March 2022	<u>0.1</u>	<u>(0.2)</u>	<u>(0.1)</u>
Result for the financial year and total comprehensive result	-	-	-
Balance at 31 March 2023	<u><u>0.1</u></u>	<u><u>(0.2)</u></u>	<u><u>(0.1)</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 General Information

Greensands Financing Plc. (the 'company') is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the report of the directors on page 3.

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

The financial statements contain information about Greensands Finance Holdings Limited as an individual company. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements of the holding company, Greensands Holdings Limited, from the address given in note 18.

2 Adoption of new and revised accounting and financial reporting standards

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

3 Significant accounting policies

Basis of accounting

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

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, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

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 leasing transactions that are within the scope of IFRS 16 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 'Inventories' or 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
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3 Significant accounting policies (continued)

Going concern

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

The company is part of the MidCo group of companies which expect to receive £75 million of new equity by the end of October 2023, as part of a £550 million equity raise for the whole group. Opening cash reserves of the MidCo group of companies of £11.6 million plus the expected new equity are sufficient to fund MidCo debt service for a period of at least 12 months from the date of signing the financial statements.

The ultimate shareholders of the company have indicated their support for the group and are believed to be at an advanced stage of the equity process, but the receipt has not been committed at the date of signing these financial statements.

The Directors are of the opinion that that the Equity Raise will be received but given it has not been committed at the date of the financial statements and its commitment is not within the Directors' control, believe that the risk that the equity is not received constitutes a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, notwithstanding the material uncertainty above, 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 page 3.

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.

Interest income, interest payable and similar income and charges

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

Dividends payable

Dividends payable are included in the company financial statements in the year in which the related dividends are actually paid or payable, in respect of the company's final dividend for the year, approved by shareholder.

Financial instruments

IFRS 9 contains requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires companies to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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 liabilities at FVTPL are recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**3 Significant accounting policies (continued)****Financial assets****(i) Loans receivable**

Loans receivable that have fixed or determinable payments that are not quoted in an active market are classified as 'held to collect'. Loans receivable are measured at fair value on initial recognition and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Impairment of financial assets

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 investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference 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 with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

(iii) Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities**(i) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Taxation

Taxation in the income statement represents the sum of the tax currently payable and deferred tax.

Current taxation is based on the result for the year as adjusted for disallowable and non-taxable items and items of income or expense which are taxable or deductible in other years. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3 Significant accounting policies (continued)

Taxation (continued)

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.

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 may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Any estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

(i) Impairment

Within the group, Investments and 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 investment have been affected.

An impairment review requires management to make estimates regarding the future cash flows of the asset under review. The Directors take into account current and expected regulated returns and these are subject to ongoing review and negotiation. Therefore there is no impairment recognised in the financial statements.

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

*Regulatory returns are the returns that SWS Ltd. generates through operating the regulatory business for stakeholders in comparison to its regulated equity, this is driven by the financial performance of SWS Ltd.

5 Employee information

The Company has no employees (2022: None).

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

The directors received no emoluments during the year in respect of their services to Greensands Financing Plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**6 Finance income**

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Interest received from Greensands Finance Limited	16.1	16.1
	<u>16.1</u>	<u>16.1</u>

7 Finance costs

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Interest payable on long-term bank loans	16.1	16.1
	<u>16.1</u>	<u>16.1</u>

For the terms attached to these loans please refer to note 12 and 13.

8 Result before taxation

In 2022 and 2023, 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 £125,000 (2022: £90,000).

9 Taxation

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax:		
Current year	-	-
Total current tax	<u>-</u>	<u>-</u>

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Result before taxation	<u>-</u>	<u>-</u>
UK corporation tax rate at 19% (2022: 19%) on result for the year	-	-
Total tax for the year	<u>-</u>	<u>-</u>

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%). All of our deferred assets and liabilities will reverse after 1st April 2023 and therefore this has been calculated at 25% rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**10 Other non-current assets**

	2023 £m	2022 £m
Amounts due from Greensands Finance Limited		
£175 million – fixed rate 3.93% 2025 (see note (ii)(a) below)	174.4	174.2
£226.5 million – fixed rate 3.38% to 4.03% 2023 to 2030 (see note (ii)(b) below)	225.0	224.6
	<u>399.4</u>	<u>398.8</u>

Notes:

- (i) All amounts due from group undertakings after one year are unsecured.
- (ii) The following loan funds have been on-lent to Greensands Finance Limited (GFL) as part of group refinancing:
- £174.4 million has accrued interest at 4.06% for the year ended 31 March 2023 and the underlying loan has a term of 7 years, maturing in 2025.
 - £225.0 million has accrued interest across a range of 3.66% to 4.17% for the year ended 31 March 2023 and the underlying loans have terms ranging from 5 to 12 years, maturing between 2023 and 2030.
- (iii) All entities are wholly owned within the group.

11 Other receivables

	2023 £m	2022 £m
Amounts due from Greensands Finance Limited	<u>5.2</u>	<u>5.2</u>

Amounts due from Greensands Finance Limited relate to interest receivable due on loans on-lent and referred to in note 10.

All entities are wholly owned within the group.

12 Other payables

	2023 £m	2022 £m
Accrued interest	<u>5.2</u>	<u>5.2</u>

Accrued interest relates to external loans taken out during the year.

Further details regarding these loans can be found in note 13.

13 Borrowings: amounts falling due after one year

	2023 £m	2022 £m
External borrowings:		
£175 million – fixed rate 3.93% 2025 (see note (i)(a) below)	174.4	174.2
£25 million – fixed rate 3.65% 2025 (see note (i)(b) below)	24.9	24.8
£75 million – fixed rate 3.94% 2028 (see note (i)(c) below)	74.4	74.3
£52 million – fixed rate 4.03% 2030 (see note (i)(d) below)	51.5	51.5
£35.3 million/(\$45 million) – fixed rate 3.3837% 2023 (see note (i)(e) below)	35.2	35.1
£19.6 million/(\$25 million) – fixed rate 3.6806% 2025 (see note (i)(f) below)	19.5	19.5
£19.6 million/(\$25 million) – fixed rate 4.02% 2028 (see note (i)(g) below)	19.5	19.5
	<u>399.4</u>	<u>398.9</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**13 Borrowings: amounts falling due after one year (continued)**

Notes:

- (i) The company has the following loan funds:
- £174.4 million has accrued interest at 4.06% for the year ended 31 March 2023 and the underlying loan has a term of 7 years, maturing in 2025.
 - £24.9 million has accrued interest at 3.86% for the year ended 31 March 2023 and the underlying loan has a term of 7 years, maturing in 2025.
 - £74.4 million has accrued interest at 4.09% for the year ended 31 March 2023 and the underlying loan has a term of 10 years, maturing in 2028.
 - £51.5 million has accrued interest at 4.16% for the year ended 31 March 2023 and the underlying loan has a term of 12 years, maturing in 2030.
 - £35.2 million has accrued interest at 3.66% for the year ended 31 March 2023 and the underlying loan has a term of 5 years, maturing in 2023.
 - £19.5 million has accrued interest at 3.89% for the year ended 31 March 2023 and the underlying loan has a term of 7 years, maturing in 2025.
 - £19.5 million has accrued interest at 4.17% for the year ended 31 March 2023 and the underlying loan has a term of 10 years, maturing in 2028.
- (ii) The loans referred to in notes (i) e, f and g were originally issued in US dollars. A currency swap has been entered into to mitigate exchange rate fluctuations in relation to interest payments due in US dollars. See note 12 for further details.
- (iii) Debt issue costs of £4.2 million have been capitalised upon the debt being issued. The costs are being released in accordance with the effective interest rate method described in note 1, accounting policies, and form part of the related individual loan balances.

	2023 £m	2022 £m
Repayments fall due as follows:		
Between two and five years	347.9	253.6
After five years not by instalments	51.5	145.3
	<u>399.4</u>	<u>398.9</u>

14 Derivative financial instruments**Categories of financial instruments at fair value**

	2023 £m	2022 £m
Derivative assets carried at fair value through profit or loss (FVTPL):		
Cross currency swaps – not hedge accounted (external/group)	5.3	0.3
Total derivative financial assets	<u>5.3</u>	<u>0.3</u>

Derivative liabilities carried at fair value through profit or loss (FVTPL):		
Cross currency swaps – not hedge accounted (group/external)	5.3	0.3
Total derivative financial liabilities	<u>5.3</u>	<u>0.3</u>

	2023 £m	2022 £m
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The result for the year has been arrived at after charging:

External/group financial assets at fair value		
Designated as FVTPL	5.0	3.4
Group/external Financial liabilities at fair value		
Designated as FVTPL	(5.0)	(3.4)
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)**14 Derivative financial instruments (continued)**

The above derivative liability reflects a cross currency swap entered into by the company with Sumitomo Mitsui Banking Corporation (SMBC).

The swap was entered into to mitigate the risk of foreign currency exchange rate fluctuations that the company is exposed to having raised a proportion of debt in US Dollars (USD) during the year (see note 13). The swap allows the company to pay interest and the principal amount on maturity at a fixed exchange rate thereby removing uncertainty.

The valuation of the over the counter (OTC) swap has been provided by SMBC using their pricing model and method. As at 31 March 2023 the swap was in the money for the company due to GBP weakening against the USD from inception of the related loans at 31 October 2018 to 31 March 2023.

The company has passed on this derivative asset to its parent company, GFL. The company and GFL have entered into the swap agreement on exactly the same terms as the external agreement held by the company with SMBC. This balance has been disclosed as a derivative liability.

15 Called up share capital

	2023 £m	2022 £m
Authorised:		
50,000 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>
Allotted and unpaid:		
50,000 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>
Allotted, called up and fully paid:		
50,000 ordinary share of £1 each	<u>-</u>	<u>-</u>

Each share carries the right to vote on a poll. The right to vote is determined by reference to the register of members. At a time specified in the notice of meeting, being not more 48 hours (disregarding non-working days) before the General meeting in question. All dividends shall be declared and paid according to the amounts paid up on the shares. The shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The shares are not redeemable.

16 Accumulated losses

	2023 £m	2022 £m
Balance at 1 April	(0.2)	(0.2)
Result for the financial year	-	-
Balance at 31 March	<u>(0.2)</u>	<u>(0.2)</u>

17 Contingent liabilities

The company is party to a cross group guarantee whereby it provides a guarantee over the borrowings of Greensands Finance Holdings Limited and Greensands Finance Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

18 Ultimate parent and controlling party

The immediate parent undertaking is Greensands Finance 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.

The company has taken advantage of the exemption under FRS 101 'Reduced Disclosure Framework' in not disclosing details of transactions with other companies which are 100% wholly owned. Equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

19 Post balance sheet events

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENSANDS FINANCING PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Greensands Financing PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 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 19.

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

Basis for opinion

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

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

Material uncertainty relating to going concern

We draw attention to note 3 in the financial statements, which indicates that the Greensands Financing PLC is part of the Midco subgroup of the group headed by Greensands Holding Limited (GSH). Its fellow subsidiary Southern Water Services Limited (SWS) is the only trading entity within GSH group and hence all other group companies ultimately rely on SWS's financial performance to generate cash in order to meet their liabilities as they fall due. GSH group requires additional equity totalling £550m to have sufficient liquidity over the going concern period, which has not been committed at the date of signing the financial statements. In its financial statements issued on 7 July 2023, SWS identified this as a material uncertainty with respect to going concern. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other information

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENSANDS FINANCING PLC (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. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENSANDS FINANCING PLC (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

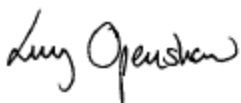
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
28 July 2023