

**GREENSANDS FINANCING PLC**

**ANNUAL REPORT**

**AND FINANCIAL STATEMENTS FOR THE PERIOD**

**FROM 23 OCTOBER 2018 TO 31 MARCH 2020**

**Registered number: 11637679**

# GREENSANDS FINANCING PLC

## Company information

### **Directors**

B Somes  
R Wall  
J Lynch

### **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  
Chartered Accountants  
London  
EC2N 3NW

# GREENSANDS FINANCING PLC

## Annual Report and Financial Statements for the period

ended 31 March 2020

<b>Contents</b>	<b>Page</b>
Strategic report	1
Report of the directors	2
Income statement	5
Statement of financial position	6
Statement of changes in equity	7
Notes to the Financial Statements	8
Independent auditors' report to the members of Greensands Financing Plc	17

**STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2020**

The strategic report for the period ended 31 March 2020 has been prepared in terms of Section 414C of the Companies Act 2006.

Greensands Financing Plc (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 period, 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.

**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 including a review of the company's business and information of the principal risk and uncertainties facing the company is presented in the Directors' report, but no further information is included in this strategic report.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'B. Somes', with a long horizontal flourish extending to the right.

B Somes  
**Director**  
27 July 2020

## **REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 MARCH 2020**

The directors of Greensands Financing Plc (Registered No. 11637679) present their report and the audited accounts for the period ended 31 March 2020.

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 was incorporated on 23 October 2018. Accordingly references to the current period present results from the date of incorporation to 31 March 2020, therefore, representing a long period.

The company did not trade during the period, and there is no intention for it to trade in the future. However, the company will continue to act as a financing company for its parent company, Greensands Finance Limited.

During the period the company received interest income of £21.4m from its loan to Greensands Finance Limited and paid interest and fees of £21.4m on its long-term borrowings during the period.

No interim dividends were paid during the period. The directors have not declared a final dividend for the period. The retained result for the period of £nil has been transferred to reserves. The directors have not declared a final dividend for the period ended 31 March 2020.

The company has net assets of £0.1m comprising its loan and currency derivative liability passed onto Greensands Finance Limited of £398.0m and £8.7m respectively, and other current assets of £5.2m, offset by long-term borrowings of £397.9m, derivative asset of £8.7m and other current payables of £5.2m.

### **PRINCIPAL RISK AND UNCERTAINTIES**

The principal risk that the company is exposed to is the occurrence of events that would result in impairment of its loan to Greensands Finance Limited. This risk is mitigated by the continued support received by the company from its ultimate parent undertaking, Greensands Holdings Limited.

### **GOING CONCERN**

The directors have undertaken a detailed review of the company's liquidity requirements compared with the cash and facilities available, the financial covenant position including projections based on future forecasts, the current credit ratings of entities within the Group and financial risk. The directors have received confirmation that its ultimate parent undertaking, Greensands Holdings Limited, intends to support the company for at least one year after these financial statements are signed.

During this process it was identified that due to the implementation of the 2019 Final Determination for SWS and due to COVID-19 there are possible scenarios where covenants applicable to the debt held in the group structure above Southern Water Services Limited may be stressed over the next 12 months. In addition the liquidity available to pay interest on this debt is scheduled to be exhausted by October 2021 and the associated financing may be subject to certain credit rating covenants outside of the Greensands Group Directors' control.

As disclosed in the Annual Report to 31 March 2020 the Board of Greensands Holdings, the ultimate parent undertaking have initiated a strategic review and consider that there are a range of options available to them in order to manage these matters. They are in early dialogue with the lenders involved and are confident that these can be resolved. These discussions, however, are at an early stage and have not been finalised at the time of issuing these financial statements. Reflecting that these have not been agreed, and that the company is reliant on group support, this represents a material uncertainty associated with the going concern assumption. Overall 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.

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

### **FUTURE DEVELOPMENTS**

The directors expect the general level of activity to remain consistent with 2020 in the forthcoming year, however there may be wider economic factors, such as the UK's departure from the European Union and the impact of COVID-19, which could affect future company dealings. However, the company is safeguarded by being a company not engaged in any trade.

### **EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

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

### **DIRECTORS AND OFFICERS**

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

A Gilbert	Appointed as Director 23 October 2018 and resigned 5 August 2019
B Somes	Appointed as Director 23 October 2018
R Wall	Appointed as Director 23 October 2018
R Manning	Appointed as Company Secretary 23 October 2018
J Lynch	Appointed as Director 5 August 2019

### **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.

### **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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)**

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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

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

**AUDITOR**

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

Approved by the Board of Directors and signed on behalf of the Board.



R Manning  
**Company Secretary**

27 July 2020

**INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2020**

	Note	Period ended 31 March 2020 £m
<b>Continuing operations</b>		
Finance income	4	21.4
Finance costs	5	(21.4)
<b>Result before taxation</b>	6	<hr/> -
Tax on result	7	-
<b>Result for the financial period</b>		<hr/> <hr/> -

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

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



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 £m
<b>Non-current assets</b>		
Other non-current assets	8	398.0
Derivative financial instruments - external	12	8.7
		<u>406.7</u>
<b>Current assets</b>		
Other receivables	9	5.2
Cash and cash equivalents		-
		<u>5.2</u>
<b>Total assets</b>		<u>411.9</u>
<b>Current liabilities</b>		
Other payables	10	(5.2)
		<u>(5.2)</u>
<b>Non-current liabilities</b>		
Borrowings: amounts falling due after one year	11	(397.9)
Derivative financial instruments - group	12	(8.7)
		<u>(406.6)</u>
<b>Total liabilities</b>		<u>(411.8)</u>
<b>Total net assets</b>		<u>0.1</u>
<b>Equity</b>		
Called up share capital	13	0.1
Retained earnings	14	-
<b>Total equity</b>		<u>0.1</u>

The financial statements of Greensands Financing Plc (Registered No. 11637679) on pages 5 to 16 were approved by the board of directors and authorised for issue on 27 July 2020. They were signed on its behalf by:



**B Somes**  
Director

Greensands Financing Plc

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020**

	<b>Called up share capital (note 13) £m</b>	<b>Retained earnings (note 14) £m</b>	<b>Total £m</b>
<b>Balance at 23 October 2018</b>	-	-	-
Share capital issued on incorporation	0.1	-	0.1
Result for the financial period and total comprehensive result	-	-	-
<b>Balance at 31 March 2020</b>	<u><b>0.1</b></u>	<u><b>-</b></u>	<u><b>0.1</b></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

### 1 Accounting policies

#### Basis of preparation

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 Company's registered office is shown on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 2.

The financial statements have been prepared under the historical cost convention as modified by financial instruments recognized at fair value. The address of the registered office is given within the company information section.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company Law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015.

The principal accounting policies adopted, which have been applied consistently throughout the current period, are set out in this Note 1.

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

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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

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

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

The financial statements contain information about Greensands Financing Plc 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 15.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a statement of cash flows, financial instruments, fair value measurement, standards not yet effective, presentation of a statement of financial position as at the beginning of the preceding period following a retrospective accounting policy application or restatement, capital management, related party transactions and impairment of assets. Where required, equivalent disclosures are given in the group financial statements of Greensands Holdings Limited.

#### Adoption of new and revised accounting and financial reporting standards

A number of new standards and amendments are effective for periods beginning from or after 1 January 2019 and had no material impact. These were as follows:

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

**1 Accounting policies (continued)**

IFRS 16 'Leases', IFRIC 23 'Uncertainty over Income Tax Treatments', annual improvements to IFRS Standards 2015-2017 Cycle, amendments to IAS 19 'Employee Benefits' and amendments to IFRS 9 'Financial Instruments'.

**Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Greensands Holdings Limited. The directors have received confirmation that Greensands Holdings Limited intends to support the company for at least one year after these financial statements are signed. As described in greater detail in the Directors' Report there are possible scenarios where covenants applicable to the debt held in the group structure above Southern Water Services Limited may be stressed over the next 12 months and liquidity available to pay interest on this debt is scheduled to be exhausted by October 2021. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

**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.

**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.

**Taxation**

The taxation charge in the income statement represents the sum of the tax currently payable and deferred tax.

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

Deferred taxation is tax expected to be payable on temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on all temporary differences that have originated but not reversed by the end of the reporting period. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is regarded as probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

**Dividends payable**

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

**Financial instruments**

The company has adopted IFRS 9 'Financial Instruments' from incorporation, 23 October 2018.

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. There was no material impact resulting from the application of this standard for the reasons that follow. The financial assets and liabilities held by the company were previously held at amortised cost, as described below, and there has been no change to their accounting treatment. The company has always conducted an annual impairment review of its financial assets and taken into consideration future expected cash flows. The company does not currently hedge account.

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****1 Accounting policies (continued)**

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**

All debt type financial assets which are not measured at FVTPL are assessed for impairment at each reporting date using a forward looking approach by identifying expected credit losses ('ECL's). ECLs are defined as the difference between the contractual cash flows that are due in accordance with the contract and the cash flows that the company expected to receive, discounted at the original effective interest rate.

Based on that analysis at the end of the reporting period, the impairment on the company's assets are considered to be immaterial and no allowance has been recognised in financial statements.

**(iii) Derecognition of financial assets**

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

**Financial liabilities**

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

**(ii) Other financial liabilities**

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

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

**(iii) Derecognition of financial liabilities**

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

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

**2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 1 above, the directors may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

**Critical judgements in applying the company's accounting policies**

Critical judgements, apart from those involving estimations and the going concern assumption described in note 1 above, that are applied in the preparation of financial statements are discussed below:

**Impairment**

Currently the company does not hold any investments other than financial assets. The company's policy in relation to impairment of financial assets is referred to in note 1 (ii). Judgement is exercised when making this assessment.

**3 Employee information**

The Company has no employees.

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****4 Finance income**

	Period ended 31 March 2020 £m
Interest received from Greensands Finance Limited	21.4
	<u>21.4</u>

**5 Finance costs**

	Period ended 31 March 2020 £m
Interest payable on long-term bank loans	21.4
	<u>21.4</u>

For the terms attached to these loans please refer to note 11.

**6 Result before taxation**

Financial statement audit fees for 2020 were borne by Greensands Holdings Limited.

**7 Tax on result**

	Period ended 31 March 2020 £m
<b>Current tax:</b>	
Current period	-
<b>Total current tax</b>	<u>-</u>

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

	Period ended 31 March 2020 £m
<b>Result before taxation</b>	<u>-</u>
UK corporation tax rate at 19% on profit for the period	-
<b>Total tax for the period</b>	<u>-</u>

**Factors that may affect future tax charges**

Reductions in the main rate of corporation tax to 17% from the 1 April 2020 were enacted in the Finance Bill 2016. It was subsequently announced in March 2020 that the corporation tax rate would instead increase to 19% from 1 April 2020. This increase has been substantively enacted in Finance Bill 2020 at the Balance sheet date.

No deferred tax arose during the period to 31 March 2020.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****8 Other non-current assets**2020  
£m**Amounts due from Greensands Finance Limited**

£175m – fixed rate 3.93% 2025 (see note (ii)(a) below)

173.9

£226.5m – fixed rate 3.38% to 4.03% 2023 to 2030 (see note (ii)(b) below)

224.1

398.0

## 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:
  - a. £173.9m has accrued interest at 4.0622% for the period ended 31 March 2020 and the underlying loan has a term of 7 years, maturing in 2025.
  - b. £224.1m has accrued interest across a range of 3.6583% to 4.1735% for the period ended 31 March 2020 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.

**9 Other receivables**2020  
£m

Amounts due from Greensands Finance Limited

5.2

Amounts due from GFL relate to interest receivable due on loans on-lent and referred to in note 8.

All entities are wholly owned within the group.

**10 Other payables**2020  
£m

Accrued interest

5.2

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

Further details regarding these loans can be found in note 11.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****11 Borrowings: amounts falling due after one year**2020  
£m**External borrowings:**

£175m – fixed rate 3.93% 2025 (see note (i)(a) below)	173.9
£25m – fixed rate 3.65% 2025 (see note (i)(b) below)	24.7
£75m – fixed rate 3.94% 2028 (see note (i)(c) below)	74.2
£52m – fixed rate 4.03% 2030 (see note (i)(d) below)	51.4
£35.3m/(\$45m) – fixed rate 3.3837% 2023 (see note (i)(e) below)	34.9
£19.6m/(\$25m) – fixed rate 3.6806% 2025 (see note (i)(f) below)	19.4
£19.6m/(\$25m) – fixed rate 4.02% 2028 (see note (i)(g) below)	19.4
	<u>397.9</u>

## Notes:

- (i) The following loan funds and related terms have been issued during the period (29 November 2018) as part of group refinancing:
- £173.9m has accrued interest at 4.0622% for the period ended 31 March 2020 and the underlying loan has a term of 7 years, maturing in 2025.
  - £24.7m has accrued interest at 3.8546% for the period ended 31 March 2020 and the underlying loan has a term of 7 years, maturing in 2025.
  - £74.2m has accrued interest at 4.0929% for the period ended 31 March 2020 and the underlying loan has a term of 10 years, maturing in 2028.
  - £51.4m has accrued interest at 4.1628% for the period ended 31 March 2020 and the underlying loan has a term of 12 years, maturing in 2030.
  - £34.9m has accrued interest at 3.6583% for the period ended 31 March 2020 and the underlying loan has a term of 5 years, maturing in 2023.
  - £19.4m has accrued interest at 3.8854% for the period ended 31 March 2020 and the underlying loan has a term of 7 years, maturing in 2025.
  - £19.4m has accrued interest at 4.1735% for the period ended 31 March 2020 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 £4.2m 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.

2020  
£m**Repayments fall due as follows:**

After five years not by instalments

397.9

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****12 Derivative financial instruments****Categories of financial instruments at fair value**2020  
£m**Derivative assets carried at fair value through profit or loss (FVTPL):**

Cross currency swaps – not hedge accounted (external)

8.7

**Total derivative financial assets**8.7**Derivative liabilities carried at fair value through profit or loss (FVTPL):**

Cross currency swaps – not hedge accounted (group)

8.7

**Total derivative financial liabilities**8.7**Initial recognition of financial instruments at fair value**2020  
£m

The result for the period has been arrived at after charging:

**External financial assets at fair value**

Designated as FVTPL

8.7

**Group Financial liabilities at fair value**

Designated as FVTPL

(8.7)-

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 period (see note 11). 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 2020 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 2020.

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (continued)****13 Called up share capital**

	<b>2020 £m</b>
<b>Authorised:</b>	
50,000 ordinary shares of £1 each	<u>0.1</u>
<b>Allotted and unpaid:</b>	
50,000 ordinary shares of £1 each	<u>0.1</u>
<b>Allotted, called up and fully paid:</b>	
50,000 ordinary share of £1 each	<u>-</u>

The company was newly incorporated on 23 October 2018 and issued the above £1 shares with an aggregate nominal value of £50,000 to its immediate parent company Greensands Finance Limited.

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.

**14 Retained profits**

	<b>2020 £m</b>
Balance at 23 October 2018	-
Result for the financial year	-
<b>Balance at 31 March 2020</b>	<u>-</u>

**15 Ultimate parent and controlling party**

The immediate parent undertaking is Greensands Finance Limited.

The ultimate parent and controlling company is Greensands Holdings Limited (Registered Number: Jersey 98700), it was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, United Kingdom, JE4 9WG. Greensands Holdings Limited is itself owned and controlled by a consortium of investors. At 31 March 2020, no single investor owned a controlling shareholding.

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

**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:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its result for the period from 23 October 2018 to 31 March 2020;
- 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 of Greensands Financing Plc (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to note 1 of the financial statements which indicates that the company is reliant on its interaction with other parts of the group. There are possible scenarios where covenants applicable to the debt held in the group structure above Southern Water Services Limited may be stressed over the next 12 months and liquidity available to pay interest on this debt is scheduled to be exhausted by October 2021 as disclosed in the Annual Report of Greensands Holdings Limited. As stated in note 1 to the financial statements these events or conditions, 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.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

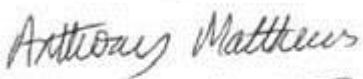
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Anthony Matthews FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP, Statutory Auditor  
London, United Kingdom  
29 July 2020*