

SOUTHERN WATER (GREENSANDS) FINANCING PLC

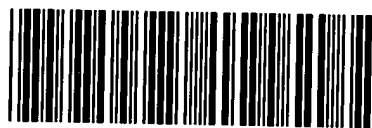
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2025

Registered number: 07581353

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SOUTHERN WATER (GREENSANDS) FINANCING PLC
Annual Report and Financial Statements for the year ended
31 March 2025

Contents	Page
Company information	1
Strategic report	2
Directors' report	5
Income statement	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13
Independent auditor's report	23

SOUTHERN WATER (GREENSANDS) FINANCING PLC

COMPANY INFORMATION

The company is a public company limited by shares.

Directors

A Fort
R D J Manning

Company Secretary

R D J Manning

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
United Kingdom
BN13 3NX

Bankers

HSBC Bank Plc
PO Box 125
2nd Floor, 62-76 Park Street
London
United Kingdom
SE1 9DZ

Auditor

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

Registered number

07581353

SOUTHERN WATER (GREENSANDS) FINANCING PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2025

The strategic report for the year ended 31 March 2025 has been prepared in terms of Section 414C of the Companies Act 2006.

Southern Water (Greensands) Financing Plc 'the company' (Registered No. 07581353) is incorporated in the United Kingdom and was established to complement the activities of the other companies in the Greensands Holdings group as at 31 March 2025. The company continues to act as a financing company for Greensands Senior Finance Limited.

The company did not trade during the year, and there is no intention for it to trade in the future, however it will continue to act as a financing company for Greensands Senior Finance Limited. The company's activity was in relation to financing the Greensands Holdings group as at 31 March 2025.

Please see note 18 for details on the changes to the Group ownership structure that have occurred since March 31 2025.

KEY PERFORMANCE INDICATORS

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

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

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company paid interest of £49.6 million (2024: £23.7 million) and received interest of £51.0 million (2024: £23.8 million). The company generated a loss of £0.3 million before taxation for the year (2024: loss of £0.1 million) after also incurring operating costs of £1.7m (2024: £0.2m).

There were no dividends charged in the financial statements in the year (2024: £nil). No further dividends have been declared post year end.

The directors do not propose payment of a final dividend for the year ended 31 March 2025 (2024: £nil).

The company has net liabilities of £0.4 million (2024: £0.1 million) comprising largely of amounts owed by group undertakings of £420.9 million (2024: £379.7 million), cash of £0.1 million (2024: £0.1 million) and other borrowings (including group amounts) of £421.4 million (2024: £379.9 million).

PRINCIPAL RISK AND UNCERTAINTIES

The principal risk that the company was exposed to is the occurrence of events that would result in an impairment to and the recoverability of its intercompany debt. Ultimately this is reliant on cash funds being available at Southern Water 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. 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:

SOUTHERN WATER (GREENSANDS) FINANCING PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2025 (continued)

PRINCIPAL RISK AND UNCERTAINTIES (continued)

Corporate level	Companies
'Holdco'	Greensands Holdings Ltd (GHL) Greensands Europe (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) SW (Finance) I plc (SWFI) SW (Finance) II Limited (SWFII)

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' to support the recoverability of inter-company balances. 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 2026.

On 4 July 2025, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Finance Limited and Southern Water (Greensands) Financing plc from Greensands (UK) Limited (in administration), becoming the new indirect UK holding company of Southern Water, replacing Greensands Holdings Limited, the previous UK holding company.

In addition to the acquisition, certain holding company creditors have agreed to new terms as part of a refinancing that will reduce 'Holdco' company debt levels, extend maturities at 'Midco' and remove cash interest payments. These amendments to the terms of the loans mitigate the fact that Southern Water Services is currently not permitted to make distributions to parent companies.

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).

SOUTHERN WATER (GREENSANDS) FINANCING PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2025 (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2025 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.co.uk/about-us/our-annual-reporting>. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

Approved by the Board and signed on its behalf by.



R Manning
Director
29 July 2025

SOUTHERN WATER (GREENSANDS) FINANCING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025

The directors of Southern Water (Greensands) Financing Plc (Registered No. 07581353) present their annual report and audited financial statements for the year ended 31 March 2025.

PRINCIPAL ACTIVITIES

The company provides financing to Greensands Senior Finance Limited to support the financing of the Greensands Holdings Group as at 31 March 2025.

STRATEGIC REPORT

The information that fulfils the requirement of the Strategic Report can be found on pages 2 to 4.

FUTURE DEVELOPMENTS

The information regarding future developments of the company can be found in the Strategic Report on page 4.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Group has been undertaking activities, subsequent to the balance sheet date, to improve its financial resilience. These are summarised below.

On the 1 April 2025 Southern Water made changes to some of its financial derivatives. The break clause in a swap with a notional value of £92.1 million was extended from November 2025 to June 2026 and accretion payments due in March 2026 associated with various swaps were extended to June 2026. On the same date Southern Water agreed an £800.0 million committed facility, providing additional liquidity.

On 1 July 2025, Southern Water announced that it had secured an offer of equity support from a consortium led by funds managed by Macquarie Asset Management to support its 2025–30 investment programme, comprising a legally binding equity commitment of £655 million (the "Initial AMP8 Equity Commitment") provided on the terms of an equity commitment letter and confirmation of intent to provide further equity commitments of up to a further £545 million – and with a minimum of £245 million – by December 2025.

On 4 July 2025, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Finance Limited and Southern Water (Greensands) Financing plc from Greensands (UK) Limited, becoming the new ultimate indirect UK holding company of Southern Water, replacing Greensands Holdings Limited, the previous ultimate UK holding company.

On 8 July 2025, SWS announced that it had entered into a lock-up agreement with financing creditors of the SWS group representing more than 72% by value of the Class A indebtedness in support of certain proposals, including the ratings event of default amendment, (being one of the key conditionalities of the Initial AMP8 Equity commitment). In addition, on 8 July 2025 Southern Water confirmed that it had arranged a further £675.0 million of committed liquidity.

RESULTS AND DIVIDENDS

During the year the company had finance income of £51.0m (2024: £23.8m), incurred finance costs of £49.6m (2024: £23.7m) and other operating costs of £1.7m (2024: £0.2m).

No interim dividends were paid during the year. The directors have not declared a final dividend for the year ended 31 March 2025.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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).

SOUTHERN WATER (GREENSANDS) FINANCING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025 (continued)

DIRECTORS

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

W Price	Resigned 14 April 2025
S Ledger	Resigned 14 April 2025
R D J Manning	
A Fort	Appointed 14 April 2025

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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RESPONSIBILITY STATEMENT

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 undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025 (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 2025, notwithstanding the material uncertainty discussed below.

As described in the Principal Risks and Uncertainties section on pages 2 to 3, the company is one of the 'Holdco' group of companies, which at 31 March 2025 was wholly owned by Greensands Holdings Limited and included Greensands (UK) Limited, but from 4 July 2025 excluded Greensands (UK) Limited and was wholly owned by Sandstone Bidco Limited. The Holdco group exists to finance the activities of Southern Water Services Limited (SWS) which was and remains a fellow subsidiary with the same ultimate parent company as the Holdco group. Certain Holdco entities hold external debt which includes covenanted loan structures that are subject to distribution restrictions in certain circumstances and is further described on pages 2 to 3.

The entities within the Holdco 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 status of the Holdco group entities are interdependent and the position of the Holdco group has been considered as a whole.

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

The Holdco group has available unrestricted cash reserves of £68.9 million as at 31 March 2025 (31 March 2024: £75.6 million). Third party debt for the Holdco group is £380.9 million at 31 March 2025 (31 March 2024: £365.3 million), intercompany payables are £2.3 million (31 March 2024: £1.3 million) and intercompany receivables are £762.8 million (31 March 2024: £747.9 million).

The debt accrues interest of c.£47 million per annum, although these interest payments were only partially cash paid during the financial year to 31 March 2025 with interest payable associated with the Holdco debt added to the principal balance outstanding, which is permissible under the terms of the financing documents. No interest is receivable on intercompany receivables. The next scheduled Holdco group company debt maturity was May 2025 and comprised a £50.7 million loan. However, as announced in an RNS dated 1 July 2025, members of the Holdco group reached agreements with lenders for a restructuring of the debt held at both Midco and Holdco. In addition, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Limited and Southern Water Greensands (Financing) plc from Greensands (UK) Limited (in administration), on 4 July 2025, becoming the new indirect UK holding company of Southern Water.

Under the terms of these financing agreements, the borrowings of Holdco of £462.8 million will be extinguished in exchange for an equity interest in the Holdco Group. The lenders of the Midco debt have also agreed terms for a refinancing and extension of the Midco borrowings. The Midco borrowings will also have no requirement for cash interest to be paid during the next 5 years. This means that being non-trading companies there will be no significant cash requirements at Holdco as there will be no external financing costs payable in the Going Concern period.

These refinancing agreements are however conditional upon the receipt into OpCo of £505 million of equity (as part of a £900 million minimum announced intention from shareholders), which in turn is principally conditional upon there being no ratings downgrade to below investment grade (from two or more rating agencies) of the OpCo debt and also the successful sanction of the OpCo Scheme of Arrangement to waive certain conditions in the OpCo financing documents, as disclosed in SWS' Going Concern disclosure and resulting material uncertainty. It is also conditional on the Midco Scheme of Arrangement. As a result, and due to the inter-conditionality of these agreements, the successful conclusion of the OpCo and Midco processes and resulting unconditionality of the Holdco refinancing is deemed to be a material uncertainty as at the date of this report.

Opening cash reserves plus the expected new equity are sufficient to service the Holdco group's remaining debt for a period of at least 12 months from the date of signing the financial statements.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025 (continued)

GOING CONCERN (continued)

SWS disclosed a material uncertainty with respect to going concern in its annual report and accounts for 2024–25, in relation to the following connected events that are outside the control of the Southern Water Board and which may cast significant doubt on Southern Water's ability to continue as a going concern:

- A future downgrade to a sub investment grade credit rating or a failure to meet its legal obligations could, depending on the circumstances and the approach of Ofwat, result in a breach of Southern Water's Instrument of Appointment, which could possibly result in a consequent event of default under the terms of the Southern Water's financing arrangements.
- Southern Water requires additional equity funding to finance the company through the going concern period, which as of the date of the report, has not yet
- been fully committed as it is subject to the completion of a number of technical conditions as referenced above. Until these have been met there is no guarantee this equity will be received.
- Failure to raise equity or debt funding, or significant operational under-performance could lead to a potential Post Maintenance Interest Cover Ratio (PMICR) covenant breach or ratings downgrade. A future downgrade to a sub-investment grade credit rating or breach of the PMICR covenant would result in an event of default
- It under the terms of the Southern Water's financing arrangements.

The Southern Water directors have the following actions within their control and available to them in order to manage cash flows during the going concern period, to avoid a covenant or liquidity breach:

- Rephasing capital spend within the relevant AMP.
- Rephasing other spending, in particular:
 - i. Capital maintenance spend.
 - ii. non-essential operating costs.
 - iii. Working with suppliers on payment terms.

In addition, the Southern Water directors could seek to renegotiate the interest terms or use derivatives to vary the net interest payable amount, although their ability to do this is not completely within their control.

The Holdco group of companies 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 are expected to be in Trigger until at least March 2026, 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 equity raises (being (a) an initial £655 million committed, with £505 million to be received by the end of November 2025 and (b) up to a further £545 million with a minimum of £245 million) are successful, then the Directors believe that the Holdco 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 initial equity raise does not proceed by the end of November 2025, the Holdco group will not be able to service its debt over the going concern period to July 2026.

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.

STATEMENT OF PROVISION 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/she 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.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

INDEPENDENT AUDITOR

Deloitte LLP have indicated their willingness to be reappointed for another term 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
Director
29 July 2025

SOUTHERN WATER (GREENSANDS) FINANCING PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £m	2024 £m
Continuing operations			
Operating Costs		(1.7)	(0.2)
Operating result		<u>(1.7)</u>	<u>(0.2)</u>
Finance income	6	51.0	23.8
Finance costs	7	<u>(49.6)</u>	<u>(23.7)</u>
Net finance result		1.4	0.1
Loss before taxation	8	<u>(0.3)</u>	<u>(0.1)</u>
Tax	10	-	-
Loss for the financial year		<u><u>(0.3)</u></u>	<u><u>(0.1)</u></u>

The above results relate entirely to continuing operations.

The Notes on pages 12 to 20 form part of these financial statements.

There were no other comprehensive income or losses for the years ended 31 March 2024 and 31 March 2025, accordingly no separate statement of other comprehensive income is presented.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Notes	2025 £m	2024 £m
Non-current assets			
Other non-current assets	11	<u>77.3</u>	<u>365.4</u>
		77.3	365.4
Current assets			
Other receivables	12	343.6	14.3
Cash and cash equivalents		<u>0.1</u>	<u>0.1</u>
		343.7	14.4
Total assets		<u>421.0</u>	<u>379.8</u>
Current liabilities			
Borrowings	13	(343.9)	(13.9)
Other Payables		<u>-</u>	<u>(0.4)</u>
		(343.9)	(14.3)
Non-current liabilities			
Borrowings	14	<u>(77.5)</u>	<u>(365.6)</u>
		(77.5)	(365.6)
Total liabilities		<u>(421.4)</u>	<u>(379.9)</u>
Net liabilities		<u>(0.4)</u>	<u>(0.1)</u>
Equity			
Called up share capital	15	0.1	0.1
Accumulated losses		<u>(0.5)</u>	<u>(0.2)</u>
Total equity		<u>(0.4)</u>	<u>(0.1)</u>

The financial statements of Southern Water (Greensands) Financing Plc (Registered No. 07581353) on pages 9 to 20 were approved by the Board of Directors and authorised for issue on 29 July 2025.

Signed on behalf of the Board of Directors:



R Manning
Director

SOUTHERN WATER (GREENSANDS) FINANCING PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2025

	Called up share Capital (Note 15) £m	Accumulated Losses £m	Total £m
Balance at 1 April 2023	<u>0.1</u>	<u>(0.1)</u>	<u>-</u>
Result for the financial year and total comprehensive expense	-	(0.1)	(0.1)
Balance at 31 March 2024	<u>0.1</u>	<u>(0.2)</u>	<u>(0.1)</u>
Result for the financial year and total comprehensive expense	-	(0.3)	(0.3)
Balance at 31 March 2025	<u>0.1</u>	<u>(0.5)</u>	<u>(0.4)</u>

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

1 General Information

Southern Water (Greensands) Financing Plc. (the 'company') is a public 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 5.

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 as at 31 March 2025, from the address given in note 17.

2 Adoption of new and revised accounting and financial reporting standards

There are no new major standards applicable for the year ended 31 March 2025. A number of amendments, however, are effective for periods beginning from 1 January 2023. These changes had no material impact on the company's financial statements.

3 Material 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.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

3 Material accounting policies (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 2025, notwithstanding the material uncertainty discussed below.

As described in the Principal Risks and Uncertainties section on pages 2 to 3, the company is one of the 'Holdco' group of companies, which at 31 March 2025 was wholly owned by Greensands Holdings Limited and included Greensands (UK) Limited, but from 4 July 2025 excluded Greensands (UK) Limited and was wholly owned by Sandstone Bidco Limited. The Holdco group exists to finance the activities of Southern Water Services Limited (SWS) which was and remains a fellow subsidiary with the same ultimate parent company as the Holdco group. Certain Holdco entities hold external debt which includes covenanted loan structures that are subject to distribution restrictions in certain circumstances and is further described on pages 2 to 3.

The entities within the Holdco 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 Holdco group entities are interdependent and the position of the Holdco group has been considered as a whole.

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

The Holdco group has available unrestricted cash reserves of £68.9 million as at 31 March 2025 (31 March 2024: £75.6 million). Third party debt for the Holdco group is £380.9 million at 31 March 2025 (31 March 2024: £365.3 million), intercompany payables are £2.3 million (31 March 2024: £1.3 million) and intercompany receivables are £762.8 million (31 March 2024: £747.9 million).

The debt accrues interest of c.£47 million per annum, although these interest payments were only partially cash paid during the financial year to 31 March 2025 with interest payable associated with the Holdco debt added to the principal balance outstanding, which is permissible under the terms of the financing documents. No interest is receivable on intercompany receivables. The next scheduled Holdco group company debt maturity was May 2025 and comprised a £50.7 million loan. However, as announced in an RNS dated 1 July 2025, members of the Holdco group reached agreements with lenders for a restructuring of the debt held at both Midco and Holdco. In addition, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Limited and Southern Water Greensands (Financing) plc from Greensands (UK) Limited (in administration), on 4 July 2025, becoming the new indirect UK holding company of Southern Water.

Under the terms of these financing agreements, the borrowings of Holdco of £462.8 million will be extinguished in exchange for an equity interest in the Holdco Group. The lenders of the Midco debt have also agreed terms for a refinancing and extension of the Midco borrowings. The Midco borrowings will also have no requirement for cash interest to be paid during the next 5 years. This means that being non-trading companies there will be no significant cash requirements at Holdco as there will be no external financing costs payable in the Going Concern period.

These refinancing agreements are however conditional upon the receipt into Southern Water (OpCo) of £505 million of equity (as part of a £900 million minimum announced intention from shareholders), which in turn is principally conditional upon there being no ratings downgrade to below investment grade (from two or more rating agencies) of the OpCo debt and also the successful sanction of the OpCo Scheme of Arrangement to waive certain conditions in the OpCo financing documents, as disclosed in SWS' Going Concern disclosure and resulting material uncertainty. It is also conditional on the Midco Scheme of Arrangement. As a result, and due to the inter-conditionality of these agreements, the successful conclusion of the OpCo and Midco processes and resulting unconditionality of the Holdco refinancing is deemed to be a material uncertainty as at the date of this report.

Opening cash reserves plus the expected new equity are sufficient to service the Holdco group's remaining debt for a period of at least 12 months from the date of signing the financial statements.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

3 Material accounting policies (continued)

Going Concern (continued)

SWS disclosed a material uncertainty with respect to going concern in its annual report and accounts for 2024–25, in relation to the following connected events that are outside the control of the Southern Water Board and which may cast significant doubt on Southern Water's ability to continue as a going concern:

- A future downgrade to a sub investment grade credit rating or a failure to meet its legal obligations could, depending on the circumstances and the approach of Ofwat, result in a breach of Southern Water's Instrument of Appointment, which could possibly result in a consequent event of default under the terms of the Southern Water's financing arrangements.
- Southern Water requires additional equity funding to finance the company through the going concern period, which as of the date of the report, has not yet
- been fully committed as it is subject to the completion of a number of technical conditions as referenced above. Until these have been met there is no guarantee this equity will be received.
- Failure to raise equity or debt funding, or significant operational under-performance could lead to a potential Post Maintenance Interest Cover Ratio (PMICR) covenant breach or ratings downgrade. A future downgrade to a sub-investment grade credit rating or breach of the PMICR covenant would result in an event of default
- It under the terms of the Southern Water's financing arrangements.

The Southern Water directors have the following actions within their control and available to them in order to manage cash flows during the going concern period, to avoid a covenant or liquidity breach:

- Rephasing capital spend within the relevant AMP.
- Rephasing other spending, in particular:
 - i. Capital maintenance spend.
 - ii. non-essential operating costs.
 - iii. Working with suppliers on payment terms.

In addition, the Southern Water directors could seek to renegotiate the interest terms or use derivatives to vary the net interest payable amount, although their ability to do this is not completely within their control.

The Holdco group of companies 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 are expected to be in Trigger until at least March 2026, 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 equity raises (being (a) an initial £655 million committed, with £505 million to be received by the end of November 2025 and (b) up to a further £545 million with a minimum of £245 million) are successful, then the Directors believe that the Holdco 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 initial equity raise does not proceed by the end of November 2025, the Holdco group will not be able to service its debt over the going concern period to July 2026.

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.

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, as at 31 March 2025, whose financial statements are publicly available from the address in note 17.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

Investments, interest payable and similar income and expenses

Investments held as non-current assets are stated at cost, less provision, if appropriate, for any impairment in value other than a temporary impairment in value. The carrying values of non-current asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Interest income is accrued on a daily basis. Dividends and other investment income is accounted for when it becomes receivable.

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 financial liabilities at FVTPL are recognised immediately in the income statement.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

3 Material 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.

(iv) Investments in subsidiaries

Investments held as non-current assets, including investments in subsidiaries, are stated at cost, less, where appropriate, provision for any impairment in value. The carrying values of non-current asset investments are reviewed for impairment in periods, if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

3 Material accounting policies (continued)

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.

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

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

There are no critical judgements or key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies on the amounts recognised in the financial statements.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

5 Employee information

During the year the company had no employees (2024: None).

The services of the directors are deemed to be wholly attributable to their services to Greensands Holdings Limited, with only two directors receiving payment for their services in the year to Greensands Holdings Limited. The total sum has been recorded 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). Therefore, the directors received no emoluments during the year or the prior year in respect of their services to the company.

6 Finance income

	2025 £m	2024 £m
Interest receivable from Greensands Senior Finance Limited	<u>51.0</u>	<u>23.8</u>

7 Finance costs

	2025 £m	2024 £m
Interest payable on loans	<u>49.6</u>	<u>23.7</u>

For the terms attached to these loans please refer to note 13 and 14.

8 Result before taxation

In 2024 and 2025, 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 £127,000 (2024: £123,000). There were no non-audit fees for years ended 31 March 2024 and 2025.

9 Taxation

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

	2025 £m	2024 £m
Result before taxation	<u>(0.3)</u>	<u>(0.1)</u>
UK corporation tax rate at 25% on result for the year (2024: 25%)	(0.1)	-
Permanent differences	0.2	-
Group relief received for nil payment	<u>(0.1)</u>	<u>-</u>
Total tax for year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Spring Finance Bill 2024 confirmed that the main rate of corporation tax remains at 25% and therefore all of our deferred assets and liabilities have been calculated at 25% rate.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

10 Other non-current assets

	2025 £m	2024 £m
Amounts due from group undertakings (note (i) to (ii) below):		
- £75 million Facility Agreement 2025 – SONIA plus 4.25%/4.0%	-	46.9
- £150 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	-	95.6
- £100 million Facility Agreement 2026 – SONIA plus 6.00%/5.25%, SONIA +0.02766% plus 5.25%	77.3	64.2
- £250 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	-	158.7
	<u>77.3</u>	<u>365.4</u>

Notes

- (i) Of amounts due from group undertakings, the £75 million Facility Agreement 2025 – SONIA plus 4.0%, the £150 million Facility Agreement 2025 – SONIA plus 5.25%, the £100 million Facility Agreement 2026 – SONIA plus 5.25% and the £250 million Facility Agreement 2025 – SONIA plus 5.25% all relate to debt advanced to Greensands Senior Finance Limited (GSSF) at the same interest rates and terms of the external agreements (mirroring any related swap agreements) and are stated at amortised cost.
- (ii) The £250 million Facility Agreement 2025 – SONIA plus 5.25% was drawn down on 8 April 2019 and passed onto GSSF in the manner stated in note (i).

All entities are wholly owned within the group.

11 Other receivables

	2025 £m	2024 £m
Amounts due from Greensands Holdings Limited (note (i) below)	0.1	0.1
Cumulative impairment losses (note (ii) below)	(0.1)	(0.1)
	-	-

Amounts due from group undertakings (note 11 (i) to (ii) above):

- £75 million Facility Agreement 2025 – SONIA plus 4.25%/4.0%	49.7	-
- £150 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	102.3	-
- £250 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	173.8	-
	<u>325.8</u>	-

Amounts due from Greensands (UK) Limited (note (i) below)	0.1	0.1
Amounts due from Greensands Senior Finance Limited (note (i) below)	0.5	0.4
Interest receivable from group undertakings	17.2	13.8
	<u>343.6</u>	<u>14.3</u>

Notes

- (i) All amounts due from group undertakings due within one year are unsecured, interest free and repayable on demand.
- (ii) As referred to in note 9, an impairment loss of £nil (2024: £nil) has been recognised in the income statement for the year in relation to the balance owed by group undertaking Greensands Holdings Limited.
- (iii) All entities are wholly owned within the group.

12 Borrowings: amounts falling due within one year

	2025 £m	2024 £m
Loans and other borrowings (note 14 (ii) to (iii) below)		
- £75 million Facility Agreement 2025 – SONIA plus 4.25%/4.0%	49.7	-
- £150 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	102.3	-
- £250 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	173.8	-
Interest payable	18.1	13.9
	<u>343.9</u>	<u>13.9</u>

Notes

- (i) All amounts owed to group undertakings due within one year are unsecured, interest free and repayable on demand.
- (ii) All entities are wholly owned within the group.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

13 Borrowings: amounts falling due after one year

	2025 £m	2024 £m
Amounts owed to group undertakings (note (i))	0.2	0.2
Loans and other borrowings (note (ii) to (iii) below)		
- £75 million Facility Agreement 2025 – SONIA plus 4.25%/4.0%	-	46.9
- £150 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	-	95.6
- £100 million Facility Agreement 2026 – SONIA plus 6.00%/5.25%	77.3	64.2
SONIA +0.02766% plus 5.25%		
- £250 million Facility Agreement 2025 – SONIA plus 6.00%/5.25%	-	158.7
	<u>77.5</u>	<u>365.6</u>

Notes

- (i) All entities are wholly owned within the group.
- (ii) The £75 million Facility Agreement 2025 – SONIA plus 4.0% were issued on 15 April 2015. The £150 million Facility Agreement 2025 – SONIA plus 5.25% was issued on 29 November 2018 and the £100 million Facility Agreement 2026 – SONIA plus 5.25% was drawn on 22 March 2019. The £250 million Facility Agreement 2025 – SONIA plus 5.25% was issued on 8 April 2019. All of these facilities are stated at amortised cost. The facilities are guaranteed under a group Security Agreement. The agreement is over the entire property, assets, rights and undertakings of each of Southern Water Services Limited, Southern Water Services (Finance) Limited, SWS Holdings Limited and SWS Group Holdings Limited. In the case of Southern Water Services Limited, this is to the extent permitted by the Water Industry Act 1991 and License.
- (iii) In September 2021, Macquarie Asset Management acquired a majority stake through one of its long-term infrastructure funds in the parent undertaking, Greensands Holdings Limited. This acquisition resulted in an equity injection of over £1 billion into the Greensands Group. As part of this transaction, the company repaid £353.8 million of external loans totalling £736.1 million, originally due for repayment between 2022 and 2026, early.

	2025 £m	2024 £m
Repayments fall due as follows:		
Between two and five years	77.3	365.4
After five years not by instalments	0.2	0.2
	<u>77.5</u>	<u>365.6</u>

15 Called up share capital

	2025 £m	2024 £m
Authorised:		
50,000 ordinary shares of £1 each	<u>0.1</u>	<u>0.1</u>
Allotted and part paid:		
49,999 ordinary shares of £1 each paid up as to £0.25p	<u>0.1</u>	<u>0.1</u>
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>-</u>	<u>-</u>

The shares were issued at par on 28 March 2011.

Each ordinary share carries the right to one 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 than 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 respect 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.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025 (continued)

16 Contingent liabilities

The company is party to a cross group guarantee whereby it provides a guarantee over the borrowings of Greensands UK Limited, Greensands Senior Finance Limited, Greensands Junior Finance Limited, Greensands Europe Limited and Greensands Investments Limited.

17 Ultimate parent and controlling party

The immediate parent undertaking is Greensands (UK) 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 as at 31 March 2025. Greensands Holdings Limited was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, 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.

Please see note 18 for details on the changes to the Group ownership structure that have occurred since March 31 2025.

18 Post balance sheet events

The group has been undertaking activities, subsequent to the balance sheet date, to improve its financial resilience. These are summarised below:

On the 1 April 2025 Southern Water made changes to some of its financial derivatives. The break clause in a swap with a notional value of £92.1 million was extended from November 2025 to June 2026 and accretion payments due in March 26 associated with various swaps were extended to June 2026. On the same date Southern Water agreed an £800.0 million committed facility, providing additional liquidity.

On 1 July 2025, Southern Water announced that it had secured an offer of equity support from a consortium led by funds managed by Macquarie Asset Management to support its AMP8 investment programme, comprising a legally binding equity commitment of £655 million (the "Initial AMP8 Equity Commitment") provided on the terms of an equity commitment letter and confirmation of intent to provide further equity commitments of up to a further £545 million - and with a minimum of £245 million - by December 2025.

On 4 July 2025, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Finance Limited and Southern Water (Greensands) Financing plc from Greensands (UK) Limited (in administration), becoming the new indirect UK holding company of Southern Water, replacing Greensands Holdings Limited, the previous UK holding company.

On 8 July 2025, SWS announced that it had entered into a lock-up agreement with financing creditors of the SWS group representing more than 72% by value of the Class A indebtedness in support of certain proposals, including the ratings event of default amendment, (being one of the key conditionalities of the Initial AMP8 Equity Commitment).

In addition, on 8 July 2025 Southern Water confirmed that it had arranged a further £675.0 million of committed liquidity.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN WATER (GREENSANDS) FINANCING PLC

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including, Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

3. Material uncertainty relating to going concern

We draw attention to note 3 in the financial statements, which indicates that Southern Water (Greensands) Financing Plc is part of the Holdco subgroup formerly headed by Greensands Holding Limited (GSH) as at 31 March 2025 (now headed by Sandstone Bidco Limited). Southern Water Services Limited (SWS) is the only trading entity within the 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. In its financial statements issued on 15 July 2025, SWS identified a material uncertainty with respect to going concern as a future downgrade to a sub investment grade rating or breach of the PMICR covenant would result in an event of default under the terms of SWS's financing arrangements. Further, SWS requires additional equity funding to finance the company through the going concern period, which as of the date of this report has not been committed as it is subject to the completion of a number of technical conditions. A failure to raise equity or debt funding, or significant operational under performance could lead to a potential PMICR covenant breach or ratings downgrades.

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.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

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.

In evaluation the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting we:

- Obtained an understanding of relevant controls related to the directors' assessment of going concern;
- Obtained third party bank confirmation for the GSH group's bank accounts, which confirm cash balances and borrowings, inspected facility agreements and compared these to the facilities assumed in the forecasts;
- Obtained the directors' going concern assessment for the company and SWS, including cashflow forecast, liquidity requirements and forecast covenant calculations for the going concern period and performed integrity checks including testing the mathematical accuracy;
- Assessed the forecasts used for SWS's going concern assessment period for reasonableness and, where applicable, corroborated the data with information from other areas of the audit. We evaluated the appropriateness of key assumptions in the forecasts, and considered the historical accuracy of forecasting;
- Assessed Fitch's and Standard & Poor's credit ratings for SWS of BBB- (Fitch's) and Ba1 (Standard & Poor's), with the rating from Standard & Poor's subject to a credit watch negative;
- Recalculated debt covenants and assessed compliance over the forecast period, considering the most recent available credit ratings of SWS to determine the impact this has on covenant compliance;
- Challenged the reasonableness of management's stress tests by independently modelling scenarios and challenging their data inputs to understand the impact on SWS's liquidity and covenant ratios;
- Worked with our debt advisory specialists to evaluate SWS's ability to raise additional debt and equity considering investors' appetite in financing the water industry;
- Assessed the impact of potential fines from ongoing regulatory investigations on SWS's ability to continue as a going concern;
- Evaluated the mitigating actions available to SWS in order to manage cashflows during the going concern period to avoid a covenant or liquidity breach;
- Performed inquiries with key stakeholders (from both within and outside of the company), including Macquarie, to understand their intentions and plans for additional equity injection into SWS; and
- Assessed the appropriateness of the disclosures in note 3 regarding the material uncertainty related to going concern.

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

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going concern (see material uncertainty related to going concern section); and • Recoverability of inter-company loans.
Materiality	Materiality was determined as £8.20 million (2024: £7.59 million) using 2% (2024: 2%) of total assets of the company.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	We have newly identified going concern as key audit matter as a consequence of the material uncertainty around going concern.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

5. Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

5.1. Recoverability of inter-company loans receivable <>

Key audit matter description	The company has total loans and receivables from its subsidiary undertaking (Greensands Senior Finance Limited ('GSSF')) of £403.1 million at 31st March 2025 (2024: £365.4 million) and an impairment loss of £nil (2024: £nil) has been recognised during the year. Also, as on 31 March 2025, the company has external borrowing of £403.1 million (2024: £365.6 million), in the form of listed bonds. The ability of the company to repay the external debt and relevant interest charges is dependent on the recoverability of the company's loan to GSSF. This recoverability is dependent on the performance of Southern Water Services Limited (SWS), the sole operating company, and therefore the judgement required by the Directors as to whether the inter-company loan receivable directly supporting payment of the borrowing is recoverable is based on the financial position and future prospects of SWS. We consider this to be a key audit matter and have identified a potential risk of fraud with respect of this matter as the inter-company loan receivable is of a significant value and consideration as to its impairment involves management judgement. Management has considered the cash flow forecast of SWS and the impact of macro-economic factors on the recoverability of the intercompany balance. Further details are included within note 11, note 12, note 13 and note 14 to the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following audit procedures: ▪ Obtained an understanding of the relevant controls related to the impairment of inter-company loans receivable. ▪ Obtained management's model and tested the mathematical accuracy of the calculations. ▪ Understood the rationale of the model adopted and verified the key input data, including to the latest Ofwat publication of regulatory capital value ('RCV') and net debt figures to the underlying audited information. ▪ Understood and challenged the basis of RCV multiplier used by management, including obtaining the third party reports. ▪ Assessed the recoverability of the inter-company loans receivable. In doing so we have assessed the net assets of GSSF, reviewed management's assessment of recoverability and assessed whether GSSF is in a position to continue to repay the loan supported by the valuation of the operating company SWS. ▪ Assessed the net asset position of GSSF, after factoring in the value associated with SWS, to determine whether there is sufficient coverage for the inter-company borrowings with the company within their calculations. • Evaluated the appropriateness of the related disclosures.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

Key observations	Based on the procedures performed, we concluded that the inter-company loans receivable are appropriately stated in the year.
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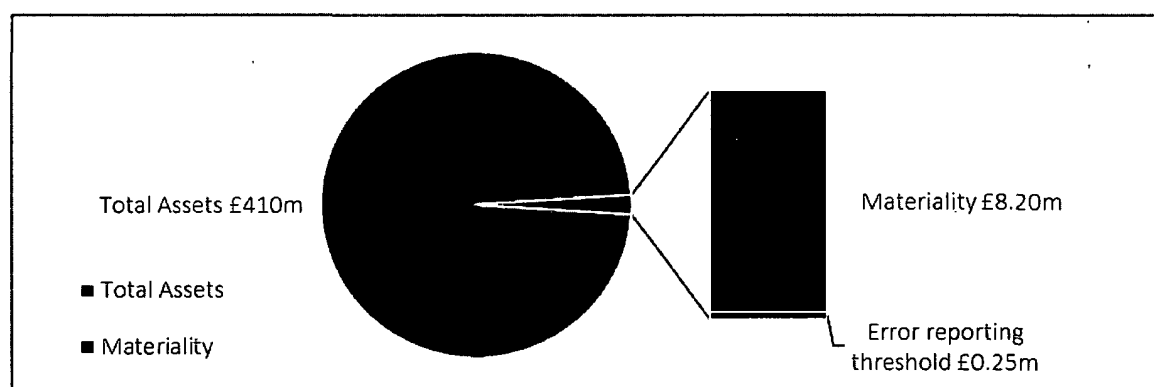
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£8.2 million (2024: £7.59 million)
Basis for determining materiality	Materiality was determined using 2% of total assets of the company.
Rationale for the benchmark applied	The principal activity of the Company is to provide finance to Greensands Senior Finance Limited and loan receivables balance accounts for over 96% (2024: 96%) of the company's total asset balance. On this basis we consider the benchmark which will be the focus of users of the financial statements to be total assets for determining materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 31 March 2025 audit (2023: 60%). In determining performance materiality, we considered factors including impact of our ability to rely on general IT controls and management's willingness to make process improvements as well as to correct errors identified.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of £249,000 (2024: £239,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

SOUTHERN WATER (GREENSANDS) FINANCING PLC

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

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SOUTHERN WATER (GREENSANDS) FINANCING PLC

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

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

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

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

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the company's in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and

SOUTHERN WATER (GREENSANDS) FINANCING PLC

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14 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.



Makhan Chahal (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 July 2025