

**SOUTH EAST WATER (HOLDINGS) LIMITED**

**Annual report and financial statements  
for the year ended 31 March 2022**

**SOUTH EAST WATER (HOLDINGS) LIMITED**

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**SOUTH EAST WATER (HOLDINGS) LIMITED**

**Company information**

<b>Directors</b>	A N Le Gal O Schubert M McArdle
<b>Company secretary</b>	N Truillet
<b>Registered number</b>	04771490
<b>Registered office</b>	Rocfort Road Snodland Kent ME6 5AH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP  Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford WD17 1JJ
<b>Bankers</b>	HSBC Bank plc 60 Queen Victoria Street London EC4N 4TR

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Strategic report for the year ended 31 March 2022**

#### **Introduction**

The company is a wholly-owned subsidiary of Hastings Water (UK) Limited. This Strategic report covers a review of the business and a description of the principal risks and uncertainties facing the company.

#### **Business review**

The company is a private company limited by shares. The company is domiciled and incorporated in England and Wales. The company's principal activity during the year and for the foreseeable future is that of an intermediate holding company. Its subsidiaries are South East Water Limited and South East Water (Finance) Limited.

The audited financial statements for the year ended 31 March 2022 are set out on pages 10 to 21. The profit after taxation for the year was £5.0 million (2021: £141.1 million) and has net assets of £286.9 million (2021: £287.1 million). During the prior year the company paid off the remaining £136.0 million of the loan from its subsidiary, South East Water Limited "SEWL". This was funded by a special dividend for the same amount paid by SEWL in December 2020. The receipt of the special dividend in the prior year is the primary reason for the reduction in profit compared with the prior year. The directors consider the performance of the business to be satisfactory.

The directors expect the general level of activity to remain constant in the forthcoming year.

#### **Principal risks and uncertainties**

The directors consider that liquidity risk is the principal risk facing the company. The company is financed by dividends paid by its subsidiary, South East Water Limited. The dividends are set at a level to ensure that interest payments are covered and that sufficient funds are paid up the group to meet the parent company's commitments. As the principal financial assets and liabilities of the company are due from or to other companies within the HDF (UK) Holdings Limited "HDF" group, the management of risks is undertaken at group level.

Management has also considered the impact of the current economic uncertainty associated with various factors including the on-going Covid-19 pandemic and pressures on household finances and part of the company's considerations has been the impact of Covid-19 on its subsidiary company, South East Water Limited, and any potential threat to the dividends received from that company. South East Water Limited considered the potential impact on its operations and finances under various scenarios as part of its long-term viability statement. Under certain more extreme scenarios the ability of South East Water to pay dividends may be impacted. In the event that this materialised, the company would not itself pay dividends. Dividends paid during the year are detailed in the Directors' report.

#### **Financial key performance indicators**

Our key financial performance indicators ("KPI") are dividends received and paid during the year, which are as follows:

KPI	Measure	2022	2021
Dividend received	£ million	9.0	147.0
Dividend paid	£ million	5.2	5.5

The dividend policy for the company and group is set by the HDF's Board. The aim of the policy is to fund the group's payments of interest and expenses and to provide liquidity to the parent company.

**SOUTH EAST WATER (HOLDINGS) LIMITED**

**Strategic report (continued)  
for the year ended 31 March 2022**

This report was approved by the board and signed on its behalf.

**N Truillet**

Secretary

Date: 7 November 2022

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Directors' report for the year ended 31 March 2022**

The directors present their report and the financial statements for the year ended 31 March 2022.

#### **Results and Dividends**

The audited financial statements for the year ended 31 March 2022 are set out on pages 10 to 21. The profit for the year after tax was £5.0 million (2021: £141.1 million). The reduced profit in the current year compared to prior year is due to the one off special dividend income received from SEWL of £136.0 million in 2021.

Dividends of £5.2 million (2021: £5.5 million) were paid during the year.

Financial risks relating to dividends have been assessed in the Strategic report.

#### **Going Concern**

The directors have concluded that the company has sufficient resources to meet its liabilities as they fall due, accordingly the financial statements have been prepared on a going concern basis. Further details are provided in note 1 to the financial statements. In reaching their decision, the directors have considered the impact of the current economic uncertainty and Covid-19 on the future performance of the company and its subsidiary company.

#### **Directors**

The directors who served during the year were:

R Drew (appointed 27 December 2019, resigned 17 March 2022)  
M Szczepaniak (appointed 4 March 2019, resigned 19 June 2021)  
A N Le Gal (appointed 19 June 2021)  
O Schubert (appointed 13 September 2021)  
M McArdle (appointed 17 March 2022)

O Schubert was appointed as an alternate director for A N Le Gal on 13 September 2021 for the purpose of attending Board meetings where A N Le Gal is unavailable to attend.

#### **Qualifying third party indemnity provisions**

The group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the year and as at the date of approving the Directors' report.

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

#### **Auditors**

Following the conclusion of the tender process during the year, the appointment of PricewaterhouseCoopers LLP as auditors for the company was approved by the Board in December 2021 and PriceWaterhouseCoopers LLP have accepted this appointment.

**SOUTH EAST WATER (HOLDINGS) LIMITED**

**Directors' report (continued)  
for the year ended 31 March 2022**

This report was approved by the board and signed on its behalf.

**N Truillet**

Secretary

Date: 7 November 2022

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Directors' responsibilities statement for the year ended 31 March 2022**

The directors are responsible for preparing the Annual report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.



## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Independent auditors' report to the members of SOUTH EAST WATER (HOLDINGS) LIMITED**

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

##### **Opinion**

In our opinion, South East Water (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 March 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

##### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Independent auditors' report to the members of SOUTH EAST WATER (HOLDINGS) LIMITED**

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### **Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;
- Evaluation of Management's controls to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries with unusual combinations of account codes, with journals posted by certain individuals (for example senior management or directors who we wouldn't expect to be posting journals), or journals with certain key unusual words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Independent auditors' report to the members of SOUTH EAST WATER (HOLDINGS) LIMITED**

instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

Owen Mackney (Senior Statutory Auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

**Chartered Accountants and Statutory Auditors**

Watford

7 November 2022

# **SOUTH EAST WATER (HOLDINGS) LIMITED**

## **Statement of comprehensive income for the year ended 31 March 2022**

	<b>Note</b>	<b>2022 £000</b>	<b>2021 £000</b>
Income from shares in group undertakings	4	<b>9,000</b>	147,013
Interest payable and similar expenses	5	<b>(4,998)</b>	(7,304)
<b>Profit before taxation</b>		<b>4,002</b>	139,709
Taxation	6	<b>950</b>	1,388
<b>Profit and total comprehensive income for the year</b>		<b>4,952</b>	141,097

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 13 to 21 form part of these financial statements.

**Statement of financial position**  
**as at 31 March 2022**

	<b>Note</b>	<b>2022 £000</b>	<b>2021 £000</b>
<b>Fixed assets</b>			
Investments	8	361,421	361,421
		<u>361,421</u>	<u>361,421</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	7,610	7,829
Cash at bank and in hand		10	40
		<u>7,620</u>	<u>7,869</u>
Creditors: amounts falling due within one year	10	-	(1)
<b>Net current assets</b>		<u>7,620</u>	<u>7,868</u>
<b>Total assets less current liabilities</b>		<u>369,041</u>	<u>369,289</u>
Creditors: amounts falling due after more than one year	11	(82,152)	(82,152)
<b>Net assets</b>		<u><u>286,889</u></u>	<u><u>287,137</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	145,408	145,408
Profit and Loss Account	13	141,481	141,729
		<u><u>286,889</u></u>	<u><u>287,137</u></u>

The financial statements on pages 10 to 20 were approved by the Board of Director's on 7 November 2022 and signed on its behalf by:

**A N Le Gal**  
 Director  
 Date: 7 November 2022

**M McArdle**  
 Director

The notes on pages 13 to 21 form part of these financial statements.

**SOUTH EAST WATER (HOLDINGS) LIMITED**

**Statement of changes in equity  
for the year ended 31 March 2022**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
<b>At 31 March 2020 and 1 April 2020</b>	<b>145,408</b>	<b>6,082</b>	<b>151,490</b>
Profit for the year	-	141,097	141,097
Dividends (see note: 7)	-	(5,450)	(5,450)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2021 and 1 April 2021</b>	<b>145,408</b>	<b>141,729</b>	<b>287,137</b>
Profit for the year	-	4,952	4,952
Dividends (see note: 7)	-	(5,200)	(5,200)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>145,408</b>	<b>141,481</b>	<b>286,889</b>

The notes on pages 13 to 21 form part of these financial statements.

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The principal accounting policies applied in the preparation of these financial statements are set out below. They have all been applied consistently to all the years presented, unless otherwise stated.

The company has adopted all new accounting standards and interpretations with mandatory adoption date on or before 1 April 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**1.2 Financial Reporting Standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**1.3 Exemption from preparing consolidated financial statements**

The company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**1. Accounting policies (continued)**

**1.4 Going concern**

The company reviews and considers the risks to which the business is exposed and potential impacts on viability on an ongoing basis. This includes structured, systems-based risk identification processes and management controls, robust budgeting and forecasting and continuous sensitivity analysis. This also includes consideration of the risks to which related party entities, including the parent company and subsidiary companies, are exposed.

The directors have assessed the going concern review that has been completed for the wider HDF group and for the regulated business of the main trading entity, South East Water Limited. That assessment considered the implications of the current economic uncertainty associated with various factors including the on-going Covid-19 pandemic, supply chain constraints and pressures on household finances, and the impact that these might have on South East Water including the impact on water consumption and cash collections.

Sensitivities combine qualitative and quantitative criteria and cover the risk associated with inflation, interest rates, Outcome Delivery Incentives ("ODI") penalties, Operating cost and Capital ("totex") overspend and retail cost overspend, to assess their impact on liquidity and compliance with financial ratios.

The severe but plausible downside case represents a situation where several of the severe scenarios above occur simultaneously. This downside scenario implies a recession and is considered in parallel to severe underperformance on both Totex and ODIs, and additional bad debts during the remaining years in AMP7 to 31 March 2025.

The company receives dividends from its subsidiary, SEW, and pays dividends and interest to its parent company, Hastings Water (UK) Limited (HWUK). In the event that the principal risks identified result in SEW's financial performance being in line with or below the severe but plausible downside case it is likely that certain of SEW's financial covenant thresholds would be breached, constituting a Trigger Event. None of the stress-testing scenarios would lead to a default event in servicing the debt of South East Water Limited or South East Water (Finance) Limited nor would they lead to adverse impact on customer service or the ability of South East Water Limited to carry out normal operational activities.

The Trigger Event activates initial creditor protections under the terms of the securitised financing arrangements, which are designed to maintain South East Water's creditworthiness without disrupting its ability to trade. The Trigger Event operates to prevent cash payments out of the ring-fence group (comprising South East Water Limited, South East Water (Finance) Limited and South East Water (Holdings) Limited) to affiliated entities, providing a degree of protection to these companies and specifically to the operation of the regulated business of South East Water. This would therefore prevent SEWH from paying interest and dividends to HWUK (a dividend lock-up).

In the absence of other protections, this might result in SEWH no longer being considered a going concern. However, the terms of the intercompany loan from HWUK to SEWH specifically protect the regulatory ring-fence by allowing SEWH to roll up any interest that it is unable to pay and for this to be added to the principal outstanding. The loan agreement further sets out that SEWH will not be in Default of its obligations under the loan agreement solely by virtue of its inability to make payment of any deferred interest amount.

The Trigger Event and dividend-lock up could give rise to a default event in servicing Hastings Luxembourg Water S.a.r.l.'s (HLux) debt. In this situation, the shareholders of HDF would be able to "cure" the covenant breach by injecting additional funding in the form of share capital. However, in the absence of a definitive commitment from shareholders to provide additional equity to cure any covenant breach, some uncertainty exists regarding the ability of HDF to continue as a Going Concern. This uncertainty represents a material uncertainty at the date of this report that could cast significant doubt upon HDF's ability to continue as a going concern.



**Notes to the financial statements  
for the year ended 31 March 2022**

**1. Accounting policies (continued)**

**1.4 Going concern (continued)**

financing documents to which HDF is a party do not include security over the shares or assets of SEWH or any other company in the ring-fence group. An Event of Default at HDF would therefore not affect the going concern status of the three companies within the ring-fence group.

In adopting the going concern basis of preparation for these financial statements, the Directors have considered the liquidity position of HDF, SEWH and SEW, financial forecasts, stress testing of principal risks and uncertainties and the impact of these stress tests on committed funding facilities levels and applicable covenants. The Directors have also considered the terms of the intercompany loan between the company and HWUK.

The Directors have a reasonable expectation that the company has sufficient resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

**1.5 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**1.6 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

**1.7 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**1.8 Valuation of investments**

Investments are recognised at historical cost. Where the directors are of the opinion that there has been impairment in the value of investments, the carrying amount of such investments is written down to the recoverable amount.

**1.9 Debtors**

Debtors are measured at transaction price, less any impairment. Impairments are calculated in accordance with the methodology stated below.

**Impairment**

At each reporting date an assessment is carried out to determine whether there is any indication that debtors may be impaired. If there is an indication of impairment, the recoverable amount of debtors or respective cash-generating unit is compared to the carrying amount. Where the recoverable amount is less than the carrying amount, the debtor value is reduced to the recoverable amount with an impairment loss recognised as an operating cost in the income statement in the year in which the respective assessment takes place.

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 March 2022**

#### **1. Accounting policies (continued)**

##### **1.10 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### **1.11 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **1.12 Financial instruments**

###### **Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

#### **2. Judgements in applying accounting policies and key sources of estimation uncertainty**

##### **Key judgements**

The preparation of financial statements requires the application of judgements by management which may affect the balances of assets and liabilities at the balance sheet date and income and expenditure for the year. The directors consider that there are no judgements which have a significant effect on the company's financial statements.

##### **Key sources of estimation uncertainty**

Estimates are required to be made by management when preparing the financial statements. These estimates affect the value of assets and liabilities at the balance sheet date. The estimates and underlying assumptions are reviewed on an ongoing basis with any revisions to accounting estimates recognised in the year in which the estimate is revised and future years where the revision affects both current and future years. The actual results may differ from those arrived at based on management's estimates. The directors consider that there are no material key sources of estimation uncertainty which has a significant effect on the company's financial statements.

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 March 2022**

#### **3. Operating costs**

The fees for the audit of the financial statements of the company amounted to £6,000 were borne by HDF (UK) Holdings Limited, ultimate parent company.

There were no employees of the company during the current or prior year. No remuneration was paid to directors during the current or prior year in respect of services to the company.

#### **4. Income from shares in group undertakings**

	<b>2022</b>	2021
	<b>£000</b>	£000
Income from shares in group companies	<b>9,000</b>	147,013
	<u><b>9,000</b></u>	<u>147,013</u>

#### **5. Interest payable and similar expenses**

	<b>2022</b>	2021
	<b>£000</b>	£000
Loans from group undertakings	<b>4,998</b>	7,304
	<u><b>4,998</b></u>	<u>7,304</u>

#### **6. Taxation**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Corporation tax</b>		
Current tax on profits for the year	<b>(950)</b>	(1,388)
<b>Total current tax credit</b>	<u><b>(950)</b></u>	<u>(1,388)</u>

## SOUTH EAST WATER (HOLDINGS) LIMITED

### Notes to the financial statements for the year ended 31 March 2022

#### 6. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 – lower than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before taxation	<u>4,002</u>	<u>139,709</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	760	26,545
Effects of:		
Dividends from UK companies	(1,710)	(27,933)
<b>Total tax credit for the year</b>	<u>(950)</u>	<u>(1,388)</u>

The tax credit is in respect of receipts at the statutory rate of corporation tax for group relief surrendered.

##### Factors that may affect future tax charges

For the year ended 31 March 2022, a UK corporation tax rate of 19 per cent has been used as enacted under section 6(2) of the Finance Act 2020. The extension of the current rate of 19 per cent, is enacted by the Finance (c.26) Act June 2021 to remain applicable for the financial years to 31 March 2023. From 1 April 2023, the corporation tax rate increases to 25 per cent under the Finance (c.26) Act June 2021.

#### 7. Dividends

	2022 £000	2021 £000
First interim dividend of 0.894p per ordinary share (2021: 0.688p)	1,300	1,000
Second interim dividend of 0.894p per ordinary share (2021: 0.791p)	1,300	1,150
Third interim dividend of 0.894p per ordinary share (2021: 0.928p)	1,300	1,350
Final interim dividend of 0.894p per ordinary share (2021: 1.341p)	1,300	1,950
	<u>5,200</u>	<u>5,450</u>

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 March 2022**

#### **8. Investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 April 2021	<b>361,421</b>
At 31 March 2022	<b>361,421</b>

#### **Subsidiary undertakings**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
South East Water Limited	Rocfort Road, Snodland, Kent, ME6 5AH	Supply and distribution of water	Ordinary Shares	100 %
South East Water (Finance) Limited	PO Box 309GT, Ugland House, South Church Street, George town, Grand Cayman, Cayman Islands	Raising finance and lending to group companies	Ordinary Shares	100 %

South East Water Limited is a wholly-owned subsidiary of the company, which owns 100% of the voting rights, and is incorporated in Great Britain and registered in England and Wales. Its registered address is Rocfort Road, Snodland, Kent, ME6 5AH.

South East Water (Finance) Limited is wholly-owned by South East Water Limited, which owns 100% of the voting rights, and is incorporated and registered in the Cayman Islands. Its registered address is PO Box 309GT, Ugland House, South Church Street, George town, Grand Cayman, Cayman Islands.

The long term debt of the company's subsidiary companies is secured against the assets of the company and against the assets of its subsidiary companies, South East Water Limited (as far as allowed by the Water Industry Act 1991 and South East Water Limited's licence) and South East Water (Finance) Limited.

**SOUTH EAST WATER (HOLDINGS) LIMITED****Notes to the financial statements  
for the year ended 31 March 2022****9. Debtors: amounts falling due within one year**

	<b>2022</b>	2021
	<b>£000</b>	£000
Amounts owed by group undertakings	<b>7,610</b>	7,829
	<u><b>7,610</b></u>	<u>7,829</u>

At 31 March 2022 amounts owed to group undertakings due within one year comprise of group tax relief.

**10. Creditors: Amounts falling due within one year**

	<b>2022</b>	2021
	<b>£000</b>	£000
Other creditors	-	1
	<u>-</u>	<u>1</u>

**11. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	2021
	<b>£000</b>	£000
Amount owed to group undertakings	<b>82,152</b>	82,152
	<u><b>82,152</b></u>	<u>82,152</u>

The above balance comprises the following loan:

£82.2 million (2021: £82.2 million) due to the company's parent company, Hastings Water (UK) Limited, bearing interest at the rate of SONIA plus 6% and due for repayment on 27 July 2053.

The interest is paid quaterly on this loan.

The interest rate benchmark LIBOR ceased being used for the group's floating rate debt at the end of 2021 and was replaced by the Sterling Overnight Index Average (SONIA) administered by the Bank of England.

The loan is unsecured and may be redeemed earlier at the option of the company only.

**12. Called up share capital**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
145,407,527 (2021 - 145,407,527) Ordinary Shares of £1.00 each	<u><b>145,408</b></u>	<u>145,408</u>

## **SOUTH EAST WATER (HOLDINGS) LIMITED**

### **Notes to the financial statements for the year ended 31 March 2022**

#### **13. Reserves**

##### **Profit and loss account**

Retained earnings represent cumulative profits and losses, net of dividends paid.

#### **14. Related party transactions**

As a wholly-owned subsidiary of HDF (UK) Holdings Limited at the balance sheet date, the company has taken advantage of the exemption under FRS 101 not to provide information on related party transactions with other wholly-owned companies within the HDF group.

#### **15. Controlling party**

Utilities of Australia Pty Limited as Trustee for the Utilities Trust of Australia ("UTA"), NatWest Pension Trustees Limited as Trustee for the NatWest Group Pension Fund ("NWPF"), Régime de Rentes du Mouvement Desjardins ("RRMD"), Desjardins Financial Security Life Assurance Company ("DFSL") and Certas Home and Auto Insurance Company ("Certas") are the company's joint ultimate holding companies. UTA is resident in Australia. NWPF is resident in the United Kingdom, RRMD, DFSL and Certas are resident in Canada. It is the directors' belief that there is no single ultimate controlling party and that the joint ultimate holding companies control the company jointly.

The immediate parent company is Hastings Water (UK) Limited.

The smallest and largest group of companies into which results of the company are consolidated is that headed by HDF (UK) Holdings Limited, a company which is incorporated in Great Britain and registered in England and Wales. The financial statements of HDF may be obtained from Company Secretary at the company's registered office at Rocfort Road, Snodland, Kent, ME6 5AH.

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