

Registered number: 04866247

HASTINGS WATER (UK) LIMITED

Unaudited
Annual report and financial statements
for the year ended 31 March 2023

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HASTINGS WATER (UK) LIMITED

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HASTINGS WATER (UK) LIMITED

Company information

Directors	M McArdle O Schubert
Company secretary	N Truillet
Registered number	04806247
Registered office	Rocfort Road Snodland Kent ME6 5AH
Bankers	HSBC Bank Plc 60 Queen Victoria Street London EC4N 4TR

HASTINGS WATER (UK) LIMITED

Strategic report for the year ended 31 March 2023

Introduction

The company is a private company limited by shares 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 include South East Water (Holdings) Limited, South East Water Limited and South East Water (Finance) Limited.

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

Business review

The unaudited financial statements for the year ended 31 March 2023 are set out on pages 5 to 16. The profit on ordinary activities, after taxation, for the year was £3.2 million (2022: £5.4 million). The decrease in profit is due to the higher interest payable on loans from the company's associated company, Hastings Water (Luxembourg) S.A.R.L., as a result of the significant rise in SONIA in the year. A reduction in dividends received from its subsidiary company, South East (Holdings) Limited, has been mitigated by an increase in interest received on the company's loan to the same subsidiary.

The company has net assets of £117.3 million (2022: £117.5 million).

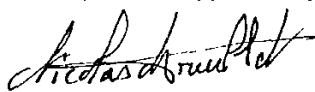
The company expects the general level of activity to remain constant in the forthcoming year.

Principal risks and uncertainties

The directors consider that liquidity risk is the principal risk facing the company. As the principal financial assets and liabilities of the company are due from or to other companies within the HDF group, this is managed at group level.

Management has also considered the current economic uncertainty associated with various factors including high inflation, pressures on household finances, supply chain constraints and high power prices caused by Russia's invasion of Ukraine and the impact this has on its indirect subsidiary company, South East Water Limited, and any potential threat to the dividends paid by 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.

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



N Truillet

Secretary

Date: 1 November 2023

HASTINGS WATER (UK) LIMITED

Directors' report for the year ended 31 March 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

For the year ending 31 March 2022 the company has claimed an exemption from the requirement for audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Further details are provided on the statement of financial position.

Results and Dividends

The financial statements for the year ended 31 March 2023 are set out on pages 5 to 16. Dividends of £3.4 million (2022: £5.4 million) were paid during the year. The profit for the year, the company's net assets and the financial risks of the company are discussed in the strategic report on page 2.

Going Concern

In adopting the going concern basis of preparation for these financial statements, the Directors have considered the liquidity position, financial forecasts, and stress-testing of principal risks and uncertainties for the company and the wider HDF group, and the impact of these stress tests on committed funding facilities levels and applicable covenants.

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. Further details are provided in note 1 to the financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A N Le Gal (resigned 14 April 2023)
O Schubert
M McArdle

Qualifying third party indemnity provisions

The company 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.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act. Accordingly, no auditors have been appointed.

HASTINGS WATER (UK) LIMITED

Directors' report (continued) for the year ended 31 March 2023

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

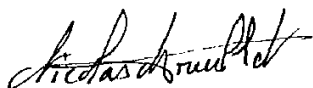
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 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.

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



N Truillet
Secretary
Date: 1 November 2023

HASTINGS WATER (UK) LIMITED

Statement of comprehensive income for the year ended 31 March 2023

		2023 £000	2022 £000
	Note		
Income from shares in group undertakings	4	3,800	5,200
Interest receivable and similar income	5	6,619	5,029
Interest payable and similar expenses	6	(7,251)	(4,834)
		<hr/>	<hr/>
Profit before taxation		3,168	5,395
Taxation	7	-	-
		<hr/>	<hr/>
Profit for the financial year		3,168	5,395
		<hr/>	<hr/>

There was no other comprehensive income for 2023 (2022: Nil).

The notes on pages 8 to 16 form part of these financial statements.

HASTINGS WATER (UK) LIMITED
Registered number:04866247

Statement of financial position
as at 31 March 2023

	Note	2023 £000	2022 £000
Fixed assets			
Investments	9	227,506	227,506
		<u>227,506</u>	<u>227,506</u>
Current assets			
Cash at bank and in hand		4	44
		<u>4</u>	<u>44</u>
Net assets			
Creditors: amounts falling due within one year	10	(338)	(196)
		<u>(334)</u>	<u>(152)</u>
Net current liabilities			
		<u>(334)</u>	<u>(152)</u>
Total assets less current liabilities		227,172	227,354
Creditors: amounts falling due after more than one year	11	(109,900)	(109,900)
		<u>(109,900)</u>	<u>(109,900)</u>
Net assets		117,272	117,454
		<u>117,272</u>	<u>117,454</u>
Capital and reserves			
Called up share capital	12	94,721	94,721
Profit and loss account	13	22,551	22,733
		<u>117,272</u>	<u>117,454</u>
Total equity		117,272	117,454
		<u>117,272</u>	<u>117,454</u>

The members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 6 to 17 were approved and authorised for issue by the Board on 1 November 2023 and were signed on its behalf by:



M McArdle

Director

Date: 1 November 2023

The notes on pages 8 to 16 form part of these financial statements.

HASTINGS WATER (UK) LIMITED**Statement of changes in equity
for the year ended 31 March 2023**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 31 March 2021 and 1 April 2021	94,721	22,738	117,459
Profit for the year	-	5,395	5,395
Dividends (see note: 8)	-	(5,400)	(5,400)
At 31 March 2022 and 1 April 2022	94,721	22,733	117,454
Profit for the year	-	3,168	3,168
Dividends (see note: 8)	-	(3,350)	(3,350)
At 31 March 2023	94,721	22,551	117,272

The notes on pages 8 to 16 form part of these financial statements.

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

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 2022. 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 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 of paragraph 17 and 18A of IAS 24 Related Party Disclosures

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.

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

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 company has net current liabilities and has, therefore, sought confirmation from its parent company, HDF, that it will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet.

The company is financed by interest and dividends received from its subsidiary company, South East Water (Holdings) Limited (SEWH). 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 current economic uncertainty associated with various factors including high inflation, pressures on household finances, supply chain constraints and high power prices caused by Russia's invasion of Ukraine and the impact that these might have on South East Water Limited including the impact on water consumption and cash collections.

Given the current economic uncertainty referred to above, a severe but plausible downside has been considered where a number of risks are considered in combination. This scenario, the "sustained adverse conditions" scenario described in the long-term viability statement on page 150 of South East Water Limited's Annual Report, assumes a combination of a recession during the next five years, higher operating costs, and lower operating cashflows, including from under-collection of revenue, under delivery of efficiencies, higher power and chemicals prices and adverse weather, and operational underperformance.

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. The Trigger Event activates initial creditor protections under the terms of the group's securitised financing arrangements, which are designed to maintain South East Water Limited'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 parent and fellow subsidiary companies, providing a degree of protection to the ring-fenced group and specifically to the operation of the regulated business of South East Water. The Trigger Event preserves the value of the group, which is in the interests of creditors and customers.

In adopting the going concern basis of preparation for these financial statements, the directors have considered the liquidity position of the company, HDF, SEWH and SEW, financial forecasts, stress testing of principal risks and uncertainties via the severe but plausible downside scenario, and the impact of these stress tests on committed funding facilities levels and applicable covenants.

In forming their view on going concern, the directors are aware that the financial statements of HDF (UK) Holdings Limited ("HDF") for the year ended 31 March 2022 contained a material uncertainty in respect of going concern. HDF had £150 million of debt that was due for repayment on 18 December 2023. The directors are aware that the debt was refinanced on 26 September 2023. The directors of HDF are in the process of evaluating the going concern position of that company. The directors of HWUK do not expect that there will be a material uncertainty in respect of going concern at HDF for the financial statements for the year ended 31 March 2023 as the debt has been refinanced and replaced with shareholder loans.

There are no external borrowings other than shareholder loans outside of the ring-fence group and therefore no risk of an event of default at HDF following a Trigger Event in South East Water.

In light of the above, and as the company has received confirmation from its parent company, HDF,

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (continued)

1.4 Going concern (continued)

that it will continue to provide financial support for a period of at least twelve months from the date of approval of the balance sheet, 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 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.6 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.

1.7 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.

1.8 Investments

Investments in subsidiaries

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.

Interest bearing loans to subsidiary

Financial instruments are recognised on the statement of financial position when the group becomes party to the contractual provisions of the instrument. The group determines the classification of its financial liabilities at initial recognition.

In accordance with IFRS 9, a provision for expected credit loss on financial assets has been offset against the carrying values in the statement of financial position.

1.9 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.

1.10 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.

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

1. Accounting policies (continued)

1.11 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Financial liabilities

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.

Interest costs are expensed in the income statement as incurred.

1.12 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.

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

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 period in which the estimate is revised and future periods where the revision affects both current and future periods. *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.

3. Employees

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

4. Investment from subsidiary company

	2023 £000	2022 £000
Income from investments in group companies	3,800	5,200
	<u>3,800</u>	<u>5,200</u>

5. Interest receivable and similar income

	2023 £000	2022 £000
Interest receivable from group companies	6,618	5,029
Other interest receivable	1	-
	<u>6,619</u>	<u>5,029</u>

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

6. Interest payable and similar expenses

	2023 £000	2022 £000
Interest payable to group companies	7,251	4,834
	<u>7,251</u>	<u>4,834</u>

7. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit on ordinary activities before tax	3,168	5,395
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	602	1,025
Effects of:		
Dividends from UK companies	(722)	(988)
Group relief	120	(37)
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

As enacted by the Finance Act 2021, the main rate of UK corporation tax increases from 19 per cent to 25 per cent, effective 1 April 2023.

8. Dividends

	2023 £000	2022 £000
First interim dividend of 1.16p per ordinary share (2022: 1.27p)	1,100	1,200
Second interim dividend of 0.90p per ordinary share (2022: 1.58p)	850	1,500
Third interim dividend of 0.79p per ordinary share (2022: 1.48p)	750	1,400
Final dividend of 0.69p per ordinary share (2022: 1.37p)	650	1,300
	<u>3,350</u>	<u>5,400</u>

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

9. Fixed asset investments

	Investments in subsidiary companies £000	Loans to subsidiaries £000	Total £000
At 1 April 2022	145,408	82,098	227,506
At 31 March 2023	145,408	82,098	227,506

	Investments in subsidiary companies £000	Loans to subsidiaries £000	Total £000
As at April 2021	145,408	82,067	227,475
Movement in expected credit loss	-	31	31
At 31 March 2022	145,408	82,098	227,506

Subsidiary undertaking

The following were subsidiary undertakings of the company:

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

10. Creditors: Amounts falling due within one year

	2023 £000	2022 £000
Amounts owed to group undertakings	338	196
	338	196

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

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

	2023 £000	2022 £000
Amounts owed to group undertakings	109,900	109,900
	<u>109,900</u>	<u>109,900</u>

At 31 March 2023 amounts owed to group undertakings due after one year comprise of two unsecured loans due to Hastings Water (Luxembourg) S.a.r.l. The two loans are a £55.5 million loan falling due for repayment on 31 December 2023, bearing interest at SONIA plus 6% and a £54.4 million loan falling due for repayment on 20 December 2023, bearing interest at SONIA plus 2.55%.

12. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
94,720,807 (2022 - 94,720,807) Ordinary Shares shares of £1.00 each	94,721	94,721

The company has authorised 100,000,000 ordinary shares of £1 each during the current and preceding year.

13. Reserves

Profit and loss account

Retained earnings represent cumulative profits and losses, net of dividends paid and other adjustments. The balance of retained earnings includes £21.6 million (2021: £21.6 million) that is not available for distribution as it relates to the gain arising on the restructuring and refinancing of the group in July 2004.

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 (UK) Holdings Limited group.

15. Post balance sheet events

There are no post balance sheet events to report.

HASTINGS WATER (UK) LIMITED

Notes to the financial statements for the year ended 31 March 2023

16. Controlling party

Utilities of Australia Pty Limited as Trustee for the Unilities 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 HDF (UK) Holdings 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 consolidated financial statements of HDF (UK) Holdings Limited may be obtained from the Company Secretary at the company's registered address at Rocfort Road, Snodland, Kent, ME6 5AH.