

SWS HOLDINGS LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2022

Registered number: 04324499

COMPANY INFORMATION

The company is a private company limited by shares.

Directors

Lawrence Gosden
Joanne Statton

Company secretary

Joanne Statton

Registered office

Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Bankers

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

Auditor

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

Registered number

04324499

SWS HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2022

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

SWS Holdings Limited ('the company') (Registered No. 04324499) is incorporated in the United Kingdom and registered in England and Wales, and was established to complement the activities of the other companies in the Greensands Holdings group.

The company did not trade during the year, and there is no intention for it to trade in the future, however it continues to act as a holding company for Southern Water Services Limited.

KEY PERFORMANCE INDICATORS

SWS Holdings Limited acts as an intermediate holding 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, BN13 3NX.

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

Approved by the Board and signed on its behalf by:



Joanne Statton
Director
29 July 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The directors of SWS Holdings Limited (Registered No. 04324499) present their annual report and the audited financial statements of the company for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The company was established to complement the activities of the other companies in the group. The company continues to act as a holding company for Southern Water Services Limited.

REVIEW OF THE BUSINESS, RESULTS AND DIVIDENDS

The company did not trade during the year, and there is no intention for it to trade in the future, however it continues to act as a holding company for Southern Water Services Limited.

The company received dividends of £nil (2021: £4.0m) from its subsidiary company Southern Water Services Limited and declared and paid dividends of £nil (2021: £4.0m) to its parent company SWS Group Holdings Limited during the year.

The directors do not propose payment of a final dividend for the year ended 31 March 2022 (2021: £nil).

The company has net assets of £437.6m (2021: £46.3m) comprising an investment in Southern Water Services Limited of £437.6m (2021: £46.3m).

SWS Holdings Limited is a holding company for Southern Water Services Limited. Southern Water Services Limited recorded losses of £761.5m for the year to 31 March 2022 and had net assets of £589.0m at 31 March 2022.

The directors consider the results for the year to 31 March 2022 for Southern Water Services Limited sufficient to support its carrying value on the statement of financial position.

PRINCIPAL RISK AND UNCERTAINTIES

The principal risk that the company is exposed to is the occurrence of events that would result in impairment to the value of its investment in Southern Water Services Limited.

The directors are confident that these risks are mitigated by the use of effective risk management policies employed by Southern Water Services Limited. For further details regarding these policies please refer to the strategic report of Southern Water Services Limited.

STREAMLINED ENERGY AND CARBON REPORT

The company is exempt from producing the Streamlined Energy and Carbon Report (SECR) by virtue of the fact it is non-trading and does not directly consume energy. The 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).

GOING CONCERN

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months following the approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent with 2022 in the forthcoming year, however there may be wider economic factors, such as the rising cost of inflation and the continued impact of the UK's departure from the European Union and COVID-19, which could affect future company dealings. However, the company is safeguarded by being a holding company not engaged in any trade. The underlying operational company Southern Water Services Limited has considered the impact of wider economic factors and disclosed this in its Annual Report which can be obtained from the Company Secretary of Southern Water Services Limited, at the registered address, Southern House, Yeoman Road, Worthing, BN13 3NX or on its website at <https://southernwater.annualreport2022.com>. Southern Water Services Limited is expected to continue in operational existence for the foreseeable future.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 30 June 2022 Ian McAulay resigned as director and Lawrence Gosden was appointed with effect from 1 July 2022.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022 (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:

Joanne Statton
Lawrence Gosden (appointed 1 July 2022)
Ian McAulay

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

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.

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 management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

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

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

SWS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022 (continued)

INDEPENDENT AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'J Statton', followed by a period.

Joanne Statton
29 July 2022

SWS HOLDINGS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £m	2021 £m
Continuing operations			
Finance income	4	-	4.0
Profit before taxation	5	<u>-</u>	<u>4.0</u>
Tax on profit	6	-	-
Profit for the financial year		<u><u>-</u></u>	<u><u>4.0</u></u>

There was no other comprehensive income or losses for the years ending 31 March 2021 and 31 March 2022. Accordingly, no separate statement of comprehensive income is presented.

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

SWS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investments	8	437.6	46.3
Net assets		437.6	46.3
 Equity			
Called up share capital	9	0.2	0.1
Share premium account	10	437.4	46.2
Total equity		437.6	46.3

The financial statements of SWS Holdings Limited (Registered No. 04324499) were approved by the Board of Directors and authorised for issue on 29 July 2022.

Signed on behalf of the Board of Directors



Joanne Statton
Director

SWS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital (Note 9) £m	Share premium Account (Note 10) £m	Retained earnings £m	Total £m
Balance at 1 April 2020	0.1	46.2	-	46.3
Profit for the financial year	-	-	4.0	4.0
Total comprehensive income for the year	-	-	4.0	4.0
Equity dividends paid (note 7)	-	-	(4.0)	(4.0)
Balance at 31 March 2021	0.1	46.2	-	46.3
Profit for the financial year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Issue of shares (note 9)	0.1	391.2	-	391.3
Equity dividends paid (note 7)	-	-	-	-
Balance at 31 March 2022	0.2	437.4	-	437.6

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared under the historical cost convention. The address of the registered office is given within the company information section. SWS Holdings Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The nature of the company's operations and its principal activities are set out in the directors' report on page 2.

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

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

The financial statements contain information about SWS Holdings Limited as an individual company. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements of the holding company, Greensands Holdings Limited, from the address given in note 11.

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

Going concern

The directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months following the approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Related party disclosure

The company has taken advantage of the exemption under FRS 101 paragraph 8(j) from the requirements of IAS 24, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Greensands Holdings Limited, whose financial statements are publicly available from the address in note 11.

Investments

Investments held as fixed 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 fixed non-current asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Dividends and other investment income is accounted for when it becomes receivable.

Dividends payable

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (continued)

1 Accounting policies (continued)

Taxation

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

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

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

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

Impairment

Impairment is recognised in the income statement when there is evidence that the value of the company's investment in Southern Water Services Limited is higher than the recoverable amount. Recoverable amount is the lower of, value in use or net realisable value. Given that the net assets of Southern Water Services Limited for the year ended 31 March 2022 are £589.0m the investment is not considered to be impaired.

Critical judgements in applying the company's accounting policies

The company has no critical judgements, apart from those involving estimations, that are applied in the preparation of financial statements.

SWS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (continued)

3 Employee information

The company has no employees (2021: none).

The services of the directors are deemed to be wholly attributable to their services to Southern Water Services Limited. The directors received no emoluments during the year or the prior year in respect of their services to the company. Accordingly no details in respect of the emoluments paid to the directors are included here as they are fully disclosed in the financial statements of Southern Water Services Limited.

4 Finance income

	2022	2021
	£m	£m
Dividends received from Southern Water Services Limited	-	4.0

5 Profit before taxation

In 2021 and 2022, 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 £90,000 (2021: £80,000)..

6 Tax on profit

No UK tax charge arises in respect of the profit on ordinary activities for the year (2021: nil).

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

	2022	2021
	£m	£m
Profit before tax	-	4.0
UK corporation tax rate at 19% on profit for the year (2021: 19%)	-	0.8
Non-taxable dividends	-	(0.8)
Total tax credit for year	-	-

Factors that may affect future tax charges

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 March 2022 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax liability would continue to be £nil.

7 Equity dividends paid/declared

	2022	2021	2022	2021
	£ per	£ per	Total	Total
	ordinary	ordinary	£m	£m
	share	share		
Interim dividend – Q1	-	21.23	-	2.1
Interim dividend – Q2	-	18.42	-	1.9
Interim dividend – Q3	-	-	-	-
Interim dividend – Q4	-	-	-	-
Total dividend	-	39.64	-	4.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (continued)

8 Investments

Shares in subsidiary undertakings	2022	2021
	£m	£m
Balance at 1 April	46.3	46.3
Additions	391.3	-
Balance at 31 March	437.6	46.3

In September 2021, under an agreement reached with the Greensands Holding Limited's (GSH) existing shareholders, Macquarie Asset Management acquired a majority stake in GSH, investing £1 billion of equity into the group. As part of this process, the company acquired a further 56,000 Ordinary shares of £1 each in Southern Water Services Limited for £6,987.18 per share.

Subsidiary undertakings

Company	Class of share capital	No shares issued at £1 each	% shares held	Activity	Country of incorporation
Southern Water Services Limited	Ordinary	112,000	100%	Water and waste water service provider	UK

The investment represents a 100 per cent holding of the issued ordinary shares of Southern Water Services Limited (SWS), a company incorporated in the United Kingdom. The address of the registered office of the company is Southern House, Yeoman road, Worthing, West Sussex, BN13 3NX. The principal activity of SWS is the provision of water supply and wastewater services in the South East of England.

By virtue of the company's ownership of SWS it also has the following indirect holdings in subsidiary undertakings of SWS at 31 March 2022:

Company	Registered Office	Class of share capital	Activity
Southern Water Services (Finance) Ltd (SWSF)	Ugland House, PO Box 309, George Town, Grand Cayman	Ordinary (100%)	To raise debt finance
Southern Water Executive Pension Scheme Trustees Limited	Southern House, Yeoman Road, Worthing	Ordinary (100%)	Dormant
Southern Water Pension Trustees Limited	Southern House, Yeoman Road, Worthing	Ordinary (100%)	Dormant

SWSF is registered in the UK for tax purposes.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

9 Called up share capital

	2022	2021
	£m	£m
Authorised, allotted, called up and fully paid		
200,200 ordinary shares (2021: 100,100) of £1 each	0.2	0.1

On 8 September 2021, 100,100 ordinary shares with aggregate nominal value of £100,100 were issued at £3,908.91 each to SWS Group Holdings Limited. The premium arising on issue is shown in note 10.

SWS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 (continued)

10 Share premium account

	2022 £m	2021 £m
Balance at 1 April	46.2	46.2
Issued for cash	391.2	-
Balance at 31 March	437.4	46.2

11 Ultimate parent and controlling party

The immediate parent company is SWS Group Holdings Limited.

Greensands Holdings Limited (Registered Number: Jersey 98700) is the parent undertaking and controlling party of the smallest and largest and only group to consolidate these financial statements. Greensands Holdings Limited was incorporated in Jersey and its registered office address is 44 Esplanade, St Helier, Jersey, United Kingdom, JE4 9WG. Copies of the consolidated financial statements may be obtained from the Company Secretary of Greensands Holdings Limited, at Southern House, Yeoman Road, Worthing, BN13 3NX.

Up until 8 September 2021, Greensands Holdings Limited was itself owned and controlled by a consortium of investors and had no ultimate parent and controlling party. On 8 September 2021, under an agreement reached with the Greensands Holdings Limited existing shareholders, Macquarie Asset Management (through a Macquarie group company, Mscif Wight Bidco Limited) acquired a 62.24% majority stake in Greensands Holdings Limited, investing over £1 billion of equity to recapitalise and implement a more sustainable financing strategy for the group. Mscif Wight Bidco Limited is the intermediate holding company and Macquarie Asset Management 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.

12 Contingent liabilities

The company's share capital has been provided as security under a fixed charge for the borrowings of Southern Water Services (Finance) Limited and Southern Water Services Limited.

13 Events after the statement of financial position date

On 30 June 2022 Ian McAulay resigned as director and Lawrence Gosden was appointed with effect from 1 July 2022.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWS HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SWS Holdings Limited (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 13.

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

Basis for opinion

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

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

Conclusions relating to going concern

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.

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.

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

Other information

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SWS HOLDINGS LIMITED (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and tax legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and 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
- in addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SWS HOLDINGS LIMITED (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Delyth Jones

Delyth Jones FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
Cardiff, United Kingdom
29 July 2022