

# Severn Trent Services International Limited

## Annual report and financial statements for the year ended 31 March 2018

Company number: 02387816



# **Severn Trent Services International Limited**

## **Annual report and financial statements for the year ended 31 March 2018**

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# Severn Trent Services International Limited

## Company information

<b>Company number</b>	02387816
<b>Directors</b>	M J Dovey (resigned on 14 December 2017) J A Jackson R C McPheely
<b>Secretary</b>	A A Campbell
<b>Registered office</b>	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
<b>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP

# Severn Trent Services International Limited

## Strategic report

### Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc.

The principle activity of the company is as a non-trading company until such time that all its contractual obligations have been transferred and all assets and liabilities cleared from the balance sheet.

The company's profit for the financial year after taxation was £38,000 (2017: £49,000).

As at 31 March 2018, the company has a net assets position of £3,181,000 (2017: £3,143,000). The company has net current assets £350,000 (2017: £3,106,000) therefore the financial position of the company is satisfactory.

Severn Trent Plc manages its operations on a divisional basis and the company's directors do not believe that further key performance indicators for the company are necessary to enhance the understanding of the development, performance or position of the business. The performance of the Business Services segment, which includes this company, is discussed in Severn Trent Plc's Annual Report and Financial Statements (which does not form part of this report).

### Principal risks and uncertainties

#### *Treasury management*

The Severn Trent group manages its treasury operations on a group basis. Financial risk management is performed by Severn Trent's Group Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Severn Trent Plc's Annual Report and Financial Statements (which does not form part of this report).

### Going concern and financial position

The directors have considered the financial position and future prospects of the company. The company participates in the group's pooled banking arrangements and receives funding from the Severn Trent group in the form of intra-group loans. When existing loans reach maturity the appropriate funding will be established as required to ensure such obligations can be met. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and annual financial statements.

By order of the board



**A A Campbell**  
**Company Secretary**  
**3 October 2018**

# Severn Trent Services International Limited

## Directors' report

The directors present their annual report and the financial statements of the company for the year ended 31 March 2018.

### Matters included in the Strategic report

The following matters are included in the company's Strategic report on the preceding page:

- Principal activity of the company
- Future developments in the business
- Principal risks and uncertainties

### Directors

The directors who served during the year and to the date of this report are shown on page 1. M J Dovey resigned as a director on 14 December 2017.

No emoluments were paid by the company in respect of the services of the directors to the company. Their emoluments are paid by other companies within the Severn Trent group.

### Directors' indemnities

The company's Articles of Association provide that directors of the company shall be indemnified by the company against any costs incurred by them in carrying out their duties including defending any proceedings arising out of their positions as directors in which they are acquitted or judgement is given in their favour or relief from any liability is granted to them by the court. These indemnities were in force throughout the year and up to the date of signing of the financial statements.

### Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. The company operates in accordance with the group policies of Severn Trent Plc which are described in the group's Annual Report and Financial Statements (which does not form part of this report).

### Results and dividends

The company's profit for the financial year after taxation was £38,000 (2017: £49,000). The directors do not recommend the payment of a dividend.

### Post balance sheet events

There have been no significant post balance sheet events.

# Severn Trent Services International Limited

## Directors' report (continued)

### 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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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.

By order of the board



**A A Campbell**  
Company Secretary  
3 October 2018

# Severn Trent Services International Limited

## Income statement

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net operating income	4	2	7
<b>Profit before interest and tax</b>		<b>2</b>	<b>7</b>
Finance income	7	44	55
<b>Profit on ordinary activities before tax</b>		<b>46</b>	<b>62</b>
Current tax	8	(2)	(3)
Deferred tax	9	(6)	(10)
<b>Total tax on profit on ordinary activities</b>		<b>(8)</b>	<b>(13)</b>
<b>Profit for the financial year</b>		<b>38</b>	<b>49</b>

All results are from discontinued operations in both the current and preceding year.

The company has no recognised gains or losses other than the results above and therefore no separate statement of comprehensive income has been presented.

# Severn Trent Services International Limited

## Balance sheet

At 31 March 2018


	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Deferred tax	9	31	37
Trade and other receivables	10	2,800	–
		<b>2,831</b>	<b>37</b>
<b>Current assets</b>			
Trade and other receivables	10	257	3,233
Cash and cash equivalents		443	204
		<b>700</b>	<b>3,437</b>
<b>Current liabilities</b>			
Trade and other payables	11	(119)	(102)
Current tax payable		(231)	(229)
		<b>(350)</b>	<b>(331)</b>
<b>Net current assets</b>		<b>350</b>	<b>3,106</b>
<b>Net assets</b>		<b>3,181</b>	<b>3,143</b>
<b>Equity</b>			
Called up share capital	12	10,000	10,000
Retained earnings		(6,819)	(6,857)
<b>Total equity</b>		<b>3,181</b>	<b>3,143</b>

For the year ended 31 March 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 (the "Act") relating to subsidiary companies.

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

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements were approved by the board of directors on 3 October 2018. They were signed on its behalf by:

  
 R C McPheely  
 Director  
 3 October 2018  
 Company Number: 02387816



## Severn Trent Services International Limited

### Statement of changes in equity

For the year ended 31 March 2018

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2016	10,000	(6,906)	3,094
Profit and total comprehensive profit for the year	–	49	49
At 31 March 2017	10,000	(6,857)	3,143
Profit and total comprehensive profit for the year	–	38	38
At 31 March 2018	10,000	(6,819)	3,181

# **Severn Trent Services International Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

#### **a) Accounting convention**

The financial statements have been prepared on the going concern basis (see Strategic report) under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value, and in accordance with applicable United Kingdom Accounting Standards and comply with the requirements of the United Kingdom Companies Act 2006 (the "Act"). The principal accounting policies, which have been applied consistently in the current and preceding year are set out below.

The company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

#### **b) Basis of preparation**

The company is a wholly owned subsidiary of Severn Trent Plc and is included in the consolidated financial statements of Severn Trent Plc.

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements'. Accordingly, the company has elected to apply FRS 101 'Reduced Disclosure Framework'. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 accounts.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of Severn Trent Plc. The group financial statements of Severn Trent Plc are available to the public and can be obtained as set out in note 15.

#### **c) Finance and similar income**

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income.

#### **d) Taxation**

Current tax payable is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future to utilise it.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

# Severn Trent Services International Limited

## Notes to the financial statements (continued)

### e) Impairment of non-current assets

If the recoverable amount of goodwill, an item of property, plant and equipment, or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

The discount rate used is based on the estimated cost of capital adjusted for the risk profiles of individual businesses.

Impairment reviews are also carried out if there is an indication that an impairment may have occurred, or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairments are recognised in the income statement.

### f) Foreign currency

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. All profits and losses on exchange arising during the year are dealt with through the income statement.

## 2. New accounting policies

The company has adopted all amendments to standards with an effective date relevant to this year end with no material impact on its results, assets or liabilities. All other accounting policies have been applied consistently.

## 3. Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, no significant accounting judgements or key accounting estimates were required.

## 4. Operating income

	2018 £'000	2017 £'000
Exchange losses	–	3
Other operating income	2	4
	2	7

## 5. Employee numbers

The average monthly number of employees (including executive directors) during the year was nil (2017: nil).

## 6. Directors' remuneration

The directors received no emoluments for their services to the company. The emoluments of the directors are paid by other companies within the Severn Trent group.

# Severn Trent Services International Limited

## Notes to the financial statements (continued)

### 7. Finance income

	2018 £'000	2017 £'000
Interest income earned on:		
- amounts due from group undertakings	44	55

### 8. Taxation

#### a) Analysis of tax charge in the year

	2018 £'000	2017 £'000
<b>Current tax</b>		
Current year at 19% (2017: 20%)	2	3
<b>Total current tax charge</b>	2	3
<b>Deferred tax</b>		
Origination and reversal of temporary differences - current year	6	7
Charge arising from rate change	-	3
<b>Total deferred tax charge</b>	6	10
<b>Total tax charge</b>	8	13

The company earns profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax.

In September 2016 the reduction of the main rate of corporation tax in the UK to 17% from 1 April 2020 was substantively enacted and therefore deferred tax assets and liabilities have been calculated at 17% (2017: 17%).

#### b) Factors affecting the tax charge in the year

The tax charge for the current year is equal to (2017: equal to) the standard rate of corporation tax in the UK of 19% (2017: 20%).

The differences are explained below:

	2018 £'000	2017 £'000
<b>Profit on ordinary activities before taxation</b>	46	62
Tax at the standard rate of corporation tax in the UK 19% (2017: 20%)	9	12
Current year impact of rate change	(1)	(2)
Deferred tax change arising from rate change	-	3
<b>Total tax charge for the year</b>	8	13

# Severn Trent Services International Limited

## Notes to the financial statements (continued)

### 9. Deferred tax

An analysis of the movement in the major deferred tax liabilities and assets recognised by the company is set out below:

	Tax depreciation £'000	Total £'000
At 1 April 2016	47	47
Charge to income	(7)	(7)
Charge to income arising from rate change	(3)	(3)
At 1 April 2017	37	37
Charge to income	(6)	(6)
Charge to income arising from rate change	—	—
<b>At 31 March 2018</b>	<b>31</b>	<b>31</b>

### 10. Trade and other receivables

	2018 £'000	2017 £'000
<b>Current assets</b>		
Trade receivables	213	205
Doubtful debt provision	(69)	(69)
Net trade receivables	144	136
Amounts receivable from other fellow group undertakings under loan agreement	16	2,800
Amounts due from fellow group undertakings	—	118
Other debtors	—	82
Prepayments	97	97
	<b>257</b>	<b>3,233</b>

	2018 £'000	2017 £'000
<b>Non-current assets</b>		
Amounts receivable from group undertakings under loan agreement	2,800	—
	<b>2,800</b>	<b>—</b>

The company has a facility of up to £5,000,000 available to Severn Trent Investment Holdings Limited. The loan is unsecured with a margin of 1.025% set against 6m LIBOR, with a maturity date of 21 May 2019..

### 11. Trade and other payables

	2018 £'000	2017 £'000
<b>Current liabilities</b>		
Other payables	10	10
Social security and other taxes	47	30
Accruals	62	62
	<b>119</b>	<b>102</b>

# Severn Trent Services International Limited

## Notes to the financial statements (continued)

### 12. Share capital

	2018 £'000	2017 £'000
<b>Total issued and fully paid</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000

### 13. Contingent liabilities

The banking arrangements of the company operate on a pooled basis with certain fellow group undertakings. Under these arrangements participating companies guarantee each other's balances only to the extent that their credit balances can be offset against overdrawn balances of other Severn Trent group companies.

At 31 March 2018 the company's maximum exposure under these arrangements was £443,000 (2017: £204,000).

### 14. Related party transactions

There have been no transactions with the directors of the company during the last financial year.

In accordance with the exemption allowed by FRS 101, no disclosure is made of transactions with other wholly owned member companies which are consolidated into the Severn Trent Plc group.

### 15. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent (W&S) Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the smallest and largest group to consolidate these financial statements. Copies of the Severn Trent Plc consolidated financial statements can be obtained from Severn Trent Plc's registrars at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.