

Severn Trent Overseas Holdings Limited

Annual report and financial statements for the year ended 31 March 2015

Company number 02455508



Severn Trent Overseas Holdings Limited

Annual report and financial statements for the year ended 31 March 2015

Contents	Page
Company information	1
Strategic report	2
Directors' report	3
Profit and loss account	5
Balance sheet	6
Statement of changes in equity	7
Notes to the financial statements	8

Severn Trent Overseas Holdings Limited

Company information

Company number	02455508
Directors	M J Dovey J A Jackson (appointed 1 October 2014) B Kennedy R C McPheely
Secretary	A Campbell
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Severn Trent Overseas Holdings Limited

Strategic report

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc

The principal activity of the company is to act as a holding company for certain subsidiaries of the Severn Trent group

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company received dividend income of £2,120,000 (2014: nil) from subsidiary undertakings during the year. There has been no change in the carrying value of investments and no indicators of impairment have been identified.

The company does not trade and the 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.

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 Campbell
Company Secretary
15 September 2015

Severn Trent Overseas Holdings Limited

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 March 2015

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 are shown on page 1

J A Jackson was appointed as a director on 1 October 2014

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.

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 £2,489,000 (2014 profit £1,537,000). The directors do not recommend the payment of a dividend.

Post balance sheet events

On 12 May 2015 the Severn Trent group entered into a binding agreement to sell their Water Purification business to Industrie De Nora S.p.A (IDN). The sale completed on 3 July 2015. The water purification business included the following direct and indirect undertakings of Severn Trent Overseas Holdings Limited:

Severn Trent De Nora (Overseas Holdings) Limited
Severn Trent DeNora LLC
Severn Trent DeNora (TEXAS), LLC
Severn Trent De Nora UK Limited
CEC Water Technologies K.K.
Severn Trent De Nora Technologies (Shanghai), Ltd
Severn Trent DeNora, Srl

On 11 August 2015 the sterling loans due to parent and fellow subsidiary undertakings were renewed and are now due to mature in 2017.

Severn Trent Overseas Holdings Limited

Directors' report

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. 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 Campbell
Company Secretary
15 September 2015

Severn Trent Overseas Holdings Limited

Profit and loss account For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Income from share in group undertakings		2,120	-
Interest receivable	4	3,126	5,003
Interest payable	4	(2,125)	(2,132)
Profit on ordinary activities before tax		3,121	2,871
Taxation on profit on ordinary activities	5	(632)	(1,334)
Profit for the financial year		2,489	1,537

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

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

Severn Trent Overseas Holdings Limited

Balance sheet As at 31 March 2015

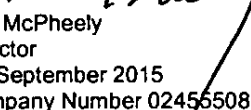
	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments	6	37,514	37,514
		37,514	37,514
Current assets			
Debtors amounts falling due in more than one year	7	90,286	99,557
Debtors amounts falling due within one year	7	45,509	48,880
Cash at bank and in hand		99	17
		135,894	148,454
Creditors amounts falling due within one year	8	(113,290)	(112,760)
Net current assets		22,604	35,694
Total assets less current liabilities		60,118	73,208
Creditors amounts falling due after more than one year	9	-	(15,579)
Net assets		60,118	57,629
Capital and reserves			
Called up share capital	10	62,602	62,602
Profit and loss account		(2,484)	(4,973)
Total shareholder's funds		60,118	57,629

For the year ended 31 March 2015, 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 financial statements for the year in question in accordance with section 476 of the Act

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

The financial statements were approved by the board of directors on 15 September 2015. They were signed on its behalf by


R C McPheely
Director
15 September 2015
Company Number 02456508

Severn Trent Overseas Holdings Limited

Statement of changes in equity For the year ended 31 March 2015

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2013	62,602	(6,510)	56,092
Profit and total comprehensive income for the period	–	1,537	1,537
At 31 March 2014	62,602	(4,973)	57,629
Profit and total comprehensive income for the period	–	2,489	2,489
At 31 March 2015	62,602	(2,484)	60,118

Severn Trent Overseas Holdings 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

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 has elected to adopt early the new accounting framework issued by the Financial Reporting Council. The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements'. Accordingly, in the year ended 31 March 2013, the company adopted FRS 101 'Reduced Disclosure Framework' and ceased to apply all UK Accounting Standards issued prior to FRS 100. 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 financial statements

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 accounts 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 14

c) Interest receivable and similar income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the group's rights to receive payment have been established. Interest and dividend income are included in interest receivable and similar income

Severn Trent Overseas Holdings Limited

Notes to the financial statements

d) Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. 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 provided in full, using the liability method, on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 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 income tax asset is realised or the deferred tax liability is settled.

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.

e) Impairment of fixed assets

If the recoverable amount of a fixed 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 of the asset or cash-generating unit.

Impairments are recognised immediately in the profit and loss account.

f) Investments

Investments are stated at cost less, where appropriate, provisions for impairment.

g) 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 profit and loss account.

Severn Trent Overseas Holdings Limited

Notes to the financial statements

2. Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available

The significant judgement was

a) *Impairment of investment*

Determining whether investments are impaired requires an estimate of the value in use of the investment. The value in use calculation requires the company to estimate the recoverable amount of the investment, which is the higher of the future cash flows expected to arise from the investment discounted at an appropriate rate, and its estimated fair value less costs to sell.

3. Directors' remuneration and employees

The emoluments of the directors are paid by other companies within the Severn Trent group

The average number of employees during the year (including executive directors) was nil (2014: nil)

4. Net interest receivable

	2015 £'000	2014 £'000
Interest payable and similar charges on		
- Amounts payable to group undertakings	(2,108)	(2,132)
- Exchange loss on foreign currency loans	(17)	-
Total interest payable and similar charges	(2,125)	(2,132)
Interest receivable on		
- Amounts due from group undertakings	3,126	3,288
- Exchange gain on foreign currency loans	-	1,715
Total interest receivable and similar income	3,126	5,003
	1,001	2,871

Severn Trent Overseas Holdings Limited

Notes to the financial statements

5. Taxation

a) Analysis of tax charge in the year

	2015 £'000	2014 £'000
Current tax		
UK corporation tax at 21% (2014 23%)		
- current year	836	864
- adjustment in respect of prior years	(204)	470
Total current tax	632	1,334

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. The standard rate of UK corporation tax changed from 23% to 21% with effect from 1 April 2014.

The Finance Act 2013 was enacted in 2013 and implemented a reduction in the corporation tax rate from 21% to 20% with effect from 1 April 2015.

On 8 July 2015 the Government announced that the main rate of Corporation Tax would reduce to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The reductions are expected to be substantively enacted in Autumn 2015.

b) Factors affecting the tax charge in the year

The tax assessed for the year is lower than (2014 higher than) the standard rate of corporation tax in the UK of 21% (2014 23%). The differences are explained below.

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	3,122	2,871
Profit on ordinary activities multiplied by the standard UK corporation tax rate of 21% (2014 23%)	656	660
Overseas tax on undistributed subsidiary profits	625	204
Tax effect of income not taxable in determining taxable profits	(445)	-
Adjustments to tax charge in respect of prior periods	(204)	470
Total tax charge for the year	632	1,334

Severn Trent Overseas Holdings Limited

Notes to the financial statements

6 Fixed asset investments

The company has the following investments

Shares in
subsidiary
undertakings
£'000

Cost	
At 1 April 2014 and 31 March 2015	37,514

Related undertakings	Country of operation and incorporation	Principal activity	Percentage and class of share capital held
Severn Trent De Nora (Overseas Holdings) Limited	England and Wales	Holding company	71.41% Ordinary
Severn Trent De Nora LLC	USA	Manufacture of water purification equipment	70% Common
Severn Trent De Nora (TEXAS) LLC	USA	Manufacture of water purification equipment	70% Common
Severn Trent De Nora UK Limited	England and Wales	Manufacture of water purification equipment	70% Ordinary
CEC Water Technologies K K	Japan	Manufacture of water purification equipment	70% Ordinary
Severn Trent De Nora Technologies (Shanghai) Ltd	China	Manufacture of water purification equipment	70% Ordinary
Severn Trent De Nora Srl	Italy	Manufacture of water purification equipment	70% Ordinary
Severn Trent Holdings SA	Belgium	Holding company	100% Ordinary

See note 12 for details of investments sold after the balance sheet date

Severn Trent Overseas Holdings Limited

Notes to the financial statements

7. Debtors

Amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed by group undertakings	45,509	48,259
Corporation tax recoverable	-	621
	45,509	48,880

Amounts falling due after more than one year

	2015 £'000	2014 £'000
Amounts owed by group undertakings	90,286	99,557

8. Creditors' amounts falling due within one year

	2015 £'000	2014 £'000
Loans due to parent and fellow subsidiary undertakings	112,484	112,300
Amounts owed to parent and fellow subsidiary undertakings	452	460
Corporation tax payable	354	-
	113,290	112,760

Amounts due to group undertakings are unsecured, repayable on demand and subject to interest as follows ,

Sterling Loans £110,540,000 with interest payable at a rate of 6 months LIBOR +1 235%

Euro Loan £1,944,000 with interest payable at a rate of 6 months EUROBOR +0 4%

On 11 August 2015 the sterling loans due to parent and fellow subsidiary undertakings were renewed and are now due to mature in 2017

9. Creditors. amounts falling due after more than one year

	2015 £'000	2014 £'000
Loan due to parent and fellow subsidiary undertakings	-	15,579

Severn Trent Overseas Holdings Limited

Notes to the financial statements

10. Share capital

	2015 £'000	2014 £'000
Total issued and fully paid		
62,602,100 ordinary shares of £1 each	62,602	62,602

11. 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 others balances only to the extent that their credit balances can be offset against overdrawn balances of other Severn Trent group companies.

At 31 March 2015 the company's maximum liability under these arrangements was £99,000 (2014 £17,000)

12. Subsequent events

On 12 May 2015 the Severn Trent group entered into a binding agreement to sell their Water Purification business to Industrie De Nora S.p.A (IDN). The sale completed on 3 July 2015. The water purification business included the following direct and indirect undertakings of Severn Trent Overseas Holdings Limited:

Severn Trent De Nora (Overseas Holdings) Limited
Severn Trent DeNora LLC
Severn Trent DeNora (TEXAS), LLC
Severn Trent De Nora UK Limited
CEC Water Technologies K.K.
Severn Trent De Nora Technologies (Shanghai), Ltd
Severn Trent DeNora, Srl

On 11 August 2015 the sterling loans due to parent and fellow subsidiary undertakings were renewed and are now due to mature in 2017.

13. Related party transactions

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

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

14. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Luxembourg Overseas Holdings S.à.r.l.

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.