

Severn Trent Reservoirs Limited

Annual report and financial statements for the year ended 31 March 2019

Company number: 03115315



Severn Trent Reservoirs Limited

Annual report and financial statements for the year ended 31 March 2019

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Severn Trent Reservoirs Limited

Company information

Company number	03115315
Directors	J A Jackson R C McPheely
Secretary	A A Campbell (resigned on 22 February 2019) G Eagle (appointed 22 February 2019)
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP
Solicitor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG

Severn Trent Reservoirs 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 lessor of property assets to other Severn Trent Group companies. The Company acquired from Dresdner Kleinwort Benson overriding leases, which will entitle the Company to receive rentals for the 79 year period commencing on the twentieth anniversary of the granting of the head leases. The head leases have now been transferred to Commerzbank Finance Limited, a subsidiary of Commerzbank.

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 or prospects in the next year.

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.

Results and dividends

The Company's loss for the financial year after taxation was £4,416,000 (2018: £5,075,000). The Directors do not recommend the payment of a dividend (2018: nil).

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).

Financial position and going concern

As at 31 March 2019, the Company has a net liabilities position of £39,334,000 (31 March 2018: £34,918,000). The Company participates in the asset backed funding arrangements which include intercompany arrangements and therefore, the directors consider the financial position of the Company to be satisfactory.

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


R C McPheely
Director
4 December 2019

Severn Trent Reservoirs Limited

Directors' report

The Directors present their annual report and the financial statements of the Company for the year ended 31 March 2019.

Matters included in the Strategic report

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

- Business review and principal activities of the Company
- Results and dividends
- Principal risks and uncertainties
- Financial position and going concern

Directors

The Directors who served during the year and to the date of this report are shown on page 1.

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 judgment 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).

Post balance sheet events

There have been no significant post balance sheet events.

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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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS101 '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.



R C McPheely
Director
4 December 2019

Severn Trent Reservoirs Limited

Income statement

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Finance income	5	2,353	2,172
Finance costs	6	(7,805)	(8,438)
Loss on ordinary activities before tax		(5,452)	(6,266)
Taxation on loss on ordinary activities	7	1,036	1,191
Loss for the year		(4,416)	(5,075)

All results are from continuing 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 Reservoirs Limited

Balance sheet At 31 March 2019

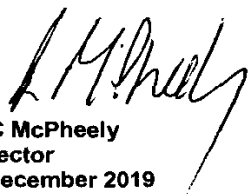
	Note	2019 £'000	2018 £'000
Non-current assets			
Trade and other receivables	8	181,483	193,833
		181,483	193,833
Current assets			
Trade and other receivables	8	2,666	2,088
Cash and cash equivalents		134	1,382
		2,800	3,470
Current liabilities			
Borrowings	9	(9,141)	(8,544)
Net current liabilities		(6,341)	(5,074)
Non-current liabilities			
Borrowings	9	(214,476)	(223,677)
Net liabilities		(39,334)	(34,918)
Equity			
Called up share capital	10	-	-
Retained earnings		(39,334)	(34,918)
Total equity		(39,334)	(34,918)

For the year ended 31 March 2019 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 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 accounts.

The financial statements were approved by the Board of Directors on 4 December 2019. They were signed on its behalf by:



R C McPheely
Director
4 December 2019

Company Number: 03115315

Severn Trent Reservoirs Limited

Statement of changes in equity

For the year ended 31 March 2019

	Share capital £'000	Retained earnings £'000	Total £'000
As at 1 April 2017	–	(29,843)	(29,843)
Total comprehensive loss for the year	–	(5,075)	(5,075)
As at 31 March 2018	–	(34,918)	(34,918)
Total comprehensive loss for the year	–	(4,416)	(3,128)
As at 31 March 2019	–	(39,334)	(38,046)

Severn Trent Reservoirs 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 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 payment, 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 14.

i) Changes in accounting policies – IFRS 9 and IFRS 15

In the current financial year the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. There is no material impact on the financial statements from the adoption of these new accounting standards.

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.

e) Leased assets

Leases where the Company obtains assets which transfer substantially all the risks and rewards of ownership to the Company are treated as finance leases. The lower of the fair value of the leased asset or the present value of the minimum lease payments is capitalised as an asset with a corresponding liability representing the obligation to the lessor. Lease payments are treated as consisting of a capital element and a finance charge; the capital element reducing the obligation to the lessor and the finance charge being written off to the income statement at a constant rate over the period of the lease in proportion to the capital amount outstanding. Depreciation is charged over the shorter of the estimated useful life and the lease period.

Leases where substantially all the risks and rewards of ownership remain with the lessor are classified as operating leases. Rental costs arising under operating leases are expensed on a straight line basis over the term of the lease. Leases of land are normally treated as operating leases, unless ownership is transferred to the Company at the end of the lease.

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Notes to the financial statements (continued)

2. Critical accounting judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, no critical accounting judgments or accounting estimates were required.

3. Employee numbers

The average number of employees (including Executive Directors) during the year was nil (2018: nil).

4. 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.

5. Finance income

	2019 £'000	2018 £'000
Interest income earned on:		
Amounts due from parent company	2,353	2,172

6. Finance costs

	2019 £'000	2018 £'000
Interest expenses charged on:		
Amounts payable to fellow group undertakings	7,805	8,438

7. Taxation

a) Analysis of tax credit in the year

	2019 £'000	2018 £'000
Group relief - current year at 19% (2018: 19%)	1,036	1,191
Total current tax credit	1,036	1,191

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.

b) Factors affecting the tax credit in the year

The tax assessed for the current year is equal to (2018: equal to) the standard rate of corporation tax in the UK of 19% (2018: 19%).

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Notes to the financial statements (continued)

8. Trade and other receivables

	2019 £'000	2018 £'000
Current assets		
Other amounts receivable from parent company	2,396	2,088
Interest receivable	270	–
	2,666	2,088
Non-current assets		
Amounts receivable from parent company under loan agreements	115,953	128,303
Amounts due in respect of future lease rentals (2021-2100)	65,530	65,530
Amounts receivable from group undertakings under loan agreements	–	–
	181,483	193,833
	184,149	195,921

The Company has a facility of £15,000,000 available to Severn Trent Water Limited, of which £14,630,000 (2018: £12,900,000) is drawn down at 31 March 2019. The loan is unsecured with interest due at LIBOR + 1.025%, maturing on 5 October 2021.

The Company has an additional intercompany loan of £101,323,000 (2017: £115,400,000) available to Severn Trent Water Limited. Interest is due at LIBOR + 0.825% and the loan matures on 29 February 2032.

Amounts due in respect of future lease rentals relate to amounts paid to Commerzbank Finance Limited for head leases, which will be assigned to the Company in 2021.

9. Borrowings

	2019 £'000	2018 £'000
Current liabilities		
Amounts owed to subsidiaries under loan agreements	9,141	8,544
Non-current liabilities		
Amounts owed to subsidiaries under loan agreements	214,476	223,677
	223,617	232,221

The amounts owed to subsidiaries under loan agreements fall due as follows:

	2019 £'000	2018 £'000
Within 1 year	9,141	8,544
1 – 2 years	12,571	9,148
2 – 5 years	40,598	39,155
5 – 10 years	83,777	78,864
10 – 15 years	77,530	96,510
Included in non-current liabilities	214,476	223,677
	223,617	232,221

On 31 March 2017, a new asset backed funding arrangement was implemented, as part of the funding plan for the Severn Trent defined benefit pension schemes. The Company has issued a £240,000,000 loan note to Severn Trent LCP Limited, who have transferred the loan note to Severn Trent 2017 Limited Partnership. The loan note matures in 2032 and provides index-linked annual payments, starting at £15 million for 2017/18.

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Notes to the financial statements (continued)

10. Share capital

	2019 £	2018 £
Total issued and fully paid share capital		
1 ordinary share of £1	1	1

11. Contingent liabilities

The banking arrangement 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 2019 the Company's maximum exposure under these arrangements was £134,000 (31 March 2018: £1,382,000).

12. 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.

13. Post balance sheet events

On the 23 September 2018, the Company extended the facility of £15,000,000 available to Severn Trent Water Limited to £18,000,000. The loan is unsecured with interest due at LIBOR + 1.025%, maturing on 5 October 2021.

14. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Water Limited, which is the parent undertaking and controlling party of the smallest group to consolidate these financial statements.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the 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.