

Severn Trent (W&S) Limited

Report and financial statements for the year ended 31 March 2011

Company number 03995023

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Severn Trent (W&S) Limited

Report and financial statements for the year ended 31 March 2011

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Severn Trent (W&S) Limited

Company information

Company number	03995023
Directors	R C McPheely K A A Porritt P M Senior (resigned 1 November 2011) G P Tyler (appointed 1 November 2011)
Secretary	M Armitage
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Bankers	Lloyds TSB Bank Plc 125 Colmore Row Birmingham B3 2DS
Solicitors	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Auditor	Deloitte LLP Chartered Accountants Four Brindleyplace Birmingham B1 2HZ

Severn Trent (W&S) Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2011

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc and operates as part of the Severn Trent group's Severn Trent Water business

The principal activity of the company is to act as a finance company for the Severn Trent group's non-regulated activities

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.

During the year the company was involved in a reorganisation of the Severn Trent group that created a regulated and non-regulated sub group in order to facilitate

- The unbundling of assets and services that might arise from future deregulation,
- The provision of services from the non-regulated group to the regulated group, and
- Separate funding of the regulated and non-regulated groups

As part of this exercise the company incorporated a new subsidiary, Severn Trent Carsington Limited, and then transferred its shares in Severn Trent Water Limited to Severn Trent Carsington in exchange for shares in that company. Severn Trent Carsington then sold its investment in Severn Trent Water to Severn Trent Investment Holdings Limited for £2,684 million with the consideration being left outstanding as an intra-group loan.

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 Severn Trent Water business, which includes this company, is discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

Results and dividends

The company's loss for the financial year after taxation was £27,100,000 (2010 profit of £157,800,000). The directors do not recommend the payment of a dividend.

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 Accounts (which does not form part of this report).

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 Accounts (which does not form part of this report).

Employees

There are no employees of this company.

Directors

The directors who served during the year are shown on page 1. On 18 February 2011 R P Brierley resigned and M Armitage was appointed as Company Secretary. On 1 November 2011 P M Senior resigned and G P Tyler was appointed as a director to the company.

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.

Severn Trent (W&S) Limited

Directors' report

Directors' responsibilities statement

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

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

Going concern and financial position

The directors have considered the financial position and future prospects of the company. The directors believe that the company has access to sufficient resources to manage its business risks successfully despite the current uncertain economic outlook. In particular 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. 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 accounts.

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.

Auditor and disclosure of information to auditor


In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

Relevant audit information means information needed by the company's auditor in connection with preparing its report. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to continue as auditor.

By order of the board


R C McPheely
Director
16 December 2011

Independent auditor's report to the members of Severn Trent (W&S) Limited

We have audited the financial statements of Severn Trent (W&S) Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

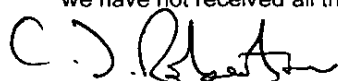
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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 required for our audit.



Christopher Robertson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom

16 December 2011

Severn Trent (W&S) Limited

Profit and loss account For the year ended 31 March 2011

	Notes	2011 £m	2010 £m
Operating costs		(6 7)	(0 6)
Total operating costs	2	(6 7)	(0 6)
Operating loss		(6 7)	(0 6)
Income from share in group undertakings		-	170 0
Net interest payable	4	(31 0)	(16 1)
(Loss)/profit before tax		(37 7)	153 3
Taxation on (loss)/profit on ordinary activities	5	10 6	4 5
(Loss)/profit for the financial year		(27 1)	157 8

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

The company has no recognised gains or losses other than the (loss)/profit above and therefore no separate statement of total recognised gains and losses has been presented


Movements in shareholder's funds are disclosed in note 13

Severn Trent (W&S) Limited

Balance sheet As at 31 March 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investments	7	2,038 4	2,038 4
		2,038 4	2,038 4
Current assets			
Debtors	8	302 1	328 0
Cash at bank and in hand		1.1	0 4
		303 2	328 4
Creditors amounts falling due within one year	9	(1,706 4)	(1 3)
Net current (liabilities)/assets		(1,403 2)	327 1
Total assets less current liabilities		635 2	2,365 5
Creditors amounts falling due after more than one year	10	(1 0)	(1,704 2)
Net assets		634 2	661 3
Capital and reserves			
Share capital	11	500 1	500 1
Profit and loss account	12	134 1	161 2
Total shareholder's funds		634 2	661 3

The financial statements were approved by the board of directors on 16 December 2011. They were signed on its behalf by


R C McPheely
Director
16 December 2011
Company Number 03995023

Severn Trent (W&S) Limited

Notes to the financial statements

1. Accounting policies

a) Accounting convention

The financial statements have been prepared on the going concern basis (see Directors' report) under the historical cost convention, 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 accounts of Severn Trent Plc. Consequently, the directors have taken advantage of the exemption available under section 400 of the United Kingdom Companies Act 2006 from preparing group accounts

The company has taken advantage of the exemption of FRS 1 'Cash flow statements' and not presented a cash flow statement

c) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate

Exchange differences are included in the profit and loss account

d) Current and deferred taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in respect of timing differences between the treatment of certain items for taxation and accounting purposes only to the extent that the company has an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax laws enacted or substantively enacted by the balance sheet date

e) Investments

Investments held as fixed assets are stated at cost less amounts written off

f) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Severn Trent (W&S) Limited

Notes to the financial statements

2. Operating loss

	£m	£m
Operating loss is stated after charging		
Foreign exchange losses	6.7	-
Other operating costs	-	0.6
	6.7	0.6
Total operating costs	6.7	0.6

The audit fee of £8,000 (2010 £8,000) was paid by the parent undertaking on behalf of the company

There were no fees payable to the auditor other than those disclosed above

The average number of employees (including executive directors) during the year was nil (2010 nil)

3. Directors' remuneration

The emoluments of the directors are paid by other companies within the Severn Trent group. The directors do not receive any remuneration for services to this company.

4. Net interest payable

	2011 £m	2010 £m
Interest payable and similar charges		
Amounts payable to group undertakings	(33.5)	(29.2)
Total interest payable and similar charges	(33.5)	(29.2)
Interest receivable on		
Bank deposits	-	0.2
Amounts due from group undertakings	2.5	5.1
Other finance income	-	7.8
Total interest receivable	2.5	13.1
Net interest payable	(31.0)	(16.1)

Severn Trent (W&S) Limited

Notes to the financial statements

5. Tax on (loss)/profit on ordinary activities

	2011 £m	2010 £m
Current tax		
Group relief receivable at 28% (2010 28%)		
- current year	(10 6)	(4 5)
Total current tax	(10 6)	(4 5)
Total tax on (loss)/profit on ordinary activities	(10 6)	(4 5)

The tax assessed for the year is equal to (2010 lower to) the standard rate of corporation tax in the UK, 28% (2010 28%)
The differences are explained below

	2011 £m	2010 £m
(Loss)/profit on ordinary activities before tax	(37 7)	153 3
Tax on ordinary activities at standard UK corporation rate of 28% (2010 28%)	(10 6)	42 9
Effects of		
Expenses not deductible for tax purposes	-	0 2
Dividend income	-	(47 6)
Current tax (credit)/charge for the year	(10 6)	(4 5)

The company earns profits primarily in the UK. Therefore the tax rate used for tax on (loss)/profit on ordinary activities is the standard rate for UK corporation tax, currently 28%

On 23 March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. The reduction to 26% was substantively enacted on 29 March 2011 and therefore has been reflected in the financial statements for the purpose of calculating deferred tax assets and liabilities.

6. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period

No dividends were declared or paid in the year ended 31 March 2011

In the year ended 31 March 2010 interim dividends of £163.0 million on the Ordinary shares were paid. £63 million at 0.13 pence per share and £100 million at 0.20 pence per share. A dividend of £23,310 was also paid on 'A' preference shares at 23 pence per share.

Severn Trent (W&S) Limited

Notes to the financial statements

7. Fixed asset investments

The company has the following investments which principally affected its profits or net assets

	Country of operation and incorporation	Principal activity	Equity interest	Percentage of share capital held
Severn Trent Services International Limited	UK	Water services consultancy	Ordinary	100
Severn Trent Services International (Overseas Holdings Limited	UK	Holding Company	Ordinary	100
Charles Haswell & Partners Ltd	UK	Engineering	Ordinary	100
Coast to Coast Holdings Ltd	UK	Holding company	Ordinary	80
Umbria Due Servizi Idrici S c a r L	Italy	ATO services provider	Quota	1
Gunthorpe Fields Ltd	UK	Property development	Ordinary	100
Debeo Debt Recovery Ltd	UK	Dormant	Ordinary	100
Severn Trent Utility Services Limited	UK	Holding company	Ordinary	100
Severn Trent Carsington Limited	UK	Holding company	Ordinary	100

	Subsidiary undertakings £m
Cost	
At 1 April 2010	2,038 4
Additions	2,005 0
Disposals	(2,005 0)
At 31 March 2011	2,038 4
Net book value	
At 31 March 2011	2,038 4
At 31 March 2010	2,038 4

During the year the company incorporated a new subsidiary, Severn Trent Carsington Limited, and then transferred its shares in Severn Trent Water Limited to Severn Trent Carsington in exchange for shares in that company. Severn Trent Carsington then sold its investment in Severn Trent Water to Severn Trent Investment Holdings Limited for £2,684 million with the consideration being left outstanding as an intra-group loan.

Severn Trent (W&S) Limited

Notes to the financial statements

8. Debtors

Amounts falling due within one year

	2011 £m	2010 £m
Amounts owed by group undertakings	288 1	309 8
	288 1	309 8

Amounts falling due after more than one year

	2011 £m	2010 £m
Amounts owed by group undertakings	14 0	18 2
	14 0	18 2

9. Creditors: amounts falling due within one year

	2011 £m	2010 £m
Loans due to parent and fellow subsidiary undertakings	1,704.5	-
Borrowings	1,704 5	-
Amounts owed to parent and fellow subsidiary undertakings	1 9	1 3
	1,706 4	1 3

Amounts due to group undertakings are unsecured and repayable on demand

The intercompany loan is with Severn Trent European Finance SRL. It is payable on 21 March 2012, unsecured and has a floating interest rate that was 1.85375% at the year end

10. Creditors: amounts falling due after one year

	2011 £m	2010 £m
Loans due to parent and fellow subsidiary undertakings	-	1,703 2
Preference share capital	1 0	1 0
Borrowings	1 0	1,704 2
	1 0	1,704 2

The redeemable preference shares are presented as a liability and accordingly are excluded from called up share capital in the balance sheet in accordance with FRS 25

'A' Redeemable Preference Shares of £1 each are entitled to a cumulative preferential dividend at the Specified Gilt Rate plus 1.05% per annum and shall be redeemed without notice on 11 April 2016. Holders of 'A' Redeemable Preference Shares of £1 each are entitled to receive notice of, attend, speak and vote at a General Meeting of the company only if a resolution is to be proposed that relates to rights or privileges attached to the 'A' Redeemable Preference Shares

Severn Trent (W&S) Limited

Notes to the financial statements

11. Share capital

	2011 £'000	2010 £'000
Total issued and fully paid		
500,100,000 ordinary shares of £1 each	500,100	500,100
	500,100	500,100

The company has also issued 1,000,000 'A' Redeemable Preference Shares that have been classified as a liability (see note 10)

12. Reserves

	Profit and loss account £m
At 1 April 2010	161.2
Loss for the financial year	(27.1)
At 31 March 2011	134.1

13. Reconciliation of movement in shareholder's funds

	2011 £m	2010 £m
(Loss)/profit for the financial year	(27.1)	157.8
Dividends paid on equity shares	-	(163.0)
Net reduction in shareholder's funds	(27.1)	(5.2)
Opening shareholder's funds	661.3	666.5
Closing shareholder's funds	634.2	661.3

14. 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 group overdrawn balances.

At 31 March 2011 the company's maximum liability under this arrangement was £1.1m (2010: £0.4m).

15. Related party transactions

Transactions with the directors of the company are disclosed in note 3.

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Severn Trent Plc group.

Severn Trent (W&S) Limited

Notes to the financial statements

16. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Holdings 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.