

# **Severn Trent (W&S) Limited**

## **Annual report and financial statements for the year ended 31 March 2016**

Company number 03995023

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# **Severn Trent (W&S) Limited**

## **Annual report and financial statements for the year ended 31 March 2016**

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# Severn Trent (W&S) Limited

## Company information

<b>Company number</b>	03995023
<b>Directors</b>	M J Dovey J A Jackson B Kennedy 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 (W&S) 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 finance company for the Severn Trent group's non-regulated activities

There has been no change in the carrying value of investments during the year and no indicators of impairment have been identified

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

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  
16 December 2016

# Severn Trent (W&S) Limited

## Directors' report

The directors present their annual report and the financial statements of the company for the year ended 31 March 2016

### 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

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 loss for the financial year after taxation was £26.2 million (2015: £25.0 million). The directors do not recommend the payment of a dividend.

### Post balance sheet events

#### *Water Plus joint venture*

On 1 March 2016 the Severn Trent Plc Group announced its intention, subject to approval from the Competition and Markets Authority (CMA) to enter into a joint venture with United Utilities PLC to compete in the non-household water and waste water retail market in Great Britain.

On 3 May 2016 the CMA announced approval of the joint venture. On this date the group determined that completion of the proposed transaction became highly probable and the non-household retail business was classified as a disposal group and discontinued operation with effect from this date.

# Severn Trent (W&S) 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 applicable United Kingdom Accounting standards, including 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  
16 December 2016

# Severn Trent (W&S) Limited

## Income statement

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Finance income	5	2 4	2 4
Finance costs	6	(35 2)	(34 0)
<b>Loss on ordinary activities before tax</b>		<b>(32 8)</b>	<b>(31 6)</b>
Current tax	7	6 6	6 6
<b>Loss for the financial year</b>		<b>(26.2)</b>	<b>(25 0)</b>

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 (W&S) Limited

## Balance sheet

At 31 March 2016

	Note	2016 £m	2015 £m
<b>Non-current assets</b>			
Investments	8	2,042 4	2,042 4
Trade and other receivables	9	90 6	1 2
		<b>2,133 0</b>	<b>2,043 6</b>
<b>Current assets</b>			
Trade and other receivables	9	106 0	186 9
Cash and cash equivalents		1 6	1 4
		<b>107 6</b>	<b>188 3</b>
<b>Total assets</b>		<b>2,240 6</b>	<b>2,231 9</b>
<b>Current liabilities</b>			
Borrowings	10	(3 0)	(1,721 7)
		<b>(3 0)</b>	<b>(1,721 7)</b>
<b>Non-current liabilities</b>			
Borrowings	10	(1,755 6)	(1 9)
		<b>(1,755 6)</b>	<b>(1 9)</b>
<b>Total liabilities</b>		<b>(1,758 6)</b>	<b>(1,723 6)</b>
<b>Net assets</b>		<b>482 0</b>	<b>508 3</b>
<b>Equity</b>			
Called up share capital	11	500 1	500 1
Retained earnings		(18 1)	8 2
<b>Total equity</b>		<b>482 0</b>	<b>508 3</b>

For the year ending 31 March 2016 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 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 16 December 2016. They were signed on its behalf by



R C McPheely  
Director  
16 December 2016  
Company Number 03995023

## Severn Trent (W&S) Limited

### Statement of changes in equity For the year ended 31 March 2016

	Share capital £'m	Retained earnings £'m	Total £'m
At 1 April 2014	500.1	33.2	533.3
Loss and total comprehensive loss for the year	–	(25.0)	(25.0)
At 31 March 2015	500.1	8.2	508.3
Loss and total comprehensive loss for the year	–	(26.3)	(26.3)
At 31 March 2016	500.1	(18.1)	482.0

# 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 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 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 14

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

#### 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 (W&S) Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### e) Impairment of fixed 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) 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.

### 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 estimation 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. Employee numbers

The average monthly number of employees (including executive directors) during the year was nil (2015: 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

	2016 £m	2015 £m
Interest income earned on		
- amounts due from group undertakings	2.4	2.4

# Severn Trent (W&S) Limited

## Notes to the financial statements (continued)

### 6. Finance costs

	2016 £m	2015 £m
Interest expense charged on - amounts payable to group undertakings	35.2	34.0

### 7. Taxation

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

	2016 £m	2015 £m
<b>Current tax</b>		
Group relief at 20% (2015: 21%)	6.6	6.6
	6.6	6.6

The company earns profits primarily in the UK. Therefore, the tax on profit on ordinary activities is the standard rate for UK corporation tax. The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015.

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

The tax assessed for the current year is equal to (2015: equal to) the standard rate of corporation tax in the UK of 20% (2015: 21%).

### 8. Investment in subsidiary undertakings

	£m
At 1 April 2015 and 31 March 2016	2,042.4

In the opinion of the directors the fair values of the company's investments are not less than the amount at which they are stated in the balance sheet.

### 9. Trade and other receivables

	2016 £m	2015 £m
<b>Current assets</b>		
Amounts receivable from group undertakings	106.0	99.2
Amounts receivable from group undertakings under loan agreements	–	87.7
	106.0	186.9

	2016 £m	2015 £m
<b>Non-current assets</b>		
Amounts receivable from group undertakings under loan agreements	90.6	1.2
	90.6	1.2

# Severn Trent (W&S) Limited

## Notes to the financial statements (continued)

### 10. Borrowings

	2016 £m	2015 £m
<b>Current liabilities</b>		
1,000,000 "A" Redeemable preference shares of £1 each	1.9	–
Loans due to group undertakings	–	1,720.4
Amounts owed to parent and fellow subsidiary undertakings	0.9	1.3
	<b>2.8</b>	<b>1,721.7</b>
	2016 £m	2015 £m
<b>Non-current liabilities</b>		
1,000,000 "A" Redeemable preference shares of £1 each	–	1.9
Loans due to group undertakings	1,755.6	–
	<b>1,755.6</b>	<b>1.9</b>

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 IAS 32

'A' Redeemable Preference Shares of £1 each are entitled to a cumulative preferential dividend at the Specified Gilt Rate plus 1.04% per annum and shall be redeemed at an amount of £1.27 increased by the percentage increase in the retail price index 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

### 11. Share capital

	2016 £m	2015 £m
<b>Total issued and fully paid share capital</b>		
500,100,000 ordinary shares of £1 each	500.1	500.1

### 12. 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 2016 the company's maximum exposure under these arrangements was £1.6 million (2015: £1.4 million).

### 13. 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 subsidiaries which are consolidated into the Severn Trent Plc group.

### 14. 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.

# Severn Trent (W&S) Limited

## Notes to the financial statements (continued)

### 15. Related Undertakings

At the year end, the company had the following related undertakings, held directly or indirectly

Related undertakings	Country of operation and incorporation	Percentage of share capital held	Class of share capital held
Charles Haswell and Partners Limited	United Kingdom	100%	Ordinary shares
Cognica Limited	United Kingdom	49.995%	A and B shares
Debeo Debt Recovery Limited	United Kingdom	100%	Ordinary shares
Gunthorpe Fields Limited	United Kingdom	100%	Ordinary shares
ISE Ingegneria Servizi Energetici Srl	Italy	34.303%	Quota shares
Iseco SpA	Italy	80%	Ordinary shares
Servizio Idrico Integrato	Italy	25%	Ordinary shares
Severn Trent (Del ) Inc	United States	100%	Common stock shares
Severn Trent Africa (Pty) Ltd	South Africa	100%	Ordinary shares
Severn Trent Carsington Limited	United Kingdom	90.633%	Ordinary A shares
Severn Trent Environmental Services, Inc	United States	100%	Ordinary shares
Severn Trent Finance Limited	United Kingdom	100%	Ordinary shares
Severn Trent Financing and Investments Limited	United Kingdom	100%	Ordinary shares
Severn Trent Holdings SA	Belgium	100%	Ordinary shares
Severn Trent Italia SpA	Italy	100%	Ordinary shares
Severn Trent Luxembourg Overseas Holdings S à r l	Luxembourg	100%	Ordinary shares
Severn Trent Overseas Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Response Limited	Ireland	60%	Ordinary shares
Severn Trent Select Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services (Water and Sewerage) Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services Defence Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services Defence Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services Inc	United States	100%	Ordinary shares
Severn Trent Services Finance Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services International (Overseas Holdings) Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services International Limited	United Kingdom	100%	Ordinary shares
ST Services of Georgia LLC	United States	100%	Ordinary shares
Severn Trent Services Operations UK Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services UK Limited	United Kingdom	100%	Ordinary shares
Severn Trent Utility Services Limited	United Kingdom	100%	Ordinary shares
Umbra due Servizi Idrici Scarl	Italy	64%	Quota

### 16. Subsequent events

#### *Water Plus joint venture*

On 1 March 2016 the Severn Trent Plc Group announced its intention, subject to approval from the Competition and Markets Authority (CMA) to enter into a joint venture with United Utilities PLC to compete in the non-household water and waste water retail market in Great Britain

On 3 May 2016 the CMA announced approval of the joint venture. On this date the group determined that completion of the proposed transaction became highly probable and the non-household retail business was classified as a disposal group and discontinued operation with effect from this date