

Severn Trent (W&S) Limited

Annual report and financial statements for the year ended 31 March 2023

Company number: 03995023

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Severn Trent (W&S) Limited

Annual report and financial statements for the year ended 31 March 2023

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Severn Trent (W&S) Limited

Company information

Company number	03995023
Directors	R C McPheely A P Stephens B Kennedy (resigned 2 December 2022) H Woodall-Pagan (appointed 2 December 2022)
Secretary	G Eagle
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 (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)

Results and dividends

The company's loss for the financial year after taxation was £38.6 million (2022: £36.5 million).

The directors do not recommend payment of a dividend (2022: nil).

Principal risks and uncertainties

Treasury management

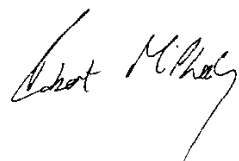
The Severn Trent group manages its treasury operations on a group basis. Financial risk management is performed by Severn Trent's Group Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management 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 2023, the Company had net assets of £289.2 million (2022: £327.8 million) and net current assets of £10.1 million (2022: £99.4 million).

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, when required, 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, including financial resources available from other group companies, 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
15 December 2023

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 2023.

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, including financial risk management
- Financial position and going concern.

Directors

The directors who served during the year are shown on page 1.

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.

Severn Trent (W&S) Limited

Directors' responsibilities statement

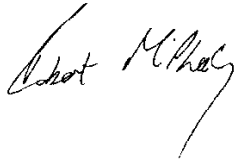
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 judgments 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



R C McPheely
Director
15 December 2023

Severn Trent (W&S) Limited

Income statement

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Impairment of investment in subsidiary		–	(20.0)
Loss before interest and tax		–	(20.0)
Finance income	5	6.6	3.2
Finance costs	6	(54.3)	(23.6)
Net finance costs		(47.7)	(20.4)
Loss before taxation		(47.7)	(40.4)
Current tax	7	9.1	3.9
Loss for the year		(38.6)	(36.5)

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 2023

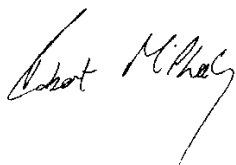
	Note	2023 £m	2022 £m
Non-current assets			
Investments	8	2,022.4	2,022.4
Trade and other receivables	9	233.0	233.0
		2,255.4	2,255.4
Current assets			
Trade and other receivables	9	0.2	—
Current tax recoverable		12.9	100.5
Cash and cash equivalents		0.5	0.3
		13.6	100.8
Current liabilities			
Trade and other payables		(3.5)	(1.4)
Net current assets		10.1	99.4
Total assets less current liabilities		2,265.5	2,354.8
Non-current liabilities			
Borrowings	10	(1,976.3)	(2,027.0)
Net assets		289.2	327.8
Equity			
Called up share capital	11	500.1	500.1
Retained earnings		(210.9)	(172.3)
Total equity		289.2	327.8

For the year ended 31 March 2023, 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 15 December 2023. They were signed on its behalf by:



R C McPheely
Director
15 December 2023
Company Number: 03995023

Severn Trent (W&S) Limited

Statement of changes in equity For the year ended 31 March 2023

	Share capital £m	Retained earnings £m	Total £m
At 1 April 2021	500.1	(135.8)	364.3
Total comprehensive loss for the year	—	(36.5)	(36.5)
At 31 March 2022	500.1	(172.3)	327.8
Total comprehensive loss for the year	—	(38.6)	(38.6)
At 31 March 2023	500.1	(210.9)	289.2

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 at fair value, and in accordance with applicable United Kingdom Accounting Standards and comply with the requirements of the Companies Act 2006. The principal accounting policies, which have been applied consistently in the current and preceding year are set out below.

Severn Trent (W&S) Limited (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 as defined in 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 United Kingdom adopted International Financial Reporting Standards have been applied, with amendments where necessary in order to comply with 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 which are available to the public and can be obtained as set out in note 16.

c) Revenue recognition

Revenue includes interest income.

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

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.

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.

Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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) Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Investments in subsidiaries are reviewed for impairment in line with note 1 f), when indicators of impairment have been identified.

Other investments are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in profit or loss.

f) 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 the business.

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.

g) Borrowings

Borrowings are initially recognised at fair value less issue costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue costs are charged to the income statement and added to the carrying value of borrowings at a constant rate in proportion to the capital amount outstanding.

h) Loans receivable

Loans receivable are measured at fair value on initial recognition, less issue fee income received. All loan receivables are held for collection of contractual cash flows, which represent solely payments of principal and interest. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue fee income are credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding.

The Company recognises a loss allowance for expected credit losses (ECL) on its loans receivable from Group undertakings when there has been a significant increase in credit risk since initial recognition. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the loans. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Severn Trent (W&S) Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

h) Loans receivable (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of default over the remaining life of the asset at the reporting date with the risk of default for the same period at initial recognition. In making this assessment, the Company considers both quantitative and qualitative information about the risk of default that is reasonable and supportable, including forward-looking information that is available. This includes assessment of a deterioration in; actual or expected business; financial or economic conditions of the borrower; actual or expected operating results, cash flows and financial position of the borrower; and the regulatory, economic, or technological environment faced by the borrower.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Definition of default

The Company considers that a default has taken place where information developed internally indicates that the borrower is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. Critical accounting judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, the Company has made no critical accounting judgments and there are no key sources of estimation uncertainty.

3. Employee numbers

The average number of employees during the year (including Executive Directors) was nil (2022: nil).

4. Directors' remuneration

The emoluments of the Directors are paid by other companies within the Severn Trent Group.

5. Finance income

	2023 £m	2022 £m
Interest income earned on:		
Amounts due from group undertakings	6.6	3.2

6. Finance costs

	2023 £m	2022 £m
Interest charged on:		
- amounts payable to group undertakings	54.3	23.6

Severn Trent (W&S) Limited

Notes to the financial statements (continued)

7. Taxation

a) Analysis of tax credit in the year

	2023 £m	2022 £m
Current tax		
Group relief at 19% (2022: 19%)	9.1	3.9

b) Factors affecting the tax credit in the year

The tax credit for the current year is equal to (2022: lower than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

	2023 £m	2022 £m
Loss before taxation	(47.7)	(40.4)
Tax at standard rate of corporation tax in the UK 19% (2022: 19%)	9.1	7.7
Disallowable costs	–	(3.8)
Total tax credit	9.1	3.9

8. Investment in subsidiary undertakings

At 1 April 2022 and 31 March 2023	2,022.4
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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

	2023 £m	2022 £m
Current assets		
Other amounts receivable	0.2	–
	0.2	100.5
Non-current assets		
Loans receivable from group undertakings under loan agreements	233.0	233.0
	233.2	333.5

The Company has a facility of £300,000,000 available to Severn Trent Holdings Limited. The loan is unsecured with interest payable at the Bank of England Base Rate plus a margin of 1.375% and matures on 22 March 2026.

Severn Trent (W&S) Limited

Notes to the financial statements (continued)

10. Borrowings

	2023	2022
	£m	£m
Non-current liabilities		
Loans due to group undertakings	1,976.3	2,027.0
	1,976.3	2,027.0

The Company has a facility of £1,800,000,000 available from Severn Trent Carsington Limited. The loan is unsecured with interest payable at the Bank of England Base Rate + 1.375% and matures on 20 March 2026.

The Company has a facility of £300,000,000 available from Severn Trent Investment Holdings Limited. The loan is unsecured and attracts interest at the Bank of England Base Rate + 1.375% and matures on 21 September 2025.

11. Trade payables

	2023	2022
	£m	£m
Current liabilities		
Amounts owed to group undertakings	3.5	1.4

12. Share capital

	2023	2022
	£m	£m
Total issued and fully paid share capital		
500,100,000 ordinary shares of £1 each	500.1	500.1

13. 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 2023 the company's maximum exposure under these arrangements was £0.5m (2022: £0.3m).

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. Post balance sheet events

There have been no significant post balance sheet events.

Severn Trent (W&S) Limited

Notes to the financial statements (continued)

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.

17. Related undertakings

At 31 March 2023 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
Debeo Debt Recovery Limited	United Kingdom	100%	Ordinary shares
Severn Trent Carsington Limited	United Kingdom	90.633%	Ordinary A shares
Severn Trent Finance Limited	United Kingdom	100%	Ordinary shares
Severn Trent Overseas Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Property Solutions 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 International (Overseas Holdings) Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services International Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services Operations UK Limited	United Kingdom	100%	Ordinary shares
Water Plus Group Limited	United Kingdom	50%	Ordinary shares
Water Plus Limited	United Kingdom	50%	Ordinary shares
Water Plus Select Limited	United Kingdom	50%	Ordinary shares

Unless stated below, the registered office of the aforementioned entities is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ, United Kingdom.

Company	Registered office
Water Plus Group Limited	Two Smithfield, Leonard Coates Way, Stoke-on-Trent ST1 4FD
Water Plus Limited	Two Smithfield, Leonard Coates Way, Stoke-on-Trent ST1 4FD
Water Plus Select Limited	Two Smithfield, Leonard Coates Way, Stoke-on-Trent ST1 4FD