

# **Severn Trent Finance Limited**

## **Annual report and financial statements for the year ended 31 March 2017**

Company number: 06294618

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# **Severn Trent Finance Limited**

## **Annual report and financial statements for the year ended 31 March 2017**

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# **Severn Trent Finance Limited**

## **Company information**

<b>Company number</b>	06294618
<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 Finance Limited

## Strategic report

### Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc.

The principal activity of the company is to act as a holding company for subsidiary companies in the Severn Trent group.

In February 2017, the company allotted and issued 575,000 ordinary shares of £1 each to Severn Trent Carsington Limited, the immediate parent undertaking, in consideration for a transfer of 95% ownership of Severn Trent Luxembourg Overseas Holdings S.a.r.l.. The company now owns 100% of Severn Trent Luxembourg Overseas Holdings S.a.r.l., resulting in an increase in investments from £5,384,000 to £258,368,000 and share premium of £252,409,000.

In March 2017, the company received a dividend of £124,421,000 from Severn Trent Luxembourg Overseas Holdings S.a.r.l., settled through the transfer of ownership of Severn Trent Overseas Holdings S.a.r.l., to the company (increase in investments of £47,718,000) and amounts receivable from group undertakings under loan agreement (£76,702,000).

On 23 February 2017, Severn Trent Plc completed the disposal of the group's Italian business (Operating Services, Italy), which formed part of the Business Services segment, to Acea S.p.A. As part of the disposal, a number of indirect subsidiary undertakings of the company were sold.

On 3 July 2017, Severn Trent Plc announced the disposal of the group's North American business (Operating Services, US), which formed part of the Business Services segment, to US investors PPC Enterprises LLC and Alston Capital Partners LLC. As part of the disposal, a number of indirect subsidiary undertakings of the company were sold.

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.

The company does not trade 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.

### 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

13 December 2017

# Severn Trent Finance Limited

## Directors' report

The directors present their annual report and the financial statements of the company for the year ended 31 March 2017.

### 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.

### 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 profit for the financial year after taxation was £125,815,000 (2016: £1,555,000). The directors do not recommend the payment of a dividend (2016: nil).

### Post balance sheet events

On 3 July 2017, Severn Trent Plc announced the disposal of the group's North American business (Operating Services, US), which formed part of the Business Services segment, to US investors PPC Enterprises LLC and Alston Capital Partners LLC. As part of the disposal, a number of indirect subsidiary undertakings of the Company were sold.

On 24 April 2017, the £10,000,000 loan facility available to Severn Trent Plc was extended to £100,000,000 and for another year, resulting in a new maturity date of 5 December 2018. On 9 October 2017 this was further renewed, extending the maturity date to 5 December 2019.

On 24 April 2017, the £93,000,000 loan facility available to Severn Trent Investment Holdings Limited was extended to £95,000,000 and for another year, resulting in a new maturity date of 20 March 2019. On 9 October 2017 this was further renewed, extending the maturity date to 20 March 2020.

# Severn Trent Finance 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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.

By order of the board



**A A Campbell**  
**Company Secretary**  
13 December 2017

# Severn Trent Finance Limited

## Income statement

For the year ended 31 March 2017

	Note	2017 £000	2016 £000
Finance income	6	1,743	1,943
Dividends received		124,421	–
<b>Profit before taxation</b>		<b>126,164</b>	1,943
Current tax	8	(349)	(388)
<b>Profit for the year</b>		<b>125,815</b>	1,555

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 Finance Limited

## Balance sheet

At 31 March 2017

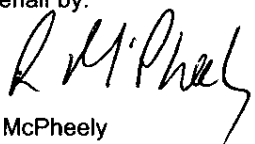
	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Investments	8	306,086	5,384
Trade and other receivables	9	–	101,781
		<b>306,086</b>	107,165
<b>Current assets</b>			
Trade and other receivables	9	179,165	101
Cash and cash equivalents		801	27
		<b>179,966</b>	128
<b>Current liabilities</b>			
Current tax payable		(737)	(777)
<b>Net current assets/(liabilities)</b>		<b>179,229</b>	(649)
<b>Net assets</b>		<b>485,315</b>	106,516
<b>Equity</b>			
Called up share capital	10	94,575	94,000
Share premium account		252,409	–
Retained earnings		138,331	12,516
<b>Total equity</b>		<b>485,315</b>	106,516

For the year ending 31 March 2017, 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 13 December 2017. They were signed on its behalf by:

  
R C McPheely  
Director  
13 December 2017  
Company Number: 06294618



## Severn Trent Finance Limited

### Statement of changes in equity

For the year ended 31 March 2017

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 April 2015	94,000	–	10,961	104,961
Profit and total comprehensive income for the year	–	–	1,555	1,555
At 1 April 2016	94,000	–	12,516	106,516
Profit and total comprehensive income for the year	–	–	125,815	125,815
Shares issued	575	252,409	–	252,984
<b>At 31 March 2017</b>	<b>94,575</b>	<b>252,409</b>	<b>138,331</b>	<b>485,315</b>

# **Severn Trent Finance 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 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. 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 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.

#### **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 profit before tax 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.

# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### e) 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 individual businesses.

Impairment reviews are 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) 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 income statement.

### 2. New accounting policies

The company has adopted all amendments to standards with an effective date relevant to this year end with no material impact on its results, assets or liabilities. All other accounting policies have been applied consistently.

### 3. Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, no significant accounting judgements or key accounting estimates were required.

### 4. Employee numbers

The average monthly number of employees (including executive directors) during the year was nil (2016: nil).

### 5. 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.

### 6. Finance income

	2017 £000	2016 £000
Interest income earned on:		
- amounts due from fellow group undertakings	1,743	1,943

# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 7. Taxation

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

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax at 20% (2016: 20%)		
- current year	<b>349</b>	<b>388</b>

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 charge in the year

The tax charge for the current year is lower than (2016: equal to) the standard rate of corporation tax in the UK of 20% (2016: 20%).

The differences are explained below:

	2017 £'000	2016 £'000
<b>Profit before tax</b>	<b>126,164</b>	<b>1,943</b>
Tax at the standard rate of corporation tax in the UK 20% (2016: 20%)	<b>25,233</b>	<b>388</b>
Tax effect of items not chargeable in determining taxable profits	<b>(24,884)</b>	<b>-</b>
<b>Total tax charge for the year</b>	<b>349</b>	<b>388</b>

### 8. Investment in subsidiary undertakings

	2017 £'000	2016 £'000
<b>Cost and net book value at 31 March</b>	<b>306,086</b>	<b>5,384</b>

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.

<b>Related undertaking</b>	<b>Country of operation and incorporation</b>	<b>Percentage and class of share capital held directly or indirectly</b>
Severn Trent Overseas Holdings Limited	United Kingdom	100% Ordinary
Severn Trent Holdings SA	Belgium	100% Ordinary
Severn Trent Luxembourg Overseas Holdings S.a.r.l.	Luxembourg	100% Ordinary
Severn Trent (Del) Inc	United States	100% Common stock shares
Severn Trent Environmental Services Inc	United States	100% Ordinary share
Severn Trent Services, Inc	United States	100% Common shares
Severn Trent Services Finance Limited	United Kingdom	100% Ordinary

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

<b>Company</b>	<b>Registered office</b>
Severn Trent Holdings SA	Rond Point Schuman 6 box 5, 1040 Brussels, Belgium
Severn Trent Luxembourg Overseas Holdings S.a.r.l.	7A, rue Robert Stümper, L-2557, Luxembourg
Severn Trent (Del.) Inc	220 Gibraltar Road, Horsham PA 19044, United States
Severn Trent Environmental Services, Inc	220 Gibraltar Road, Horsham PA 19044, United States
Severn Trent Services, Inc	220 Gibraltar Road, Horsham PA 19044, United States

# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 9. Trade and other receivables

	2017 £'000	2016 £'000
<b>Current assets</b>		
Amounts receivable from fellow group undertakings	986	101
Amounts receivable from fellow group undertakings under loan agreements	178,179	-
	<b>179,165</b>	<b>101</b>
	2017 £'000	2016 £'000
<b>Non-current assets</b>		
Amounts receivable from fellow group undertakings under loan agreements	-	101,781
	<b>-</b>	<b>101,781</b>

### 10. Share capital

	number	£000
<b>Ordinary shares of £1 each</b>		
At 1 April 2016	94,000,002	94,000
Issue of shares	574,692	575
<b>At 31 March 2017</b>	<b>94,574,694</b>	<b>94,575</b>

### 11. Contingent liabilities

The banking arrangements of the company operate on a pooled basis with certain fellow group undertakings. Under these arrangements participating companies guarantee each others' balances only to the extent that their credit balances can be offset against overdrawn balances of other Severn Trent group companies.

At 31 March 2017 the company's maximum exposure under these arrangements was £801,000 (2016: £27,000).

### 12. Subsequent events

On 3 July 2017, Severn Trent Plc announced the disposal of the group's North American business (Operating Services, US), which formed part of the Business Services segment, to US investors PPC Enterprises LLC and Alston Capital Partners LLC. As part of the disposal, a number of indirect subsidiary undertakings of the Company were sold.

On 24 April 2017, the £10,000,000 loan facility available to Severn Trent Plc was extended to £100,000,000 and for another year, resulting in a new maturity date of 5 December 2018. On 9 October 2017 this was further renewed, extending the maturity date to 5 December 2019.

On 24 April 2017, the £93,000,000 loan facility available to Severn Trent Investment Holdings Limited was extended to £95,000,000 and for another year, resulting in a new maturity date of 20 March 2019. On 9 October 2017 this was further renewed, extending the maturity date to 20 March 2020.

### 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 Carsington 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.