

# **Severn Trent Investment Holdings Limited**

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

Company number 07560050

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# **Severn Trent Investment Holdings Limited**

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

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# Severn Trent Investment Holdings Limited

## Company information

<b>Company number</b>	07560050
<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 Investment Holdings 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

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.

During the year the company received a dividend of £310.0 million (2015: £203.7 million) from a subsidiary undertaking, Severn Trent Draycote Limited.

The directors do not believe further key performance indicators are necessary to understand the development, performance or position of the company.

### 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 Investment Holdings 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 profit for the financial year after taxation was £297.2 million (2015: £87.2 million). The directors do not recommend the payment of a final dividend. An interim dividend of £310.0 million (2015: £203.7 million) was paid on the ordinary shares during the year.

### 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.

#### Offer to acquire Dee Valley Group plc

On 16 November 2016, the Severn Trent Plc group announced that it had reached agreement with the Board of Dee Valley Group Plc on the terms of a recommended acquisition of the entire issued and to be issued voting and non-voting ordinary share capital of Dee Valley PLC by Severn Trent Water Limited. Under the terms of the acquisition Dee Valley ordinary voting shareholders would receive 1,705 pence in cash per share and a comparable cash offer for ordinary non-voting shareholders was made, priced at 1,601 pence per share.

On 23 November 2016 the group announced that it had increased its offer to 1,825 pence in cash for each ordinary voting share in Dee Valley PLC and a revised comparable cash offer for ordinary non-voting shares priced at 1,713 pence per share.

# Severn Trent Investment Holdings 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 Investment Holdings Limited

## Income statement

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Exceptional costs	3	–	(105 0)
<b>Loss before interest and tax</b>		–	(105 0)
Income from share in group undertakings	4	310 0	203 7
Finance costs	6	(16 0)	(14 5)
<b>Profit on ordinary activities before tax</b>		<b>294 0</b>	<b>84 2</b>
Total tax on profit on ordinary activities	7	3 2	3 0
<b>Profit for the financial year</b>		<b>297 2</b>	<b>87 2</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 Investment Holdings Limited

## Balance sheet

At 31 March 2016

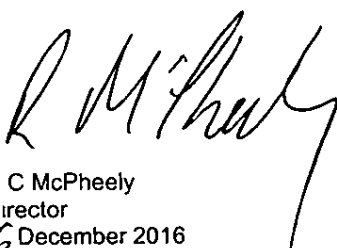
	Note	2016 £m	2015 £m
<b>Non-current assets</b>			
Investments	9	3,997 8	3,997 8
		<b>3,997 8</b>	<b>3,997 8</b>
<b>Current assets</b>			
Trade and other receivables	10	6 3	3 8
Cash and cash equivalents		–	0 1
		<b>6 3</b>	<b>3 9</b>
<b>Total assets</b>		<b>4,004 1</b>	<b>4,001 7</b>
<b>Current liabilities</b>			
Borrowings	11	(132 0)	(589 7)
Trade and other payables	12	(4 3)	(4 3)
		<b>(136 3)</b>	<b>(594 0)</b>
<b>Non-current liabilities</b>			
Borrowings	11	(676 9)	(204 0)
		<b>(676 9)</b>	<b>(204 0)</b>
<b>Total liabilities</b>		<b>(813 2)</b>	<b>(798 0)</b>
<b>Net assets</b>		<b>3,190 9</b>	<b>3,203 7</b>
<b>Equity</b>			
Called up share capital	13	100 0	100 0
Share premium account		2,407 0	2,407 0
Retained earnings		683 9	696 7
<b>Total equity</b>		<b>3,190 9</b>	<b>3,203 7</b>

For the year ended 31 March 2016, 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 16 December 2016 They were signed on its behalf by

  
 R C McPheely  
 Director  
 16 December 2016  
 Company Number: 07560050



## Severn Trent Investment Holdings Limited

### Statement of changes in equity

For the year ended 31 March 2016

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 April 2014	100.0	2,407.0	813.2	3,320.2
Profit and total comprehensive income for the year	–	–	87.2	87.2
Dividends paid	–	–	(203.7)	(203.7)
At 31 March 2015	100.0	2,407.0	696.7	3,203.7
Profit and total comprehensive income for the year	–	–	297.2	297.2
Dividends paid	–	–	(310.0)	(310.0)
At 31 March 2016	100.0	2,407.0	683.9	3,190.9

# Severn Trent Investment Holdings 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 17

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. Dividend income from investments is recognised when the group's rights to receive payment have been established

#### d) Exceptional items

Exceptional items are income or expenditure, which individually or, if of a similar type, in aggregate should, in the opinion of the directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view

# **Severn Trent Investment Holdings Limited**

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **e) 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.

#### **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 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.

#### **g) Investments**

Investments in subsidiary undertakings are recognised at historical cost less, where appropriate, provisions for impairment.

#### **h) 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. 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.

# Severn Trent Investment Holdings Limited

## Notes to the financial statements (continued)

### 3. Exceptional costs

	2016 £m	2015 £m
Impairment of investments	–	105.0

### 4. Other income

	2016 £m	2015 £m
Dividend income	310.0	203.7

### 5. Directors' remuneration and employees

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.

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

### 6. Finance costs

	2016 £m	2015 £m
Interest expense charged on		
- amounts payable to group undertakings	16.0	14.5

# Severn Trent Investment Holdings Limited

## Notes to the financial statements (continued)

### 7. Taxation

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

	2016 £m	2015 £m
<b>Current tax</b>		
Group relief – current year at 20% (2015 21%)	(3 2)	(3 0)
<b>Total current tax</b>	<b>(3 2)</b>	<b>(3 0)</b>

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 lower than (2015 lower than) the standard rate of corporation tax in the UK of 20% (2015 21%).

The differences are explained below

	2016 £m	2015 £m
<b>Profit on ordinary activities before taxation</b>	<b>294 0</b>	<b>84 2</b>
Tax at the standard UK corporation tax rate of 20% (2015 21%)	<b>58 8</b>	<b>17 7</b>
Tax effect of income not taxable in determining taxable profits	<b>(62 0)</b>	<b>(42 8)</b>
Tax effect of costs not deductible in determining taxable profits	<b>–</b>	<b>22 1</b>
<b>Total tax credit for the year</b>	<b>(3 2)</b>	<b>(3 0)</b>

### 8. Dividends

Amounts recognised as distributions to equity holders in the period

	2016		2015	
	Pence per share	£m	Pence per share	£m
Interim dividend for the year ended 31 March	310 0	310 0	203 7	203 7

### 9. Investment in subsidiary undertakings

	£m
At 1 April 2015 and 31 March 2016	3,997 8

Refer to note 18 for a complete list of related undertakings as at 31 March 2016

# Severn Trent Investment Holdings Limited

## Notes to the financial statements (continued)

### 10. Trade and other receivables

	2016 £m	2015 £m
Amounts owed by group undertakings	6 3	3 8

### 11. Borrowings

	2016 £m	2015 £m
<b>Current liabilities</b>		
Loans due to parent and fellow subsidiary undertakings	132 0	589 7
<b>Non-current liabilities</b>		
Loans due to parent and fellow subsidiary undertakings	676 9	204 0
	808 9	793 7

### 12. Trade and other payables

	2016 £m	2015 £m
<b>Current liabilities</b>		
Amounts owed to parent and fellow subsidiary undertakings	4 3	4 3

### 13. Share capital

	2016 £m	2015 £m
<b>Total issued and fully paid share capital</b>		
100,000,001 ordinary shares of £1 each	100 0	100 0

### 14. 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 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 £nil (2015 £0.1 million).

### 15. 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.

#### *Offer to acquire Dee Valley Group plc*

On 16 November 2016, the Severn Trent Plc group announced that it had reached agreement with the Board of Dee Valley Group Plc on the terms of a recommended acquisition of the entire issued and to be issued voting and non-voting ordinary share capital of Dee Valley PLC by Severn Trent Water Limited. Under the terms of the acquisition Dee Valley ordinary voting shareholders would receive 1,705 pence in cash per share and a comparable cash offer for ordinary non-voting shareholders was made, priced at 1,601 pence per share.

On 23 November 2016 the group announced that it had increased its offer to 1,825 pence in cash for each ordinary voting share in Dee Valley PLC and a revised comparable cash offer for ordinary non-voting shares priced at 1,713 pence per share.

# **Severn Trent Investment Holdings Limited**

## **Notes to the financial statements (continued)**

### **16. 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

### **17. Ultimate parent undertaking**

The immediate and 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 Investment Holdings Limited

## Notes to the financial statements (continued)

### 18. Related undertakings

At 31 March 2016, 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
Biogas Generation Limited	United Kingdom	100%	Ordinary shares
Charles Haswell and Partners Limited	United Kingdom	100%	Ordinary shares
City Analytical Services Limited	United Kingdom	100%	Ordinary shares
Cognica Limited	United Kingdom	49.995%	A and B Ordinary shares
Debeo Debt Recovery Limited	United Kingdom	100%	Ordinary shares
Derwent Insurance Limited	Gibraltar	100%	Ordinary shares
East Worcester Water Limited	United Kingdom	100%	Ordinary shares
Etwall Land Limited	United Kingdom	100%	Ordinary shares
Gunthorpe Fields Limited	United Kingdom	100%	Ordinary shares
Iseco SpA	Italy	80%	Ordinary shares
Lyra Insurance Guernsey Limited	Guernsey	100%	Ordinary shares
Midlands Land Portfolio Limited	United Kingdom	100%	Ordinary shares
Procis Software Limited	United Kingdom	100%	A and B Ordinary shares
Servizio Idnco Integrato	Italy	25%	Ordinary shares
Severn Trent (Del ) Inc	United States	100%	Common Stock shares
Severn Trent (W&S) Limited	United Kingdom	100%	Ordinary shares
Severn Trent Afnca (Pty) Ltd	South Africa	100%	Ordinary shares
Severn Trent Carsington Limited	United Kingdom	100%	Ordinary-B shares
Severn Trent Corporate Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Data Portal Limited	United Kingdom	100%	Ordinary shares
Severn Trent Draycote Limited	United Kingdom	100%	Ordinary shares
Severn Trent Enterprises Limited	United Kingdom	100%	Ordinary shares
Severn Trent Finance Holdings Limited	United Kingdom	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 Funding Limited	United Kingdom	100%	Ordinary shares
Severn Trent General Partnership Limited	United Kingdom	100%	Ordinary shares
Severn Trent Green Power Limited	United Kingdom	100%	Ordinary shares
Severn Trent Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Holdings SA	Belgium	100%	Ordinary shares
Severn Trent Home Services Limited	United Kingdom	100%	Ordinary shares
Severn Trent Italia SpA	Italy	100%	Ordinary shares
Severn Trent LCP Limited	United Kingdom	100%	Ordinary shares
Severn Trent Leasing Limited	United Kingdom	100%	Ordinary shares
Severn Trent Luxembourg Overseas Holdings S à r l	Luxembourg	100%	Ordinary shares
Severn Trent Metering Services Limited	United Kingdom	100%	Ordinary shares
Severn Trent MIS Trustees Limited	United Kingdom	100%	Ordinary shares
Severn Trent Overseas Holdings Limited	United Kingdom	100%	Ordinary shares
Severn Trent Pension Scheme Trustees Limited	United Kingdom	100%	Ordinary shares
Severn Trent PIF Trustees Limited	United Kingdom	100%	Ordinary shares
Severn Trent Power Generation Limited	United Kingdom	100%	Ordinary shares
Severn Trent Property Solutions Limited	United Kingdom	100%	Ordinary shares
Severn Trent QUEST Limited	United Kingdom	100%	Ordinary shares
Severn Trent Reservoirs Limited	United Kingdom	100%	Ordinary shares
Severn Trent Response Limited	Ireland	60%	Ordinary shares
Severn Trent Retail and Utility Services Limited	United Kingdom	100%	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 Finance Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services Holdings 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
Severn Trent Services Purification Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services UK Limited	United Kingdom	100%	Ordinary shares
Severn Trent Services, Inc	United States	100%	Common shares
Severn Trent SSPS Trustees Limited	United Kingdom	100%	Ordinary shares
Severn Trent Systems Limited	United Kingdom	100%	Ordinary shares
Severn Trent US Funding Management Limited	United Kingdom	100%	10,000 Ordinary shares
Severn Trent Utility Services Limited	United Kingdom	100%	Ordinary shares
Severn Trent Water Limited	United Kingdom	100%	Ordinary shares
Severn Trent Wind Power Limited	United Kingdom	100%	Ordinary shares
ST Delta Limited	United Kingdom	100%	A and B Ordinary shares
ST Services of Georgia, LLC	United States	100%	Ordinary shares
UKTalks Limited	United Kingdom	100%	Ordinary shares
Umbra due Servizi Idnco Scarl	Italy	64%	Quota