

East Worcester Water Limited

Report and financial statements for the year ended 31 March 2010

Company number 2757948

THURSDAY



A27 26/08/2010 172
COMPANIES HOUSE

East Worcester Water Limited

Report and financial statements for the ended 31 March 2010

Contents	Page
Company information	2
Directors' report	3
Independent auditors' report	6
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

East Worcester Water Limited

Company information

Company number	2757948
Directors	R C McPheely K A A Porritt P M Senior A P Wray
Secretary	R P Brierley
Registered office	2297 Coventry Road Birmingham B26 3PU
Bankers	Lloyds TSB Bank Plc 125 Colmore Row Birmingham B3 2DT
Solicitors	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Auditors	Deloitte LLP Chartered Accountants and Statutory Auditors Four Brindleyplace Birmingham B1 2HZ

East Worcester Water Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2010

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc

The principal activity of the company is that of a finance company within the Severn Trent Water group of companies

The company's main source of income is interest on amounts owed by Dresdner Kleinwort Wasserstein Leasing Limited. The loans are repayable in annual instalments with the final payments being due in 2020. Interest charges are accrued on the loans by reference to the governing LIBOR rate and such charges are payable to East Worcester Water Limited annually.

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, and are of the opinion that the company will continue in existence for the foreseeable future.

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.

Principal risks and uncertainties

The company is exposed to variations in the interest rate on its loans to Dresdner Kleinwort Wasserstein Leasing Limited. Credit risk relating to the loans is managed by the Severn Trent Group Treasury department described below.

Treasury management

The Severn Trent group manages its treasury operations on a group basis. Financial risk management is performed by Severn Trent's Group Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

Environment

The Severn Trent group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. The company operates in accordance with the group policies of Severn Trent Plc which are described in the group's Annual Report and Accounts (which does not form part of this report).

East Worcester Water Limited

Directors' report (continued)

Results and dividends

The company's profit for the financial year after taxation was £3,793,000 (2009 £8,655,000) An interim dividend of £8,600,109 (2009 £14,815,313) being £7 14 per share (2009 £12 30) was declared and paid during the year on the ordinary shares

Directors

The directors who served during the year are shown on page 2

During the year, Mrs K A A Porritt resigned as secretary and Mr R P Brierley was appointed as secretary with effect from 1 October 2009

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' 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) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

East Worcester Water Limited

Directors' report (continued)

Going concern

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

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 annual report and accounts.

Directors' indemnities

The company's Articles of Association provide that directors of the company shall be indemnified by the company against any costs incurred by them in carrying out their duties including defending any proceedings arising out of their positions as directors in which they are acquitted or judgment is given in their favour or relief from any liability is granted to them by the court.

Auditors and disclosure of information to auditors

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

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

Relevant audit information means information needed by the company's auditors in connection with preparing their report.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to continue as auditors.

By order of the board



P M Senior
Director
11 August 2010

Independent auditors' report to the members of East Worcester Water Limited

We have audited the financial statements of East Worcester Water Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of East Worcester Water Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations required for our audit



Christopher Robertson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham
United Kingdom
12 August 2010

East Worcester Water Limited

Profit and loss account

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Operating costs	2	(182)	(192)
Operating loss		(182)	(192)
Net interest receivable	4	5,450	12,214
Profit on ordinary activities before taxation		5,268	12,022
Taxation on profit on ordinary activities	5	(1,475)	(3,367)
Profit for the financial year	10	3,793	8,655

The company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

All results were derived from continuing operations

East Worcester Water Limited

Balance Sheet

At 31 March 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors falling due after more than one year	7	142,981	154,213
Debtors falling due within one year	7	31,752	28,684
Cash at bank and in hand		1,810	-
		176,543	182,897
Creditors amounts falling due within one year	8	(3,152)	(4,699)
Net current assets		30,410	23,985
Net assets		173,391	178,198
Capital and reserves			
Called-up share capital	9	1,204	1,204
Share premium account	10	168,323	168,323
Profit and loss account	10	3,864	8,671
Total shareholders' funds	11	173,391	178,198

The financial statements were approved by the board of directors and authorised for issue on 11 August 2010. They were signed on its behalf by



P M Senior
Director
11 August 2010

Company number 2757948

East Worcester Water Limited

Notes to the financial statements for the year ended 31 March 2010

1. Accounting policies

a) Accounting convention

The financial statements have been prepared on the going concern basis (see Directors' report) under the historical cost convention in accordance with applicable United Kingdom Accounting Standards and comply with the requirement of the United Kingdom Companies Act 2006 ('the Act'). The principal accounting policies are set out below

b) Basis of preparation

The company is a wholly owned subsidiary of Severn Trent Plc and is included in the consolidated accounts of Severn Trent Plc

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

c) Current and deferred taxation

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

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

2. Operating costs

	2010 £'000	2009 £'000
Other operating costs	182	192

The audit fee of £1,000 (2009 £1,000) has been paid by the parent undertaking on behalf of the company in the current year and prior year

There were no fees payable to the auditors of the company other than those disclosed above

The average number of employees (including executive directors) during the year was nil (2009 nil)

East Worcester Water Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

3. Directors' remuneration

The emoluments of K A A Porritt, R C McPheely, P M Senior and A P Wray are paid by the ultimate parent company as their services to East Worcester Water Limited are incidental to their services provided to other group companies. It is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, no emoluments have been disclosed in these financial statements in respect of the directors.

4. Net interest receivable

	2010 £'000	2009 £'000
Bank interest receivable	86	736
Other interest receivable external	5,069	966
Interest receivable from group undertakings	295	10,512
	5,450	12,214

5. Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on profits of the period	1,475	3,367
Tax on profit on ordinary activities	1,475	3,367

The tax assessed for the period is the same as (2009 the same as) the standard rate of corporation tax in the UK (28%). There are no differences.

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, currently 28%.

6. Dividends on equity shares

	2010 £'000	2009 £'000
Interim dividend for the year ended 31 March 2010 £7.14 (2009 £12.30) per ordinary share	8,600	14,815

East Worcester Water Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

7. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	31,752	28,684
Amounts falling due after one year		
Other debtors	142,981	154,213

8. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loans and overdrafts	-	172
Amounts owed to group undertakings	1,677	1,677
Corporation taxation	1,475	2,849
Accruals and deferred income	-	1
	3,152	4,699

9. Share capital

	2010 £'000	2009 £'000
Allotted, called up and fully paid		
1,080,100 ordinary shares of £1 each	1,080	1,080
124,397 non voting ordinary shares of £1 each	124	124
	1,204	1,204

On 30 March 2006, 100 ordinary shares of £1 each were allotted to Severn Trent Water Limited, at a premium of £168,322,884 in cash. The additional share issue was undertaken in order to ensure that the company had the available cash to allow it to make the limited recourse loans to Dresdner Kleinwort Wasserstein Leasing Limited in relation to the reservoir lease arrangements with Severn Trent Water Limited.

East Worcester Water Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

10. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2009	168,323	8,671	176,994
Profit for the financial period	-	3,793	3,793
Dividend paid on equity shares	-	(8,600)	(8,600)
At 31 March 2010	168,323	3,864	172,187

11. Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	3,793	8,655
Dividends paid on equity shares	(8,600)	(14,815)
Opening shareholders' funds	178,198	184,358
Closing shareholders' funds	173,391	178,198

12. Related party transactions

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

13. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Water Limited

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the largest group to consolidate these financial statements. The controlling party of the smallest group to consolidate these financial statements is Severn Trent Water Limited

Copies of the Severn Trent Plc and Severn Trent Water Limited consolidated financial statements can be obtained from the Company Secretary at 2297 Coventry Road, Birmingham, B26 3PU