

Severn Trent Utilities Finance Plc

Report and financial statements

for the year ended 31 March 2010

Company number 2914860

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Severn Trent Utilities Finance Plc

Report and financial statements for the year ended 31 March 2010

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Severn Trent Utilities Finance Plc

Company information

Company number	2914860
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

Severn Trent Utilities Finance Plc

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 and operates as part of the Severn Trent group's Water business

The principal activity of the company is the provision of long term finance for Severn Trent Water Limited. There have not been any significant changes in the company's principal activity 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 to be in existence for the foreseeable future.

During the course of the year the company did not take out any loans (2009 £400 million) on behalf of Severn Trent Water Limited, its parent undertaking.

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 Severn Trent Water business, which includes this company, is discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

Principal risks and uncertainties

Treasury management

The Severn Trent group manages its treasury operations on a group basis. Financial risk management is performed by Severn Trent's Group Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Severn Trent Plc's Annual Report and 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.

Results and dividends

The company's profit for the financial year after taxation was £8,400 (2009 £200,500 profit).

The directors do not recommend the payment of a dividend (2009 nil).

Severn Trent Utilities Finance Plc

Directors' report (continued)

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

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the 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 (UK Accounting Standards and applicable law). The financial statements are required by law to 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 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,
- 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.

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with United Kingdom Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and
- the business review included in the directors' report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties it faces

Severn Trent Utilities Finance Plc

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



Mr P M Senior
Director
22 July 2010

Independent auditors' report to the members of Severn Trent Utilities Finance Plc

We have audited the financial statements of Severn Trent Utilities Finance Plc for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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 result 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 Severn Trent Utilities Finance Plc (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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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
For and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditors
Birmingham,
United Kingdom

Date 22 / 07 / 10

Severn Trent Utilities Finance Plc

Profit and loss account For the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Operating profit		0.1	-
Operating profit	2	0.1	-
Net interest (payable)/receivable	4	(0.1)	0.3
Profit on ordinary activities before taxation		-	0.3
Taxation on profit on ordinary activities	5	-	(0.1)
Profit for the financial year	11	-	0.2

All results arise from continuing activities in both the current and the preceding year

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

Movements in shareholder's funds are disclosed in note 12

Severn Trent Utilities Finance Plc

Balance sheet

At 31 March 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Debtors amounts receivable after more than one year	6	2,932.5	2,911.3
Current assets			
Debtors amounts receivable within one year	6	42.6	116.5
Cash at bank and in hand		-	0.3
		42.6	116.8
Creditors amounts falling due within one year	7	(41.7)	(115.9)
Net current assets		0.9	0.9
Total assets less current liabilities			
		2,933.4	2,912.2
Creditors amounts falling due after more than one year	8	(2,932.5)	(2,911.3)
Net assets		0.9	0.9
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account	11	0.9	0.9
Total shareholder's funds	12	0.9	0.9

The financial statements were approved by the board of directors and authorised for issue on 22 July 2010. They were signed on its behalf by

Director



Mr P M Senior

22 July 2010

Severn Trent Utilities Finance Plc

Notes to the financial statements (continued) 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. 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 has taken advantage of the exemption of FRS 1 'Cash flow statements' and not presented a cash flow statement.

The company has taken advantage of the exemption in FRS 29 'Financial instruments disclosures' not to present separate financial instrument disclosures for the company.

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.

d) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Exchange differences are included in the profit and loss account.

Severn Trent Utilities Finance Plc

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

1. Accounting policies (continued)

e) Capital instruments

The financial costs of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount. Such costs include the cost of issue and any discount to face value arising on issue, or any premium arising on maturity.

2. Operating profit

Operating profit is stated after crediting

	2010 £m	2009 £m
Foreign exchange (loss)/gains	-	0.1

Fees payable to the company's auditors for the audit of the company's annual accounts of £8,000 (2009: £8,000) have been paid by the parent undertaking on behalf of the company.

There were no fees payable to the auditors of the company for non-audit services.

The average number of employees during the year was nil (2009: nil).

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 Severn Trent Utilities Finance Plc 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.

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

4. Net finance (costs)/income

	2010 £m	2009 £m
Interest payable on Loans	(157.3)	(140.4)
Exchange loss on foreign currency financing transactions	(2.1)	(89.9)
Finance costs	(159.4)	(230.3)
Interest receivable and similar income	157.2	140.6
Exchange gain on foreign currency borrowings	2.1	90.0
Finance income	159.3	230.6
Net finance (costs)/income	(0.1)	0.3

5. Tax on profit on ordinary activities

	2010 £m	2009 £m
Current tax		
Current year at 28% (prior year 28%)	-	0.1
Total current tax	-	0.1

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%.

Severn Trent Utilities Finance Plc

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

6. Debtors

	2010 £m	2009 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	40.8	115.4
Prepayments and accrued income	1.8	1.1
	42.6	116.5
Amounts falling due after one year:		
Amounts owed by group undertakings	2,923.3	2,901.6
Prepayments and accrued income	9.2	9.7
	2,932.5	2,911.3

7. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Medium term loans	-	73.7
Amounts owed to group undertakings	-	1.8
Corporation taxation	-	0.1
Other creditors	1.9	1.1
Accruals	39.8	39.2
	41.7	115.9

8. Creditors: amounts falling due after one year

	2010 £m	2009 £m
Guaranteed Bonds 2024 6 125%	294.7	298.7
Guaranteed Bonds 2029 6 250%	295.7	295.6
Guaranteed Bonds 2029 6 250%	121.0	120.8
Medium term loans	2,211.9	2,186.5
Other creditors	9.2	9.7
	2,932.5	2,911.3

Severn Trent Utilities Finance Plc

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

9. Loans

a. Guaranteed Bonds

Net issue costs including premium on issue of £14.8 million have been incurred in relation to the bonds and are credited to the carrying value of the related bonds and amortised at a constant rate over the life of the bond

	Interest rate %	Net proceeds £m	Net issue costs £m	Nominal value £m	Unamortised issue costs £m	Carrying value £m
Bond 2024	6.125	290.5	(9.5)	300.0	5.3	294.7
Bond 2029	6.250	293.3	(6.7)	300.0	4.3	295.7
Bond 2029	6.250	119.1	(5.9)	125.0	4.0	121.0
Total		702.9	(22.1)	725.0	13.6	711.4

b. Borrowings analysed by maturity dates – repayment terms

	2010 £m	2009 £m
Within one year	-	73.7
Between one and two years	4.9	13.4
Between two and five years	329.8	53.3
After more than five years	2,588.6	2,835.0
	2,923.3	2,975.4

c. Loans repayable partly or wholly after five years comprise:

	Rate of interest	2010 £m	2009 £m
European medium term loan notes 2013-2067	1.399% - 4.932%	953.8	1,183.4
Eurobond 2018	6.325%	536.5	536.5
Sterling bonds 2018 -2029	6.000% - 6.250%	1,098.3	1,115.1
		2,588.6	2,835.0

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

9. Loans (continued)

d. Borrowings analysed by interest rate

	Total	Floating interest rate	Fixed interest rate	Weighted average fixed interest rate	Weighted average period for which interest is fixed
	£m	£m	£m	%	years
Total borrowings at 31 March 2010	2,923.3	1,093.5	1,829.8	6.19	11.2
Total borrowings at 31 March 2009	2,975.4	1,323.8	1,651.6	6.19	12.2

e. Fair values of financial instruments

The company's policy for the management of interest rate risk is to have a balanced portfolio of debt with a mix of term and interest rate structures that diversifies its risk and is appropriate to the long life of the asset base of Severn Trent Water Limited, for whom this company acquires finance. The details are periodically reviewed to respond to changing market conditions and to have regard to regulatory pronouncements affecting Severn Trent Water Limited. Funds borrowed in foreign currencies are lent onwards to Severn Trent Water Limited in the same currency and hence the company's business does not involve exposure to foreign exchange transactions.

	2010 Book value £m	2010 Fair value £m	2009 Book value £m	2009 Fair value £m
Cash at bank and in hand	-	-	0.3	0.3
Loans falling due within one year	-	-	73.7	46.1
Loans falling due after more than one year	2,923.3	3,236.4	2,901.6	2,917.2
Borrowings falling due within one year	-	-	(73.7)	(46.1)
Borrowings falling due after more than one year	(2,923.3)	(3,236.4)	(2,901.6)	(2,917.2)
Total financial instruments	-	-	0.3	0.3

The fair value of the company's borrowings disclosed at 31 March 2009 has been restated to reflect a change in methodology of estimating the fair value to include an adjustment for pricing of the company's credit risk. The impact of the change was to reduce the estimated fair value at 31 March 2009 by £886.3 million.

Severn Trent Utilities Finance Plc

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

10. Share capital

	2010 £m	2009 £m
Allotted, called up and fully paid 50,000 (2009 50,000) ordinary shares of £1 each	-	-

11. Profit and loss account

	£m
At 1 April 2009	0.9
Profit for the financial year	-
At 31 March 2010	0.9

12. Reconciliation of movement in shareholder's funds

	2010 £m	2009 £m
Profit for the financial year	-	0.2
Opening shareholder's funds	0.9	0.7
Closing shareholder's funds	0.9	0.9

13. 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

14. 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 consolidated financial statements can be obtained from the Company Secretary at 2297 Coventry Road, Birmingham, B26 3PU