

Severn Trent Green Power Limited

Annual report and financial statements for the year ended 31 March 2022

Company number: 04501557

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Severn Trent Green Power Limited

Annual report and financial statements for the year ended 31 March 2022

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Severn Trent Green Power Limited

Company information

Company number	04501557
Directors	R C McPheely H M Miles C E Stoyell M A N Williamson N G Pollington (appointed 27 September 2021)
Secretary	G Eagle
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Banker	National Westminster Bank Plc 250 Bishopsgate London EC2M 2EG
Solicitor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
Auditor	Deloitte LLP 2 New Street Square, London EC4A 3BZ

Severn Trent Green Power Limited

Strategic Report

Business review and principal activities

Severn Trent Green Power Limited ("the Company") is a wholly owned subsidiary of Severn Trent Plc.

The principal activities of Severn Trent Green Power Limited (the "Group") are:

- the generation of renewable energy from crops and food waste anaerobic digestion and from wind power; and
- the operation of open windrow and in-vessel composting facilities for the processing and recycling of organic waste materials.

The Group generates and sells electricity through the national grid and to Severn Trent Water Limited to power water and waste water treatment works. The Group's main customers for organic waste treatment are local authorities and the waste management industry. The Group has various OFGEM renewable incentives from Feed-In-Tariff (FIT), Renewable Obligation Certificate (ROC) and Renewable Heat Incentive (RHI) accreditations.

There have not been any significant changes in the Group'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 Group's activities or prospects in the next year.

Severn Trent Plc manages its operations on a divisional basis and the Group's Directors do not believe that further key performance indicators for the Group are necessary to enhance the understanding of the development, performance or position of the business. The performance of the Business Services segment, which includes this company, is discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

Results and dividends

The Group's revenue for the year was £63,555,000 (2021: £49,273,000) and loss for the financial year after taxation was £5,226,000 (2021: loss of £1,720,000). The Company's profit for the year was £44,000 (2021: loss of £522,000).

The Group's EBITDA for the financial year was £17,401,000 (2021: £14,683,000). The increase mainly arose from higher revenue from waste processing contracts partially offset by increased hired and contracted costs as a result of an energy hedging agreement with Severn Trent Water Limited.

As at 31 March 2022, the Group has a net assets position of £215,151,000 (2021: £220,377,000). The reduction arose from the net loss in the year, which included an exceptional deferred tax charge of £6,989,000 arising from the increase in the corporation tax rate to 25% with effect from 1 April 2023.

The Directors consider the results to be satisfactory.

The Directors do not recommend the payment of a dividend (2021: £nil).

Principal risks and uncertainties

Treasury management

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

The Group has implemented policies to manage credit risk relating to trade debtors.

Energy pricing

The Group and Company are subject to energy price movements in the market, but the risk is mitigated through the feed in tariff (FIT) agreement, which guarantees a minimum price for the energy generated. For the year ending 31 March 2022, the Company now also mitigates the risk through agreements with Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig to sell a fixed amount of energy at a fixed price. The difference between the agreed fixed price and market price is exchanged between the parties at monthly intervals.

Inventory pricing

The Company is not subject to inventory price fluctuations. This is managed through an agreement with Severn Trent Water Limited to provide a contractual level of crop at a fixed price until 2031.

Severn Trent Green Power Limited

Strategic Report (continued)

Going concern and financial position

As at 31 March 2022, the Group has a net assets position of £215,151,000 (2021: £220,377,000) and net current assets of £12,002,000 (2021: £22,203,000).

The directors have considered the financial position and future prospects of the Group and the Company. The Group and Company participate in the Severn Trent group's pooled banking arrangements and receive 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 Group and the Company have 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.

Section 172 (1) statement

Under section 172(1) of the Companies Act 2006 ('s172'), the Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company. This success must be for the benefit of the Company's shareholder but also for all other stakeholders. From the perspective of the Board of Directors, the matters that it is responsible for considering under s172 of the Companies Act 2006 have been considered to an appropriate extent by the Severn Trent Plc ('Plc Group') Board of Directors in relation both to the Group and to this Company.

From the perspective of the Directors of the Company, as a result of the Group governance structure, whereby Severn Trent Green Power Limited Directors are senior managers in the Group, the matters that the Directors are responsible for considering under s172 have been considered to an appropriate extent by the Plc Group Executive Committee and Plc Group Board in relation to both the Group and the Company.

The Directors have also considered relevant matters where appropriate.

Stakeholder engagement is central to the formulation and execution of the Company's strategy and is critical in achieving long-term sustainable success. The needs of different stakeholders as well as the consequences of any decision in the long term, are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on balancing the competing priorities of stakeholders.

Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and consider carefully all the relevant factors and to select the course of action that best leads to high standards of business conduct and success of the Company in the long term. The principles underpinning s172 are not only considered at Board level, they are part of our culture. They are embedded in all that we do as a Company. The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top.

To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Severn Trent Group Board has considered matters set out in s172 is set out on pages 82 to 84 of the Severn Trent Plc Annual Report and Accounts for 2021/22, this includes the impact on the environment and community. Also, information of how the Directors have supported the Company's employees is included below in its employee engagement section as well as in the Severn Trent Plc Annual Report and Accounts on page 77 and pages 85 to 88. The Directors have considered all the Company's stakeholders and the long-term consequences of the decisions taken when assessing the level of dividends to pay.

Employee engagement

Our people are fundamental to delivering one of life's essentials and we believe our culture is what makes us special. Our teams are passionate about the positive role they can play in helping customers and communities thrive and they care that we create an environment where everyone can feel comfortable to bring their whole self to work.

Providing opportunities for our employees to stay connected to the direction of the Company and be involved in business decisions is a key part of our culture and the Company Forum is the Severn Trent Group's selected workforce engagement mechanism. The Company Forum provides an opportunity for employee and Trade Union representatives to meet with Group Board and Executive Committee members on a regular basis. It ensures that views from a diverse cross-section of the workforce – in terms of seniority, gender, ethnicity, tenure of employment and job types – are considered in Board discussion and decision making, and each meeting generates wide-ranging exchanges of opinion and insights.

Our annual employee engagement survey, QUEST, helps us to understand what's going well and where we can improve across the Group. QUEST is conducted by an independent research company to ensure the results are anonymous and the results are reported to the Board. We were delighted that our employee engagement score improved again this year.

Severn Trent Green Power Limited

Strategic Report (continued)

Section 172 (1) statement (continued)

Providing a diverse and inclusive place to work

We positively celebrate diversity and inclusion, and embrace individuals' contributions, no matter what their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief. Having a culture that enables individuals to be really comfortable in being themselves is a vital part of our future success. Our Group Diversity and Inclusion ('D&I') strategy is included within our Group Sustainability Framework under the 'Providing a Safe, Inclusive and Fair Place to Work' pillar. In September 2021, the Group launched 'Wonderfully You', our new D&I ambition, which for the first time also includes targets.

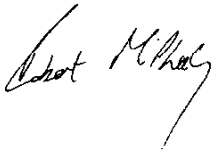
Our diversity ambition is to reflect the communities we serve. Success means we can feel comfortable that we are tapping into every available talent pool in our community, and that we can best serve our customers because we understand all their needs. Our plans to achieve that include widening our outreach programmes so that we attract more applications from under-represented groups, breaking down some of the historical stereotypes that might prevent people from considering certain career paths, and making sure that we have a level playing field at the selection stage. Our ambition for inclusion is to develop and maintain a fair working environment where everyone can succeed. We measure our progress through our engagement survey and monitor the parity or disparity between different ethnicities and genders. Reverse mentoring and our employee advisory groups have also helped to give our employees a voice across the organisation so that we can educate each other about our differences and have a say in our company policies and procedures.

During the year, we hosted our first Wonderfully You D&I Champions event at the Severn Trent Academy. Over 75 colleagues from the business came together to understand our current D&I position, our targets and how they could help us create a truly inclusive workplace. It was a hugely moving and powerful event as colleagues openly shared their stories and the overwhelming support they have felt working at Severn Trent.

Severn Trent believes that no one should be hurt or made unwell by what we do. We did not experience any major safety incidents and there were no fatalities during the year. We are an equal opportunities employer and welcome applications from all individuals, including those with a disability. We are fully committed to supporting applications made by disabled persons and make reasonable adjustments to their environment where possible (having regard to their particular aptitudes and abilities).

We are also responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively re-train that employee and make reasonable adjustments to their environment where possible, in order to keep them in employment with us. Our training, promotion and career development processes are in place for all our employees to access, regardless of their gender, race, age or disability. The provision of occupational health programmes is of crucial importance to the Company with the aim of keeping our employees fit, healthy and well, including an employee assistance programme.

By order of the board



R C McPhee
Director
22 December 2022

Severn Trent Green Power Limited

Directors report

The Directors present their report and the audited financial statements of the Company, for the year ended 31 March 2022.

Matters included in the Strategic report

The following matters are included in the Company's Strategic report on the preceding page:

- Business review and principal activities of the Company
- Results and dividends
- Principal risks and uncertainties, including financial risk management
- Financial position and going concern
- Future developments.

Directors

The Directors who served during the year are shown on page 2.

Directors' indemnities

The Company's Articles of Association provide that directors of the Company shall be indemnified by the Company against any costs incurred by them in carrying out their duties, including defending any proceedings arising out of their positions as directors in which they are acquitted or judgment is given in their favour or relief from any liability is granted to them by the court. These indemnities were in force throughout the year and up to the date of signing of the financial statements.

Employees

The Company operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment by disabled persons where they have the appropriate skills and abilities. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Severn Trent Group continues and that appropriate training adjustments are made. It is the policy of the Group that training, career development and promotion opportunities of disabled persons should, as far as possible, be identical to that of other employees.

The Severn Trent Group actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of its activity and financial performance by way of briefings and publication to staff of all relevant information and corporate announcements. The Severn Trent Sharesave Scheme, an all employee SAYE plan, is offered by the Group on an annual basis and helps to develop employees' interest in the Company's performance.

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). SECR disclosures can also be found in the Group's Annual Report.

Dividends

The Directors do not recommend the payment of a dividend (2021: nil).

Post balance sheet events

There have been no significant post balance sheet events.

Severn Trent Green Power Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting standards, including Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditor and disclosure of information to the auditor

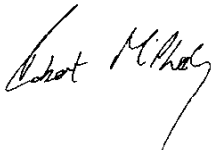
In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Relevant audit information means information needed by the Company's auditor in connection with preparing its 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 auditor.

By order of the Board:



R McPheely
Director
22 December 2022

Severn Trent Green Power Limited

Independent auditor's report to the members of Severn Trent Green Power Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Severn Trent Green Power Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- *the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and*
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group statement of changes in equity;
- the company statement of changes in equity;
- the group and company balance sheets;
- the group cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Severn Trent Green Power Limited

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Revenue recognition in relation to the group's accrued income for renewable energy subsidies due to the risk of inappropriate cut off and the estimation required in the accrued income in the financial statements. We assessed the accuracy of management's estimates by agreement to third party confirmation statements and external subsidy price forecasts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

Severn Trent Green Power Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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 auditor's 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.



Marianne Milnes (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 December 2022

Severn Trent Green Power Limited

Group income statement For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	5	63,555	49,273
Operating costs before credit for bad and doubtful debts	6	(60,142)	(48,073)
Credit for bad and doubtful debts		–	159
Total operating costs	6	(60,142)	(47,914)
Profit before interest and tax		3,413	1,359
Finance income		74	–
Finance costs	9	(1,070)	(2,493)
Net finance costs		(996)	(2,493)
Profit/(loss) on ordinary activities before taxation		2,417	(1,134)
Current tax	10	(809)	(14)
Deferred tax	10	(6,834)	(572)
Taxation on (loss)/profit on ordinary activities		(7,643)	(586)
Loss for the year from continuing operations		(5,226)	(1,720)

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 Green Power Limited

Group statement of changes in equity For the year ended 31 March 2022

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2020	102,210	(5,763)	96,447
Share issue	125,650	–	125,650
Total comprehensive loss for the year	–	(1,720)	(1,720)
At 1 April 2021	227,860	(7,483)	220,377
Total comprehensive loss for the year	–	(5,226)	(5,226)
At 31 March 2022	227,860	(12,709)	215,151

Severn Trent Green Power Limited

Company statement of changes in equity For the year ended 31 March 2022

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2020	102,210	(4,289)	97,921
Share issue	125,650	–	125,650
Total comprehensive loss for the year	–	(522)	(522)
At 1 April 2021	227,860	(4,811)	223,049
Total comprehensive loss for the year	–	44	44
At 31 March 2022	227,860	(4,767)	223,093

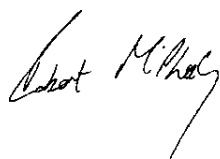
Severn Trent Green Power Limited

Group and company balance sheet As at 31 March 2022

	Note	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current assets					
Goodwill	11	29,224	29,224	–	–
Other intangible assets	12	25,656	27,833	–	–
Property, plant and equipment	13	187,901	187,049	105,666	101,717
Right-of-use assets	14	16,725	17,185	8,035	8,316
Investments	15	–	–	61,364	61,364
Trade and other receivables	17	10,000	–	56,193	55,284
		269,506	261,291	231,258	226,681
Current assets					
Inventory	18	7,427	7,547	5,832	6,361
Trade and other receivables	17	19,182	18,620	24,554	14,135
Current tax receivable		–	–	324	1,224
Cash and cash equivalents		5,319	8,082	1,272	4,180
		31,928	34,249	31,982	25,900
Current liabilities					
Borrowings	20	(479)	(551)	(157)	(150)
Trade and other payables	21	(18,283)	(9,356)	(15,313)	(7,472)
Current tax payable		(861)	(1,995)	–	–
Provisions for liabilities	22	(302)	(144)	(302)	(144)
		(19,925)	(12,046)	(15,772)	(7,766)
Net current assets		12,003	22,203	16,210	18,134
Total assets less current liabilities		281,509	283,494	247,468	244,815
Non-current liabilities					
Borrowings	20	(30,010)	(33,987)	(8,573)	(9,225)
Deferred tax	23	(28,966)	(22,131)	(11,681)	(8,401)
Provisions for liabilities	22	(7,382)	(6,999)	(4,121)	(4,140)
		(66,358)	(63,117)	(24,375)	(21,766)
Net assets		215,151	220,377	223,093	223,049
Equity					
Called up share capital	24	227,860	227,860	227,860	227,860
Retained earnings		(12,709)	(7,483)	(4,767)	(4,811)
Total equity		215,151	220,377	223,093	223,049

The profit for the year for Severn Trent Green Power Limited (the Company) is £44,000 (2021: loss of £522,000).

Signed on behalf of the Board who approved the accounts on 22 December 2022.



R C McPheely
Director
22 December 2022

Company Number 04501557

Severn Trent Green Power Limited

Group cash flow statement For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Cash generated from operations	25	23,850	9,257
Tax (paid)/received	25	(256)	1,094
Net cash generated from operating activities		23,594	10,351
Cash flows from investing activities			
Purchases of property, plant and equipment		(11,533)	(6,919)
Proceeds on disposal of property, plant and equipment		467	252
Net loans raised to group undertakings		(10,000)	–
Interest received		76	–
Net cash outflow from investing activities		(20,990)	(6,667)
Cash flow from financing activities			
Interest paid		(508)	(1,798)
Interest element of finance lease payments		(410)	(369)
Principal elements of lease payments		(1,375)	(1,164)
Repayments of borrowings		(3,074)	(6,024)
Increase of loan drawdowns		–	9,300
Net cash flow from financing activities		(5,367)	(55)
Net movement in cash and cash equivalents		(2,763)	3,629
Net cash at the beginning of the year		8,082	4,453
Net cash and cash equivalents at end of the year		5,319	8,082

Severn Trent Green Power Limited

1 General information

The Severn Trent Green Power Group includes Severn Trent Green Power Limited and its subsidiary companies.

Severn Trent Green Power Limited, ('the Company'), is a private company limited by shares, incorporated, under the Companies Act 2006, and domiciled in the United Kingdom. The address of its registered office is The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB.

The Company is a wholly owned subsidiary of Severn Trent Plc and is included in the consolidated financial statements of Severn Trent Plc.

2 Accounting policies

a) Basis of preparation

The financial statements have been prepared on the going concern basis (see Strategic report on page 3) under the historical cost convention as modified by the revaluation of certain financial assets and liabilities at fair value, and in accordance with applicable United Kingdom Accounting Standards and comply with the requirements of the Companies Act 2006.

As at 31 March 2022, the Company has net assets of £223,093,000 (2021: £223,049,000) and a net current asset position of £16,210,000 (2021: £18,134,000).

The Directors have considered the financial position and future prospects of the Company. The Company participates in the Group's pooled banking arrangements and may draw down on funding, when required, from the Severn Trent Group in the form of intra-group loans. The Directors have a reasonable expectation that the Company has adequate resources, including financial resources available from other group companies, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and annual financial statements

i) Group financial statements

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

ii) Company financial statements

The Company financial statements have been prepared in accordance with United Kingdom Accounting Standards and comply with the Companies Act 2006. The Company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements' accordingly the Company has elected to apply FRS 101, 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to statement of cash flows, share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements and also where required, equivalent disclosures are given in the group accounts of Severn Trent Plc. The group accounts of Severn Trent Plc are available to the public and can be obtained as set out in note 44.

As permitted by Section 408 of the Companies Act 2006, no profit or loss account is presented for the parent company. The profit for the year is disclosed in the statement of changes in equity and the balance sheet.

The key accounting policies for the Group and the parent company are set out below and have been applied consistently except where indicated. Where policies are specific to the Group or to the Company this is set out in the relevant policy.

b) Basis of consolidation

The consolidated financial statements include the results of Severn Trent Green Power Limited and its subsidiaries. Results are included from the date of acquisition or incorporation and excluded from the date of disposal.

Subsidiaries are consolidated where the Group has the power to control a subsidiary.

Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since that date.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not included within the Group financial statements.

c) Revenue recognition

Revenue represents the fair value of consideration receivable, excluding value added tax, in the ordinary course of business for goods and services provided. Revenue is not recognised until the service has been provided to the customer or the goods to which the sale relates have either been despatched to the customer or, where they are held on the customer's behalf, title has passed to the customer and it is probable that it will be received.

Revenue from energy sales is recognised when the electricity or gas is delivered to the national grid. Green energy incentives are recognised when the Company becomes entitled to them.

Revenue from waste processing is recognised when waste is accepted at the Company's processing sites, in accordance with contractual agreements.

d) Taxation

Current tax payable is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax are recognised in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future to utilise it.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

e) Goodwill

Goodwill represents the excess of the fair value of purchase consideration over the fair value of the net assets acquired. Goodwill arising on acquisition of subsidiaries is included in intangible assets. If an acquisition gives rise to negative goodwill this is credited directly to the income statement. Fair value adjustments based on provisional estimates are amended within one year of the acquisition, if required, with a corresponding adjustment to goodwill.

Goodwill is tested for impairment in accordance with the policy set out in note 2i) below and carried at cost less accumulated impairment losses. Goodwill is allocated to the cash-generating unit that derives benefit from the goodwill for impairment testing purposes.

Where goodwill forms part of a cash-generating unit and all or part of that unit is disposed of, the associated goodwill is included in the carrying amount of that operation when determining the gain or loss on disposal of the operation.

f) Other intangible assets

Intangible assets recognised on acquisition of subsidiaries are capitalised at fair value.

Intangible assets acquired separately are capitalised at cost.

Following initial recognition, finite life intangible assets are amortised on a straight-line basis over their estimated useful economic lives. Amortisation charged on intangible assets is taken to the income statement through operating costs. Finite life intangible assets are reviewed for impairment where indicators of impairment exist (see 2i) below).

g) Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation. Expenditure on property, plant and equipment relating to research and development projects is capitalised and depreciated over the expected useful life of those assets.

Where assets take a substantial period of time to get ready for their intended use, the borrowing costs directly attributable to the acquisition, construction or production of these assets are added to their cost.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales

proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, plant and equipment is depreciated, using the straight-line method, to its estimated residual value over its estimated useful life, with the exception of freehold land which is not depreciated.

The estimated useful lives are:

	Years
Buildings	3 – 25
Fixed plant and machinery	2 – 20
Vehicles and mobile plant	2 – 10

h) Leased assets

Where the Company enters into a contract that contains a lease, it recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which includes: the amount of the initial measurement of the lease liability (see below); any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of any remediation or similar costs required by the lease contract.

At the commencement date the lease liability is measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities are included in borrowings.

Lease payments are treated as consisting of a capital element and a finance charge; the capital element reduces the lease liability and the finance charge is written off to the income statement at a constant rate over the period of the lease in proportion to the capital amount outstanding.

Depreciation of the right-of-use asset is charged over the shorter of the estimated useful life and the lease period unless ownership is expected to transfer to the Company at the end of the lease, in which case the right-of-use asset is depreciated to the end of the useful life of the underlying asset.

Where the lease term is less than one year or the underlying asset is low value, the Company does not recognise a right-of-use asset or lease liability. Payments under such leases are charged to operating costs.

i) 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

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

The discount rate used is based on the estimated cost of capital adjusted for the risk profiles of the business.

Impairment reviews are also carried out if there is an indication that an impairment may have occurred, or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairments are recognised in the income statement.

j) Investments

Investments in subsidiaries in the Company's financial statements are stated at cost less, where appropriate, provisions for impairment. Investments in subsidiaries are reviewed for impairment in line with note 2i) when indicators of impairment have been identified.

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

k) Inventory

Inventory is stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

l) Loans receivable

Loans receivable are measured at fair value on initial recognition, less issue fee income received. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest and issue fee income are credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding.

m) Trade receivables and accrued income

Trade receivables and accrued income are measured at fair value on initial recognition. If there is objective evidence that the asset is impaired, it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense in operating costs.

The Group applies the simplified approach permitted by IFRS 9 for estimating expected credit losses on trade receivables. For trade receivables that are assessed not to be impaired individually, expected credit losses are estimated based on the Company's historical experience of trade receivable write-offs.

n) Provisions

Provisions are recognised where:

- there is a present obligation as a result of a past event;
- it is probable that there will be an outflow of economic benefits to settle this obligation; and
- a reliable estimate of this amount can be made.

Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability where the effect is material.

o) Borrowings

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

p) Cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Net cash and cash equivalents include overdrafts repayable on demand.

Interest paid in the cash flow statement includes amounts charged to the income statement and amounts included in the cost of property, plant and equipment.

q) Pre-contract costs

Incremental costs incurred in obtaining contracts with customers are recognised as a prepayment and written off to the income statement over the life of the contract where it is expected that the costs will be recovered.

All other costs of obtaining contracts are written off to the income statement as incurred.

3 New accounting policies and future requirements

At the balance sheet date, no Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Group or Company's financial position.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

4 Critical accounting judgements and sources of estimation uncertainty

In the process of applying the Group and Company's accounting policies, the Group and Company is required to make certain judgments, estimates and assumptions that it believes are reasonable based on the information available. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates

a) Sources of estimation uncertainty.

- i) Depreciation and carrying amounts of property, plant and equipment*

Calculating the depreciation charge and hence the carrying value for property, plant and equipment requires estimates to be made of the useful lives of the assets. The estimates are based on engineering data and the Company's experience of similar assets. Details are set out in note 2g.

A five-year change in the average remaining useful lives of property, plant and equipment would result in a £2,112,000 change in the depreciation charge.

No critical accounting judgments have been made.

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

5 Revenue - Group

	2022	2021
	£'000	£'000
Electricity sales and incentives	52,136	36,440
Waste processing	11,354	12,601
Other services	65	232
Turnover	63,555	49,273

6 Net operating costs - Group

	2022	2021
	£'000	£'000
Wages and salaries	7,193	6,817
Social security costs	497	429
Pension costs	258	203
Share based payment	10	10
Total employee costs	7,958	7,459
Power	386	612
Raw materials and consumables	9,286	8,844
Rates	761	1,790
Credit for bad and doubtful debts	—	(160)
Service charges	—	56
Depreciation of tangible fixed assets	10,676	10,128
Depreciation of right-of-use assets	1,135	1,019
Amortisation of intangible fixed assets	2,177	2,177
Hired and contracted services	23,130	12,946
Operating lease rentals	63	168
Hire of plant and machinery	753	583
Profit on disposal of tangible fixed assets	(209)	(271)
Exchange (gains)/losses	92	33
Net other operating costs	3,934	2,547
	60,142	47,931
Own work capitalised	—	(17)
	60,142	47,914

Included in the above are audit fees of £172,000 (2021: £158,000) payable for the audit of the financial statements of the Company and its subsidiaries. No other fees are payable to the auditor (2021: nil).

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

7 Employee numbers - Group

Average number of employees (including Executive Directors) during the year:

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
Business Services	133	154	35	59

8 Directors' interests and remuneration – Group and Company

	2022 £'000	2021 £'000
Aggregate directors' emoluments during the year (excluding pension contributions)	282	26
Pension contributions	29	5

Two directors (2021: one director) was remunerated through the Company. The emoluments of the other directors are paid by other companies within the Severn Trent Group and they do not receive emoluments in connection with their services to the Company.

Two directors (2021: one director) are a member of the defined contribution pension.

9 Finance costs - Group

	2022 £'000	2021 £'000
Interest expense charged on:		
Lease liabilities	410	369
Amounts payable to group undertakings	–	1,648
Total borrowing costs	410	2,017
Interest unwind on provisions	660	476
	1,070	2,493

In accordance with IAS 23, borrowing costs of £253,000 (2021: £268,000) incurred funding eligible capital projects have been capitalised at an interest rate of 4.4% (2021: 1.4%). Tax relief of £48,000 (2021: £51,000) was claimed on these costs which were credited to the income statement, offset by a deferred tax charge of £48,000 (2021: £51,000).

10 Taxation - Group

a) Analysis of tax charge in the year

	2022 £'000	2021 £'000
Current tax at 19% (2021: 19%)		
Current year	935	(56)
Prior years	(126)	70
Total current tax	809	14
Deferred tax		
Origination and reversal of temporary differences:		
Current year	67	304
Prior years	(222)	268
Exceptional charge on rate change	6,989	–
Total deferred tax	6,834	572
	7,643	586

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

10 Taxation (continued)

b) Factors affecting the tax charge in the year

The Group and the Company tax expense for the current year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit/(loss) before taxation	2,417	(1,134)
Tax at standard rate of corporation tax in the UK 19% (2021: 19%)	459	(215)
Tax effect of depreciation on non-qualifying assets	434	411
Other disallowable expenditure	94	52
Current year impact of rate change	15	—
Adjustments in respect of prior years	(348)	338
Exceptional deferred tax arising from rate change	6,989	—
Total tax credit	7,643	586

11 Goodwill - Group

Goodwill impairment tests

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A summary of the goodwill allocation by CGU is presented below.

	2022	2021
	£'000	£'000
Green Power South	29,224	29,224

On 30 November 2018, the Group acquired Agrivert Holdings and its subsidiary undertakings resulting in goodwill of £28.7 million. Adjustments to the provisional fair value of the assets and liabilities acquired in the year 31st March 2020 increased the goodwill to £29.2 million. This goodwill has been allocated to the Green Power South cash-generating unit which is determined to be the lowest level of independent cash flows relating to the goodwill. Green Power South is included within the Green Power part of the Business Services segment.

The Group has reviewed the carrying value of goodwill for impairment in accordance with the policy stated in note 2. The carrying value of the Green Power South CGU was determined on the basis of a value in use calculation.

The value in use determined using a discounted cash flow calculation for the Green Power South CGU is based on the most recent financial projections available for the business to 2026.

The key assumptions underlying these projections are the cash flows in the projections and:

Key assumption	2022	2021
	%	%
Discount rate	7.1	6.0
Growth rate in the period beyond the detailed projections	2.0	2.0

The discount rate was based on a review of a range of external sources of information about the cost of capital for the Severn Trent energy business. This rate was then converted to the equivalent pre-tax discount rate disclosed above.

Cash flows beyond the end of the five-year period are extrapolated using an assumed growth of 2.0% in the Group's free cash flows, informed through external market trends.

The value in use for the CGU exceeded its carrying value by £35.7 million. An increase in the discount rate to 8.7% or reduction in the growth rate in the period beyond the detailed projections to negative 0.5% would reduce the recoverable amount to the carrying amount of the CGU.

The company has no goodwill.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

12 Intangible Assets

Group

	Software £m	Other intangibles £m	Total £m
Cost			
At 1 April 2021 and 31 March 2022	1,533	31,500	33,033
Amortisation			
At 1 April 2021	(300)	(4,900)	(5,200)
Amortisation for the year	(77)	(2,100)	(2,177)
At 31 March 2021	(377)	(7,000)	(7,377)
Net book value			
At 31 March 2022	1,156	24,500	25,656
At 31 March 2021	1,233	26,600	27,833

Other intangible assets include contract and energy subsidy contracts both acquired with Agrivert.

The company has no intangible assets.

13 Property, plant and equipment

Group

	Land and buildings £'000	Fixed plant and equipment £'000	Moveable plant £'000	Assets under construction £'000	Total £'000
Cost					
At 1 April 2020	101,909	104,925	285	9,794	216,913
Additions	2,229	4,068	179	711	7,187
Transfers to right-of-use assets	–	(70)	(56)	–	(126)
Disposals	–	(309)	(44)	–	(353)
At 1 April 2021	104,138	108,614	364	10,505	223,621
Additions	1,701	2,208	194	7,683	11,786
Disposals	(174)	(498)	(64)	–	(736)
At 31 March 2022	105,665	110,324	494	18,188	234,671
Depreciation					
At 1 April 2020	(8,453)	(18,306)	(17)	–	(26,776)
Charge for the year	(4,253)	(5,815)	(60)	–	(10,128)
Transfer to right of use assets	–	39	17	–	56
Disposals	–	240	36	–	276
At 1 April 2021	(12,706)	(23,842)	(24)	–	(36,572)
Charge for the year	(4,054)	(6,555)	(67)	–	(10,676)
Disposals	–	439	39	–	478
At 31 March 2022	(16,760)	(29,958)	(52)	–	(46,770)
Net book value					
At 31 March 2022	88,905	80,366	442	18,188	187,901
At 31 March 2021	91,432	84,772	340	10,505	187,049

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

13 Property, plant and equipment (continued)

Company

	Land and buildings £'000	Fixed plant and equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 April 2020	36,401	73,998	9,794	120,193
Additions	579	1,186	711	2,476
At 1 April 2021	36,980	75,184	10,505	122,669
Additions	–	50	7,682	7,732
At 31 March 2022	36,980	75,234	18,187	130,401
Depreciation				
At 1 April 2020	(3,922)	(13,194)	–	(17,116)
Charge for the year	(701)	(3,135)	–	(3,836)
At 1 April 2021	(4,623)	(16,329)	–	(20,952)
Charge for the year	(686)	(3,097)	–	(3,783)
At 31 March 2022	(5,309)	(19,426)	–	(24,735)
Net book value				
At 31 March 2022	31,671	55,808	18,187	105,666
At 31 March 2021	32,357	58,855	10,505	101,717

14 Leases

a) The Group's leasing activities

The Group and Company leases various properties, equipment and vehicles. Lease agreements are typically made for fixed periods of up to 999 years but may have extension options as described in note 2a).

Lease contracts are negotiated on an individual basis and include a wide range of terms and conditions. The contracts do not include covenants other than security interests in the leased assets that are held by the lessor and leased assets may not be used as security for other borrowing. The contracts do not impose any restrictions on dividend payment, additional debt or further leasing. There were no sale and leaseback transactions in the period.

b) Income statement

The income statement includes the following amounts relating to leases for the year ended 31 March 2022:

	Group		Company	
	2022	2021	2022	2021
	£m	£m	£m	£m
Depreciation charge of right-of-use assets:				
Land and buildings	1,002	748	342	356
Plant and equipment	133	271	5	14
Total depreciation of right-of-use assets	1,135	1,019	347	370
Interest expense included in finance cost	410	369	183	149
Expense relating to short-term leases included in operating costs	63	168	30	143

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

14 Leases (continued)

c) Balance sheet

The balance sheet includes the following amounts relating to leases:

	2022	Group	2022	Company
	£m	2021	£m	2021
		£m		£m
Right-of-use assets:				
Land and buildings	16,540	16,644	8,025	8,301
Plant and equipment	185	541	10	15
	16,725	17,185	8,035	8,316

During the year the Group reconsidered its assessment of its options to extend its leases relating to the West London, Wallingford, Cassington and North London sites and determined that it was now reasonably certain that these options would be exercised. Accordingly, the Group has adjusted these right-of-use assets and lease liabilities to reflect the extension periods.

Additions to right-of-use assets for the Group were £675,000 (2021: £4,496,000) and for the Company were nil (2021: £1,609,000). Disposals for both the Group and Company were nil (2021: £51,000). In prior year, the extension of the lease terms resulted in a reduction in dilapidation provisions included in right of use assets of £1,072,000. There have been no extension of the lease terms in the current year.

	2022	Group	2022	Company
	£m	2021	£m	2021
		£m		£m
Lease liabilities:				
Current	479	551	157	150
Non-current	12,034	12,936	5,574	5,789
	12,513	13,487	5,731	5,939

Obligations under lease liabilities are as follows:

	2022	Group	2022	Company
	£m	2021	£m	2021
		£m		£m
Within 1 year	922	1,033	340	340
1 - 2 years	847	935	340	340
2 - 5 years	2,415	2,464	1,007	1,013
After more than 5 years	15,185	16,294	6,347	6,682
Gross obligations under finance leases	19,369	20,726	8,034	8,375
Less: future finance charges	(6,856)	(7,239)	(2,303)	(2,436)
Present value of lease obligations	12,513	13,487	5,731	5,939

Net obligations under leases were as follows:

	2022	Group	2022	Company
	£m	2021	£m	2021
		£m		£m
Within 1 year	479	551	157	150
1 - 2 years	374	498	163	155
2 - 5 years	1,180	1,163	512	493
After more than 5 years	10,480	11,275	4,899	5,141
Included in non-current liabilities	12,034	12,936	5,574	5,789
	12,513	13,487	5,731	5,939

d) Cash flow

The Group's total cash outflow for leases in the year was £1,785,000 (2021: £1,533,000) which consists of £410,000 (2021: £369,000) payment of interest and £1,375,000 (2021: £1,164,000) repayment of principal.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

15 Investments - Company

Investments in subsidiaries
£'000

At 1 April 2021 and 31 March 2022 61,364

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.

The Company has the following subsidiary undertakings:

Owned directly by the Company	Country of operation and incorporation	Principal activity	Percentage and class of share capital held
Severn Trent Wind Power Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power Holdings Limited	United Kingdom	Trading company	100% Ordinary
Subsidiary undertaking	Country of operation and incorporation	Principal activity	Percentage and class of share capital held
Severn Trent Green Power (Ardley) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (Bridgend) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (Cassington) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (CW) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (Hertfordshire) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (North London) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power (RBWM) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green power (Wallingford) Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power Biogas Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power Composting Limited	United Kingdom	Trading company	100% Ordinary
Severn Trent Green Power Group Limited	United Kingdom	Trading company	100% Ordinary

The registered office of the aforementioned entities is The Stables, Radford, Chipping Norton, Oxfordshire, OX7 4EB with the exception of Severn Trent Wind Power Limited whose registered office is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ.

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

16 Categories of financial assets – Group

	Note	2022 £'000	2021 £'000
Financial assets at amortised cost			
Trade receivables	17	2,135	2,755
Other amounts receivable	17	562	1,307
Accrued income	17	13,868	11,949
Amounts due from group undertakings	17	12,165	569
Cash at bank and in hand		5,319	8,082
Total financial assets at amortised cost		34,049	24,662
Disclosed in the balance sheet as:			
Non-current assets			
Trade and other receivables		10,000	–
Current assets			
Trade and other receivables		18,730	16,580
Cash and cash equivalents		5,319	8,082
		24,049	24,662
		34,049	24,662

17 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current assets				
Net trade receivables	2,135	2,755	1,175	982
Other amounts receivable	562	1,307	467	443
Prepayments	344	240	67	57
Accrued income	13,868	11,949	6,522	6,548
Intercompany group relief receivable	108	1,800	–	–
Receivables due from group undertakings	2,165	569	16,323	6,105
	19,182	18,620	24,554	14,135
Non-current assets				
Receivables due from group undertakings under loan agreements	10,000	–	56,193	55,284
	29,182	18,620	80,747	69,419

The carrying values of trade and other receivables are reasonable approximations of their fair values.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

17 Trade and other receivables (continued)

a) Credit risk

i) Trade receivables and accrued income

The Group and Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and accrued income.

A collective provision is recorded for expected credit losses against assets for which no specific provision has been made. Expected credit losses for trade receivables are based on the historical credit losses experienced over the last nine years. The Group and Company has not identified any direct correlation between external macroeconomic factors and the level of credit loss experienced and therefore no adjustment has been made for any current or forward-looking information on macroeconomic factors. The Group and Company will continue to monitor macroeconomic data against its credit loss experience to determine whether any relationship that should be adjusted for becomes apparent.

Debts are written off when there is no realistic expectation of further collection and enforcement activity has ceased. There were no amounts outstanding on receivables written off and still subject to enforcement activity (2021: nil).

b) Expected credit loss allowance – trade receivables and accrued income

The expected credit loss at 31 March 2022 and 2021 was as set out below. The expected loss rate disclosed is calculated as the expected loss on the total amount originally billed for each age category.

Group

2022	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	–	13,921	–	13,921
Up to 1 year past due	3	2,075	(58)	2,017
1 - 2 years past due	–	57	–	57
2 - 3 years past due	–	14	–	14
		16,067	(58)	16,009

2021	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	–	12,841	–	12,841
Up to 1 year past due	2	1,758	(58)	1,700
1 – 2 years past due	–	163	–	163
		14,762	(58)	14,704

Movements on the expected credit loss allowance were as follows:

2022	Trade Receivables	Accrued Income	Total
	£'000	£'000	£'000
At 1 April 2021	58	–	58
Charge/(credit) for bad and doubtful debts	–	–	–
At 31 March 2022	58	–	58

2021	Trade Receivables	Accrued Income	Total
	£'000	£'000	£'000
At 1 April 2020	16	202	218
Charge/(credit) for bad and doubtful debts	42	(202)	(160)
At 31 March 2021	58	–	58

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

17 Trade and other receivables (continued)

Company

2022	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	—	6,536	—	6,536
Up to 1 year past due	5	1,182	(57)	1,125
1 - 2 years past due	—	37	—	37
		7,755	(57)	7,698

2021	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	—	6,445	—	6,445
Up to 1 year past due	5	1,066	(57)	1,009
1 - 2 years past due	—	76	—	76
		7,587	(57)	7,530

Movements on the expected credit loss allowance were as follows:

2022

	Trade Receivables
	£'000
At 1 April 2021	57
Charge for bad and doubtful debts	—
At 31 March 2022	57

2021

	Trade Receivables
	£'000
At 1 April 2020	15
Charge for bad and doubtful debts	42
At 31 March 2021	57

18 Inventory

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Raw material and consumables	7,427	7,546	5,837	6,361

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

19 Categories of financial liabilities

	Group	
	2022	2021
	£'000	£'000
Other financial liabilities		
Borrowings	30,489	34,538
Trade payables	1,063	909
Other payables	86	232
Amounts due to parent and fellow subsidiary undertakings	10,852	1,276
Total financial liabilities	42,490	36,955
Disclosed in the balance sheet as:		
Non-current liabilities		
Borrowings	30,010	33,987
Current liabilities		
Borrowings	479	551
Trade and other payables	12,001	2,417
	12,480	2,968
	42,490	36,955

20 Borrowings

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current liabilities				
Lease liabilities	479	551	157	150
	479	551	157	150
Non-current liabilities				
Loans due to parent and fellow subsidiary undertakings	17,976	21,051	3,000	3,436
Lease liabilities	12,034	12,936	5,573	5,789
	30,010	33,987	8,573	9,225
	30,489	34,538	8,730	9,375

The Group has a facility of £45,000,000 available from the fellow group undertaking, Severn Trent Holdings Limited. The loan is unsecured with interest payable at Bank of England base rate + 1.375%. The facility matures on 27 November 2023.

The Company has facilities available from its fellow subsidiary undertakings under the following terms.

Lending subsidiary	Facility Value	Security	Interest rate	Maturity date
Severn Trent Green Power (Ardley) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025
Severn Trent Green Power (Cassington) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025
Severn Trent Green Power (Hertfordshire) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025
Severn Trent Green Power (North London) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025
Severn Trent Green Power (Bridgend) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025
Severn Trent Green Power (West London) Limited	£5,000,000	Unsecured	Bank of England base rate + 4.75%	11 January 2025

Severn Trent Green Power Limited **Notes to the group and company financial statements (continued)**

21 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current liabilities				
Trade payables	1,063	909	712	440
Social security and other taxes	540	458	–	–
Other payables	86	232	131	192
Accruals	5,742	6,481	2,603	3,841
Amounts owed to fellow subsidiary undertakings	10,852	1,276	11,867	2,999
	18,283	9,365	15,313	7,472

The directors consider that the carrying value of trade payables is not materially different from their fair values.

Amounts owed to fellow subsidiary undertakings are trading in nature and do not bear interest. No amounts payable to group undertakings are secured.

22 Provisions – group and company

Group

	Dilapidation	Legal	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 2021	5,945	144	1,054	7,143
Unwinding of discount	668	–	18	686
Amounts credited to the income statement	–	(144)	–	(144)
At 31 March 2022	6,613	–	1,071	7,685
			2022	2021
			£'000	£'000
Included in				
Current liabilities			302	144
Non-current liabilities			7,382	6,999
			7,685	7,143

Company

	Dilapidation	Legal	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 2021	3,789	144	351	4,284
Unwinding of discount	264	–	18	283
Amounts credited to the income statement	–	(144)	–	(144)
At 31 March 2022	4,055	–	368	4,423
			2022	2021
			£'000	£'000
Included in				
Current liabilities			302	144
Non-current liabilities			4,121	4,140
			4,423	4,284

Other provisions include provisions for decommissioning of wind turbine and equipment, legal obligations for waste disposal and commercial disputes. The associated outflows are estimated to arise over the next year.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

23 Deferred tax

Group

An analysis of the movements in the major deferred tax liabilities and assets recognised by the Group is set out below:

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2020	11,668	9,861	21,529
Charge/(credit) to income	1,541	(969)	572
Other movement	–	30	30
At 1 April 2021	13,209	8,922	22,131
Charge/(credit) to income	631	(785)	(154)
Charge/(credit) to income arising from rate change	4,171	2,818	6,989
At 31 March 2022	18,011	10,955	28,966

Company

An analysis of the movements in the major deferred tax liability recognised by the company is set out below:

	Accelerated tax depreciation £'000
At 1 April 2020	7,291
Charge to income	1,110
At 1 April 2021	8,401
Charge/(credit) to income	3,280
At 31 March 2022	11,681

24 Share capital

	2022 £'000	2021 £'000
Total issued and fully paid share capital		
227,860,218 ordinary shares of £1 (2021: 227,860,218)	227,860	227,860

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

25 Cash flow statement

a) Reconciliation of operating profit to operating cash flows

	2022 £m	2021 £m
Profit before interest and tax	3,413	1,359
Depreciation of property, plant and equipment	10,676	10,128
Depreciation of right-of-use assets	1,135	1,019
Amortisation of intangible assets	2,177	2,177
Profit on sale of property, plant and equipment	(209)	(271)
Deferred income movement	–	–
Provisions (credited)/charged to the income statement	(144)	(1,122)
Operating cash flows before movements in working capital	17,048	13,290
Decrease/(Increase) in inventory	120	(1,923)
(Increase)/decrease in amounts receivable	(2,252)	5,698
Increase/(decrease) in amounts payable	8,934	(7,808)
Cash generated from operations	23,850	9,257
Tax paid/received	(256)	1,094
Net cash generated from operating activities	23,594	10,351

b) Non-cash transactions

Additions of right-of-use assets are disclosed in Note 14.

Reconciliation of movement in cash and cash equivalents to movement in net debt

	Net cash and cash equivalents £'000	Loan payable to group undertakings £'000	Lease liabilities £'000	Net debt £'000
At 1 April 2021	8,082	(21,051)	(13,487)	(26,456)
Cash flow	(2,763)	3,075	1,785	2,097
Other non-cash movements	–	–	(811)	(811)
At 31 March 2022	5,319	(17,976)	(12,513)	(25,170)

26 Contingent liabilities – Group and Company

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

At 31 March 2022 the Group's maximum liability under these arrangements was £5,319,000 (2021: £8,802,000).

At 31 March 2022 the Company's maximum liability under these arrangements was £1,272,000 (2021: £4,180,000).

27 Post balance sheet events – group and company

There have been no significant post balance sheet events.

Severn Trent Green Power Limited

Notes to the group and company financial statements (continued)

28 Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Group and ultimate parent Severn Trent Plc are disclosed below.

	Transactions with fellow subsidiary undertakings		Transactions with ultimate parent	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Balances outstanding at 31 March:				
Amounts due from related parties	12,165	2,369	–	–
Amounts due to related parties	(10,852)	(1,270)	–	–
Loans due to related parties > 1 year	(17,976)	(21,051)	–	–
	(16,663)	(21,758)	–	–

29 Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Holdings Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the smallest and largest group to consolidate these financial statements. Copies of the Severn Trent Plc consolidated financial statements can be obtained from Severn Trent Plc's registrars at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

30 Alternative Performance Measures

Financial measures or metrics used in this report are not defined by IFRS and are alternative performance measures (APMs). The Group uses such measures for performance analysis because they provide additional useful information on the performance and position in the Group. Since the Group defines its own alternative performance measures, these might not be directly comparable with other companies' alternative performance measures. These measurements are not intended to be a substitute for, or superior to, IFRS measurements.

a) EBITDA

	2022	2021
	£'000	£'000
Profit before interest and tax	3,413	1,359
Depreciation	11,811	11,147
Amortisation	2,177	2,177
EBITDA	17,401	14,683