Severn Trent Green Power Limited

Annual report and financial statements for the year ended 31 March 2021

Company number: 04501557

Severn Trent Green Power Limited

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Severn Trent Green Power Limited

Company information

Company number	04501557
Directors	R C McPheely A P Smith (resigned 1 July 2020) N Corrigall (resigned 31 January 2021) H M Miles (appointed 1 July 2020) C E Stoyell (appointed 31 January 2021) M A N Williamson (appointed 31 January 2021)
Secretary	G Eagle
Registered office	Severn Trent Centre 2 St John's Street CoventryCV1 3LZ
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 Hill House 1 Little New Street London EC4A 3TR

Severn Trent Green Power Limited

Strategic Report

Business review and principal activities

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 £49,273,000 (2020: £50,210,000) and loss for the financial year after taxation was £1,720,000 (2020: profit of £829,000). The Company's loss for the year was £522,000 (2020: £1,057,000).

The Group's EBITDA for the financial year was £14,683,000 (2020: £18,218,000). The decrease was primarily due to a reduction in wholesale energy prices in the first half of the year and the higher cost of purchasing alternative feedstocks to compensate for less hospitality industry food waste during national COVID-19 lockdowns.

As at 31 March 2021, the Group has a net assets position of £220,377,000 (2020: £96,447,000). During the year the Company issued 125,650,489 £1 shares in exchange for the cancellation of a loan from its holding company, leading to the significant increase in net assets.

The Directors consider the results to be satisfactory.

The Directors do not recommend the payment of a dividend (2020: £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 Company has implemented polices to manage credit risk relating to trade debtors.

Energy pricing

The Group and Company is 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 Group and 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 2021, the Group has net assets of £220,377,000 (2020: £96,447,000) and net current assets of £22,203,000 (2020: £19,888,000).

The Directors have considered the financial position and future prospects of the Company. The Company participates in the Group's pooled banking arrangements and receives funding, when required, from the Severn Trent Group in the form of intra-group loans. When existing loans reach maturity the appropriate funding will be established as required to ensure such obligations can be met. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources, 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.

Throughout the year and following the year end, the Board has considered and monitored the impact of COVID-19, in particular to evaluate its impact on financing and liquidity. This indicates that, while there has been a financial impact, this has not resulted in a significant impact to the Company's expected liquidity or solvency that cannot be addressed by mitigating actions.

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 have been considered to an appropriate extent by the Severn Trent Plc ('Plc Group') Board of Directors in relation both to the Plc Group and to this Company. 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.

This has never been more relevant than during the COVID-19 pandemic, where the Plc Group has continued to work hard to keep its employees safe and its business viable. From the perspective of the Directors of the Company, as a result of the Plc Group governance structure, whereby the Company's directors are senior managers in the Plc 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 Severn Trent Group Board in relation to both the Plc Group and the Company.

The Directors have also considered relevant matters where appropriate. 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 76 to 78 of the Severn Trent Plc Annual Report and Accounts for 2020/21. 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 from page 72 to 75. 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.

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. The needs of our 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 the competing priorities of stakeholders. Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and success of Severn Trent in the long term.

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 Board's selected workforce engagement mechanism, our Company Forum, was facilitated via a virtual platform for most of the year. The Company Forum provides an opportunity for employee and Trade Union representatives to meet with Severn Trent 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 Plc Group. QUEST is conducted by an independent research company to ensure the results are anonymous and the results are reported to the Board.

Severn Trent Green Power Limited

Strategic Report (continued)

Section 172 (1) statement (continued)

Providing a diverse and inclusive place to work

Our ambition is to have a workforce that reflects the communities we serve, and build an inclusive organisation where everyone feels able to bring their whole self to work, fulfil their potential and perform at their best. An inclusive environment is the foundation of a truly diverse organisation, with all of the rewards that brings. We also know that diverse teams make better decisions and help us to better deliver for our customers and communities. Recognising that leadership is fundamental to creating an inclusive workplace, this year we focused on maintaining our diverse and inclusive culture and improving how we embed this into our policies and procedures. All of our senior management participated in a diversity and inclusion training session with personal insight from employees in ethnic minority and LGBTQ+ groups. We have also introduced our campaign 'Include me in Inclusion', aiming to better educate our colleagues, re-affirm our zero-tolerance stance on discrimination, and outline our new diversity and inclusion ambition. This year we were pleased to launch our new diversity and inclusion programme via our Severn Trent Academy with a range of content including specific modules for leadership and sessions where our colleagues are able to share their own diversity and inclusion stories. Changing the diversity of our organisation will take time, but our recruitment teams are working hard to attract and recruit employees from all backgrounds.

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 continue to ensure that robust processes, procedures and controls for contractor and staff training requirements are managed to a high standard in compliance with the Dangerous Substances and Explosive Atmospheres Regulations 2002 ('DSEAR'). A number of review initiatives have been instigated to ensure that the business continues to meet all DSEAR best practice requirements. Additional measures implemented include new 'permit to work' control measures in the form of counter signatories from senior managers and further bespoke on site practical DSEAR training at all team structure levels. The Company Compliance and Operations team continue to review and improve DSEAR best practice, with regular reviews taking place at executive management level. Strong links are maintained with Severn Trent Water Limited to align and share learnings and developments.

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. All 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.

Supporting our people through COVID-19

Our priority remains the safety and wellbeing of our people and customers. We are supporting our key workers with the processes, PPE and other equipment they need to continue to deliver our essential services and all of our buildings were confirmed as COVID-secure early in the pandemic. Our plans were also approved by our Trade Unions. In 2020 we announced that we would not be making any redundancies or furloughing any of our employees as a result of COVID-19 and we are maintaining our all-employee bonus in recognition of our colleagues' hard work over the last year. In 2019/20 we agreed an annual pay increase of 2.3% for the next three years to provide certainty and security for our employees and their families.

In April 2020 we launched a 'Caring for our Colleagues' campaign, providing support on mental and physical wellbeing, and supported individual care plans for our people living in a vulnerable situation. In February 2021 we launched 'Share a Smile', an eight-week campaign of exclusive employee events to help give our colleagues and their families something to look forward to during lockdown.

By order of the board

Robert McPheely

R McPheely
Director
9 March 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 2021.

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.

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).

Post balance sheet events

There have been no significant post balance sheet events.

Severn Trent Green Power Limited

Directors Report (continued)

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and the parent Company 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 the parent company 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, 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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:

Robert McPheely

R McPheely
Director
9 March 2022

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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
- the financial statements 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; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

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

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 about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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 tax and 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 or non-compliance with laws and regulations in the following area, and our specific 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.

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

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.

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

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

09 March 2022

Severn Trent Green Power Limited

Group income statement
For the year ended 31 March 2021

	Note	2021 £'000	2020 Restated (see note 2) £'000
Turnover	5	**49,273**	50,210
Operating costs before credit for bad and doubtful debts	6	**(48,073)**	(44,730)
Credit for bad and doubtful debts	6	**159**	434
Total operating costs	6	**(47,914)**	(44,296)
Profit before interest and tax		**1,359**	5,914
Finance costs	9	**(2,493)**	(2,488)
(Loss)/profit on ordinary activities before taxation		**(1,134)**	3,426
Current tax	10	**(14)**	(326)
Deferred tax	10	**(572)**	40
Exceptional deferred tax	10	**–**	(2,313)
Taxation on (loss)/profit on ordinary activities		**(586)**	(2,597)
(Loss)/profit for the year		**(1,720)**	829

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 2021

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2019	102,210	(6,592)	95,618
Total comprehensive income for the year	–	829	829
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 31 March 2021	**227,860**	**(7,483)**	**220,377**

Severn Trent Green Power Limited

Company statement of changes in equity
For the year ended 31 March 2021

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2019	102,210	(3,232)	98,978
Total comprehensive loss for the year	–	(1,057)	(1,057)
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 31 March 2021	**227,860**	**(4,811)**	**223,049**

Severn Trent Green Power Limited

Group and Company balance sheet
As at 31 March 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000**	£'000	**£'000**	£'000
Non-current assets					
Goodwill	11	**29,224**	29,224	**–**	–
Other intangible assets	12	**27,833**	30,010	**–**	–
Property, plant and equipment	13	**187,049**	190,137	**101,717**	103,077
Right-of-use assets	14	**17,185**	14,831	**8,316**	7,129
Investments	15	**–**	–	**61,364**	61,364
Trade and other receivables	17	**–**	–	**55,284**	52,559
		261,291	264,202	**226,681**	224,129
Current assets					
Inventory	18	**7,547**	5,624	**6,361**	4,591
Trade and other receivables	17	**18,620**	22,373	**14,135**	18,466
Current tax receivable		**–**	909	**1,224**	1,925
Cash and cash equivalents		**8,082**	4,453	**4,180**	1,073
		34,249	33,359	**25,900**	26,055
Current liabilities					
Borrowings	20	**(551)**	(873)	**(150)**	(254)
Trade and other payables	21	**(9,356)**	(11,332)	**(7,472)**	(6,361)
Current tax payable		**(1,995)**	–	**–**	–
Provisions for liabilities	22	**(144)**	(1,266)	**(144)**	(1,266)
		(12,046)	(13,471)	**(7,766)**	(7,881)
Net current assets		**22,203**	19,888	**18,134**	18,174
Total assets less current liabilities		**283,494**	284,090	**244,815**	242,303
Non-current liabilities					
Borrowings	20	**(33,987)**	(153,210)	**(9,225)**	(127,907)
Trade and other payables	21	**–**	(5,309)	**–**	(5,309)
Deferred tax	23	**(22,131)**	(21,529)	**(8,401)**	(7,291)
Provisions for liabilities	22	**(6,999)**	(7,595)	**(4,140)**	(3,875)
		(63,117)	(187,643)	**(21,766)**	(144,382)
Net assets		**220,377**	96,447	**223,049**	97,921
Equity					
Called up share capital	24	**227,860**	102,210	**227,860**	102,210
Retained earnings		**(7,483)**	(5,763)	**(4,811)**	(4,289)
Total equity		**220,377**	96,447	**223,049**	97,921

The loss for the year for Severn Trent Green Power Limited (the Company) is £522,000 (2020: £1,057,000).

Signed on behalf of the Board who approved the accounts on 9 March 2022.

Robert McPheely

R McPheely
Director
Company Number 04501557

Group cash flow statement
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash generated from operations	25	**9,257**	12,745
Tax received	25	**1,094**	1,766
Net cash generated from operating activities		**10,351**	14,511
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,919)**	(8,547)
Proceeds on disposal of property, plant and equipment		**252**	166
Net cash outflow from investing activities		**(6,667)**	(8,381)
Cash flow from financing activities			
Interest paid		**(1,798)**	(2,742)
Interest element of finance lease payments		**(369)**	(393)
Principle elements of lease payments		**(1,164)**	(911)
Increase in loan drawdowns		**9,300**	–
Repayments of borrowings		**(6,024)**	(1,255)
Net cash outflow from financing activities		**(55)**	(5,301)
Net movement in cash and cash equivalents		**3,629**	829
Net cash at the beginning of the year		**4,453**	3,624
Net cash and cash equivalents at end of the year		**8,082**	4,453

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.

As at 31 March 2021, the Company has net assets of £223,049,000 (2020: £97,921,000) and a net current asset position of £18,134,000 (2020: £18,174,000).

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 29.

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.

iii) Prior year restatement

The comparative Group income statement has been restated to reduce turnover and operating costs by £1,127,000 to remove the impact of internal digestate transport services performed between Group companies.

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 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 or other customer. 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,

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

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 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).

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Such assets are reviewed for impairment at least annually and where indications of impairment exist.

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.

The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in enhancements to the operating capability of the infrastructure networks is capitalised.

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 scrappage 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	2 – 20
Vehicles and mobile	2 – 10

h) Leased assets

Where the Group 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 Group; 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 Group 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 Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

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

Insurance provisions are recognised for claims notified and for claims incurred but which have not yet been notified, based on advice from the Group's independent insurance advisers.

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.

4 Critical accounting judgments and key 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 Group'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 £1,945,000 change in the depreciation charge.

No critical accounting judgments have been made.

5 Revenue - Group

	2021 £'000	2020 Restated (see note 2) £'000
Electricity sales and incentives	**36,440**	34,776
Waste processing	**12,601**	14,946
Other services	**232**	488
Turnover	**49,273**	**50,210**

6 Net operating costs - Group

	2021 £'000	2020 Restated (see note 2) £'000
Wages and salaries	**6,817**	6,683
Social security costs	**429**	329
Pension costs	**203**	167
Share based payment	**10**	–
Total employee costs	**7,459**	7,179
Power	**612**	750
Raw materials and consumables	**8,844**	7,969
Rates	**1,790**	1,743
Credit for bad and doubtful debts	**(160)**	(434)
Service charges	**56**	–
Depreciation of tangible fixed assets	**10,128**	8,919
Depreciation of right-of-use assets	**1,019**	1,209
Amortisation of intangible fixed assets	**2,177**	2,176
Hired and contracted services	**12,946**	11,767
Rental charges	**168**	69
Hire of plant and machinery	**583**	464
Profit on disposal of tangible fixed assets	**(271)**	(110)
Exchange losses	**33**	17
Net other operating costs	**2,547**	2,886
	47,931	44,604
Own work capitalised	**(17)**	(308)
	47,914	44,296

Included in the above are audit fees of £158,000 (2020: £129,000) payable for the audit of the financial statements of the Company and its subsidiaries. No other fees were payable to the auditor (2020: nil).

7 Employee numbers

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

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
Business Services	**154**	80	**59**	–

8 Directors' interests and remuneration – Group and Company

	2021 £'000	2020 £'000
Aggregate directors' emoluments during the year (excluding pension contributions)	**26**	–
Pension contributions	**5**	–

One director (2020: nil) 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.

One director (2020: nil) are a member of the defined contribution pension.

9 Finance costs - Group

	2021 £'000	2020 £'000
Interest expense charged on:		
Lease liabilities	**369**	393
Amounts payable to group undertakings	**1,648**	2,061
Total borrowing costs	**2,017**	2,454
Interest unwind on provisions	**476**	34
	2,493	2,488

In accordance with IAS 23, borrowing costs of £268,000 (2020: £695,000) incurred funding eligible capital projects have been capitalised at an interest rate of 1.4% (2020: 3.0%). Tax relief of £51,000 (2020: £132,000) was claimed on these costs which were credited to the income statement, offset by a deferred tax charge of £51,000 (2020: £132,000).

10 Taxation

a) Analysis of tax charge in the year

	2021 £'000	2020 £'000
Current tax at 19% (2020: 19%)		
Current year	**(56)**	438
Prior years	**70**	(112)
Total current tax	**14**	326
Deferred tax		
Origination and reversal of temporary differences:		
Current year	**304**	360
Prior years	**268**	(402)
Exceptional charge on rate change	**–**	2,313
Total deferred tax	**572**	2,271
Total tax charge	**586**	**2,597**

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 (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
(Loss)/profit before taxation	**(1,134)**	3,426
Tax at standard rate of corporation tax in the UK 19% (2020: 19%)	**(215)**	651
Tax effect of depreciation on non-qualifying assets	**411**	234
Other disallowable expenditure	**52**	(87)
Adjustments in respect of prior years	**338**	(514)
Exceptional deferred tax arising from rate change	**–**	2,313
Total tax charge	**586**	2,597

Deferred tax is provided at 19%, being the rate that is expected to apply when the asset or liability is expected to be settled. The impact of the UK Government's announcement of its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023 is set out in note 23.

11 Goodwill

Group

	2021 £'000	2020 £'000
Green Power South	**29,224**	29,224

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.

	2021 £'000	2020 £'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 in the prior year to the provisional fair value of the assets and liabilities acquired 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.

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	%
Discount rate	6.0
Growth rate in the period beyond the detailed projections	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 £59 million. An increase in the discount rate to 7.8% or reduction in the growth rate in the period beyond the detailed projections to negative 0.2% 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	Other intangibles	Total
	£'000	£'000	£'000
Cost			
At 1 April 2020 and 31 March 2021	**1,533**	**31,500**	**33,033**
Amortisation			
At 1 April 2020	(223)	(2,800)	(3,023)
Amortisation for the year	(77)	(2,100)	(2,177)
At 31 March 2021	**(300)**	**(4,900)**	**(5,200)**
Net book value			
At 31 March 2021	**1,233**	**26,600**	**27,833**
At 31 March 2020	1,310	28,700	30,010

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	Fixed plant and equipment	Moveable plant	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	97,736	96,496	146	13,605	207,983
Additions	2,228	3,042	202	3,796	9,268
Transfers on commissioning	1,945	5,643	19	(7,607)	–
Disposals	–	(256)	(82)	–	338
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 31 March 2021	**104,138**	**108,614**	**364**	**10,505**	**223,621**
Depreciation					
At 1 April 2019	(4,358)	(13,752)	(4)	–	(18,114)
Charge for the year	(4,095)	(4,771)	(53)	–	(8,919)
Disposals	–	217	40	–	257
At 1 April 2020	(8,453)	(18,306)	(17)	–	(26,776)
Charge for the year	(4,253)	(5,815)	(60)	–	(10,128)
Transfers to right-of-use assets	–	39	17	–	56
Disposals	–	240	36	–	276
At 31 March 2021	**(12,706)**	**(23,842)**	**(24)**	**–**	**(36,572)**
Net book value					
At 31 March 2021	**91,432**	**84,772**	**340**	**10,505**	**187,049**
At 31 March 2020	93,456	86,619	268	9,794	190,137

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 2019	34,456	68,336	13,605	116,397
Additions	–	–	3,796	3,796
Transfers on commissioning	1,945	5,662	(7,607)	–
At 1 April 2020	36,401	73,998	9,794	120,193
Additions	579	1,186	711	2,476
At 31 March 2021	**36,980**	**75,184**	**10,505**	**122,669**
Depreciation				
At 1 April 2019	(3,283)	(9,862)	–	(13,145)
Charge for the year	(639)	(3,332)	–	(3,971)
At 1 April 2020	(3,922)	(13,194)	–	(17,116)
Charge for the year	(701)	(3,135)	–	(3,836)
At 31 March 2021	**(4,623)**	**(16,329)**	**–**	**(20,952)**
Net book value				
At 31 March 2021	**32,357**	**58,855**	**10,505**	**101,717**
At 31 March 2020	32,479	60,804	9,794	103,077

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 2h).

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 2021:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Depreciation charge of right-of-use assets:				
Land and buildings	**748**	1,153	**356**	382
Plant and equipment	**271**	56	**14**	31
Total depreciation of right-of-use assets	**1,019**	1,209	**370**	413
Interest expense included in finance cost	**369**	393	**149**	161
Expense relating to short-term leases included in operating costs	**168**	69	**143**	29

14 Leases (continued)

c) Balance sheet

The balance sheet includes the following amounts relating to leases:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Right-of-use assets:				
Land and buildings	**16,644**	13,839	**8,301**	7,048
Plant and equipment	**541**	992	**15**	81
	17,185	14,831	**8,316**	7,129

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 £4,496,000 (2020: nil) and for the Company were £1,609,000 (2020: nil). Disposals for both Group and Company were £51,000 (2020: nil). The extension of the lease terms has resulted in a reduction in dilapidation provisions included in right-of-use assets of £1,072,000 (2020: nil).

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Lease liabilities:				
Current	**551**	873	**150**	254
Non-current	**12,936**	9,871	**5,789**	4,430
	13,487	10,744	**5,939**	4,684

Obligations under lease liabilities are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Within 1 year	**1,033**	1,257	**340**	416
1 - 2 years	**935**	1,051	**340**	399
2 - 5 years	**2,464**	2,497	**1,013**	1,020
After more than 5 years	**16,294**	10,264	**6,682**	4,735
Gross obligations under finance leases	**20,726**	15,069	**8,375**	6,570
Less: future finance charges	**(7,239)**	(4,325)	**(2,436)**	(1,886)
Present value of lease obligations	**13,487**	10,744	**5,939**	4,684

Net obligations under leases were as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Within 1 year	**551**	873	**150**	254
1 - 2 years	**498**	704	**155**	297
2 - 5 years	**1,163**	1,783	**493**	837
After more than 5 years	**11,275**	7,384	**5,141**	3,296
Included in non-current liabilities	**12,936**	9,871	**5,789**	4,430
	13,487	10,744	**5,939**	4,684

d) Cash flow

The Group's total cash outflow for leases in the year was £1,533,000 (2020: £1,304,000) which consists of £369,000 (2020: £393,000) payment of interest and £1,164,000 (2020: £911,000) 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 2020 and 31 March 2021	**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	Generation of renewable power (wind power)	100% Ordinary
Severn Trent Green Power Holdings Limited	United Kingdom	Holding 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	Processing and recycling of organic waste	100% Ordinary
Severn Trent Green Power (Bridgend) Limited	United Kingdom	Generation of renewable energy through anaerobic digestion of food waste	100% Ordinary
Severn Trent Green Power (Cassington) Limited	United Kingdom	Generation of renewable energy through anaerobic digestion of food waste	100% Ordinary
Seven Trent Green Power (CW) Limited	United Kingdom	Processing and recycling of organic waste	100% Ordinary
Severn Trent Green Power (Hertfordshire) Limited	United Kingdom	Processing and recycling of organic waste	100% Ordinary
Severn Trent Green Power (North London) Limited	United Kingdom	Generation of renewable energy through anaerobic digestion of food waste	100% Ordinary
Severn Trent Green Power (RBWM) Limited	United Kingdom	Processing and recycling of organic waste	100% Ordinary
Severn Trent Green power (Wallingford) Limited	United Kingdom	Generation of renewable energy through anaerobic digestion of food waste	100% Ordinary
Severn Trent Green Power Biogas Limited	United Kingdom	Holding company	100% Ordinary
Severn Trent Green Power Composting Limited	United Kingdom	Holding company	100% Ordinary
Severn Trent Green Power Group Limited	United Kingdom	Holding 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.

16 Categories of financial assets

Group

	Note	2021 £'000	2020 £'000
Financial assets at amortised cost			
Trade receivables	17	**2,755**	1,793
Accrued income	17	**11,949**	16,997
Other amounts receivable	17	**1,307**	2,392
Amounts due from group undertakings	17	**569**	748
Cash at bank and in hand		**8,082**	4,453
Total financial assets at amortised cost		**24,662**	26,383
Disclosed in the balance sheet as:			
Current assets			
Trade and other receivables		**16,580**	21,930
Cash and cash equivalents		**8,082**	4,453
		24,662	26,383

17 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current assets				
Net trade receivables	**2,755**	1,793	**982**	716
Other amounts receivable	**1,307**	2,392	**443**	1,843
Prepayments	**240**	443	**57**	101
Accrued income	**11,949**	16,997	**6,548**	10,190
Intercompany group relief receivable	**1,800**	–	**–**	–
Receivables due from group undertakings	**569**	748	**6,105**	5,616
	18,620	22,373	**14,135**	18,466
Non-current assets				
Receivables due from group undertakings under loan agreements	**–**	–	**55,284**	52,559
	–	–	**55,284**	52,559
	18,620	22,373	**69,419**	71,025

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

Amounts due from group undertakings are trading in nature and do not bear interest. No amounts receivable from group undertakings are secured.

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 have 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 their 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 (2020: nil).

17 Trade and other receivables (continued)

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

The expected credit loss at 31 March 2021 and 2020 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

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**

2020	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	1	17,199	(202)	16,997
Up to 1 year past due	1	1,807	(14)	1,793
1 – 2 years past due	100	2	(2)	–
		19,008	(218)	18,790

Movements on the expected credit loss allowance were as follows:

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**

2020	Trade Receivables	Accrued Income	Total
	£'000	£'000	£'000
At 1 April 2019	2	650	652
Charge/(credit) for bad and doubtful debts	14	(448)	(434)
At 31 March 2020	16	202	218

Company

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**

2020	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	£'000	£'000	£'000
Not past due	–	10,190	–	10,190
Up to 1 year past due	2	729	(13)	716
1 – 2 years past due	100	2	(2)	–
		10,921	(15)	10,906

17 Trade and other receivables (continued)

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

Movements on the expected credit loss allowance were as follows:

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

2020	Trade Receivables
	£'000
At 1 April 2019	2
Charge for bad and doubtful debts	13
At 31 March 2020	**15**

18 Inventory

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Raw material and consumables	**7,546**	5,624	**6,361**	4,591

19 Categories of financial liabilities

Group

	Note	2021 £'000	2020 £'000
Other financial liabilities			
Borrowings	20	**34,538**	154,083
Trade payables	21	**909**	1,658
Other payables	21	**232**	82
Amounts due to parent and fellow subsidiary undertakings	21	**1,276**	1,574
Deferred consideration	21	**–**	3,600
Contingent consideration	21	**–**	1,709
Total financial liabilities		**36,955**	162,706
Disclosed in the balance sheet as:			
Non-current liabilities			
Borrowings		**33,987**	153,210
Trade and other payables		**–**	5,309
		33,987	158,519
Current liabilities			
Borrowings		**551**	873
Trade and other payables		**2,417**	3,314
		2,968	4,187
		36,955	162,706

20 Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Current liabilities				
Lease liabilities	**551**	873	**150**	254
	551	873	**150**	254
Non-current liabilities				
Loans due to parent and fellow subsidiary undertakings	**21,051**	143,339	**3,436**	123,477
Lease liabilities	**12,936**	9,871	**5,789**	4,430
	33,987	153,210	**9,225**	127,907
	34,538	154,083	**9,375**	128,161

The Group has a facility of £45,000,000 available from a fellow group undertaking, Severn Trent Holdings Limited. The loan is unsecured with interest payable at 6m LIBOR + 1.025%. 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	6m LIBOR + 4.750%	11 January 2023
Severn Trent Green Power (Cassington) Limited	£5,000,000	Unsecured	6m LIBOR + 4.750%	11 January 2023
Severn Trent Green Power (Hertfordshire) Limited	£5,000,000	Unsecured	6m LIBOR + 4.750%	11 January 2023
Severn Trent Green Power (North London) Limited	£5,000,000	Unsecured	6m LIBOR + 4.750%	11 January 2023
Severn Trent Green Power (Bridgend) Limited	£5,000,000	Unsecured	6m LIBOR + 4.750%	11 January 2023
Severn Trent Green Power (West London) Limited	£5,000,000	Unsecured	6m LIBOR + 4.750%	11 January 2023

21 Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Current liabilities				
Trade payables	**909**	1,658	**440**	494
Social security and other taxes	**458**	566	**–**	–
Other payables	**232**	82	**192**	93
Accruals	**6,481**	7,452	**3,841**	3,780
Amounts owed to fellow subsidiary undertakings	**1,276**	1,574	**2,999**	1,994
	9,356	11,332	**7,472**	6,361
Non-current liabilities				
Deferred consideration	**–**	3,600	**–**	3,600
Contingent consideration	**–**	1,709	**–**	1,709
	–	5,309	**–**	5,309
	9,356	16,641	**7,472**	11,670

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.

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

22 Provisions

Group

	Dilapidation £'000	Legal £'000	Other £'000	Total £'000
At 1 April 2020	6,558	1,266	1,037	8,861
Unwinding of discount	440	–	36	476
Increase in discount of extension of lease	(1,072)	–	–	(1,072)
Amounts credited to income statement	–	(1,122)	–	(1,122)
At 31 March 2021	**5,945**	**144**	**1,054**	**7,143**

	2021 £'000	2020 £'000
Included in		
Current liabilities	**144**	**1,266**
Non-current liabilities	**6,999**	**7,595**
	7,143	**8,861**

Company

	Dilapidation £'000	Legal £'000	Other £'000	Total £'000
At 1 April 2020	3,541	1,266	334	5,141
Unwinding of discount	248	–	17	265
Amounts credited to income statement	–	(1,122)	–	(1,122)
At 31 March 2021	**3,789**	**144**	**351**	**4,284**

	2021 £'000	2020 £'000
Included in		
Current liabilities	**144**	**1,266**
Non-current liabilities	**4,140**	**3,875**
	4,284	**5,141**

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 period of up to 20 years from the balance sheet date.

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	Other	Total
	£'000	£'000	£'000
At 1 April 2019	10,477	8,781	19,258
Credit to income	(42)	–	(42)
Charge to income arising from rate change	1,233	1,080	2,313
At 1 April 2020	11,668	9,861	21,529
Charge/(credit) to income	1,541	(969)	572
Other movement	–	30	30
At 31 March 2021	**13,209**	**8,922**	**22,131**

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. If this rate had applied at the balance sheet date the Group's deferred tax liability would have been £6,989,000 higher.

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 2019	5,994
Charge to income	1,297
At 1 April 2020	7,291
Charge to income	1,110
At 31 March 2021	**8,401**

In March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. If this rate had applied at the balance sheet date the Company's deferred tax liability would have been £2,653,000 higher.

24 Share capital

	2021	2020
	£'000	£'000
Total issued and fully paid share capital		
227,860,218 ordinary shares of £1 (2020: 102,209,729)	**227,860**	102,210

During the period the Company issued 125,650,489 ordinary shares of £1 each to Severn Trent Holdings Limited, in exchange for the redemption of the loan due by the Company of £125,566,000 plus interest of £84,489.

25 Cash flow statement

a) Reconciliation of operating profit to operating cash flows

	2021 £'000	2020 £'000
Profit before interest and tax	**1,359**	5,914
Depreciation of property, plant and equipment	**10,128**	8,919
Depreciation of right-of-use assets	**1,019**	1,209
Amortisation of intangible assets	**2,177**	2,176
Profit on sale of property, plant and equipment	**(271)**	(110)
Provisions (credited)/charged to the income statement	**(1,122)**	917
Operating cash flows before movements in working capital	**13,290**	19,025
Increase in inventory	**(1,923)**	(1,650)
Decrease/(increase) in amounts receivable	**5,698**	(2,895)
Decrease in amounts payable	**(7,808)**	(1,735)
Cash generated from operations	**9,257**	12,745
Tax received	**1,094**	1,766
Net cash generated from operating activities	**10,351**	14,511

b) Non-cash transactions

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

c) Reconciliation of movement in cash and cash equivalents to movement in debt

	Net cash and cash equivalents £'000	Loans payable to group undertakings £m	Lease liabilities £'000	Net debt £m
At 1 April 2020	4,453	(143,339)	(10,744)	(149,630)
Cash flow	3,629	(3,276)	1,533	1,886
Other non-cash movements	–	125,564	(4,276)	121,288
At 31 March 2021	**8,082**	**(21,051)**	**(13,487)**	**(26,456)**

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 others' balances only to the extent that their credit balances can be offset against overdrawn balances of other Severn Trent Group companies.

At 31 March 2021 the Group's maximum liability under these arrangements was £8,082,000 (2020: £4,453,000) and the Company's maximum liability under these arrangements was £4,180,000 (2020: £1,073,000).

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

27 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	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Balances outstanding at 31 March:				
Amounts due from related parties	**2,369**	748	**-**	-
Amounts due to related parties	**(1,276)**	(1,574)	**-**	-
Loans due to related parties > 1 year	**(21,051)**	(143,339)	**-**	-
	(21,758)	(144,165)	**-**	-

28 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.

29 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

	2021	2020
	£'000	£'000
Profit before interest and tax	**1,359**	5,914
Depreciation	**11,147**	10,128
Amortisation	**2,177**	2,176
EBITDA	**14,683**	18,218