

# **Severn Trent Finance Limited**

**Annual report and financial statements  
for the year ended 31 March 2019**

Company number: 06294618

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# Severn Trent Finance Limited

## Annual report and financial statements for the year ended 31 March 2019

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# **Severn Trent Finance Limited**

## **Company information**

<b>Company number</b>	06294618
<b>Directors</b>	J A Jackson B Kennedy R C McPheely
<b>Secretary</b>	A A Campbell
<b>Registered office</b>	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
<b>Banker</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP
<b>Solicitor</b>	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG



# Severn Trent Finance Limited

## Strategic report

### Business review and principal activities

The Company is a wholly owned subsidiary of Severn Trent Plc.

The principal activity of the Company was to act as a holding company for certain subsidiary companies in the Severn Trent Group. The Company has now been prepared for strike-off during the year with net assets transferred to the parent company through a dividend in specie. The Company is expected to be struck off within the next 12 months.

The Company does not trade and the Company's Directors do not believe that further key performance indicators for the Company are necessary to enhance the understanding of the development, performance or position of the business.

### Results and dividends

The Company's profit for the financial year after taxation was £2,613,000 (2018: loss of £209,987,000).

A dividend of £277,941,000 (2018: nil) was paid to the parent company, Severn Trent Carsington Limited during the year.

### 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).

### Financial position and going concern

The Directors have considered the financial position and future prospects of the Company. The Company has been prepared for strike-off, which is expected to be completed within the next 12 months. The Company has no liabilities and so the Directors continue to adopt the going concern basis in preparing the report and annual financial statements.

By order of the Board



**R C McPheely**  
Director  
4 December 2019



# Severn Trent Finance Limited

## Directors' report

The Directors present their annual report and the financial statements of the Company for the year ended 31 March 2019.

### 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
- Financial position and going concern

### Directors

The Directors who served during the year are shown on page 1.

### 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.

### 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 Finance Limited

## Directors' report (continued)

### Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

Approved by and signed on behalf of the Board



R C McPheely  
Director  
4 December 2019



# Severn Trent Finance Limited

## Income statement For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Operating costs	5	–	(576)
Exceptional items	6	(62)	(257,603)
<b>Loss before interest and tax</b>		<b>(62)</b>	<b>(258,179)</b>
Finance income	7	3,437	2,735
Dividends received		–	45,867
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>3,375</b>	<b>(209,577)</b>
Taxation on profit/loss on ordinary activities	8	(762)	(410)
<b>Profit/(loss) for the year</b>		<b>2,613</b>	<b>(209,987)</b>

All results are from continuing operations in both the current and preceding year.

The Company has no recognised gains or losses other than the results above and therefore no separate statement of comprehensive income has been presented.



# Severn Trent Finance Limited

## Balance sheet

At 31 March 2019

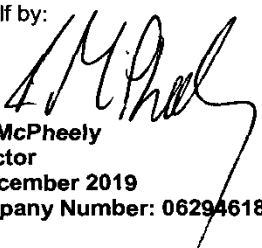
	Note	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Investments	9	—	47,719
Trade and other receivables	10	—	225,077
		—	272,796
<b>Current assets</b>			
Trade and other receivables	10	—	570
Cash and cash equivalents		—	2,721
		—	3,291
<b>Current liabilities</b>			
Current tax payable		—	(759)
<b>Net current assets</b>		—	2,532
<b>Net assets</b>		—	275,328
<b>Equity</b>			
Called up share capital	11	—	94,575
Share premium account		—	252,409
Retained earnings		—	(71,656)
<b>Total equity</b>		—	275,328

For the year ending 31 March 2019, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the act with respect to accounting records and the preparation of accounts.

The financial statements were approved by the Board of Directors on 4 December 2019. They were signed on its behalf by:

  
R C McPheely  
Director  
4 December 2019  
Company Number: 06294618



## Severn Trent Finance Limited

### Statement of changes in equity

For the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
As at 1 April 2017	94,575	252,409	138,331	485,315
Total comprehensive loss for the year	–	–	(209,987)	(209,987)
As at 1 April 2018	94,575	252,409	(71,656)	275,328
Total comprehensive income for the year	–	–	2,613	2,613
Share capital reduction	(94,575)	(252,409)	346,984	–
Dividends paid	–	–	(277,941)	(277,941)
<b>As at 31 March 2019</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



# **Severn Trent Finance Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

#### **a) Accounting convention**

The financial statements have been prepared on the going concern basis (see Strategic report) under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value, and in accordance with applicable United Kingdom Accounting Standards and comply with the requirements of the United Kingdom Companies Act 2006 (the "Act"). The principal accounting policies, which have been applied consistently in the current and preceding year are set out below.

Severn Trent Finance Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

#### **b) Basis of preparation**

The Company is a wholly owned subsidiary of Severn Trent Plc and is included in the consolidated financial statements of Severn Trent Plc. Consequently, the Directors have taken advantage of the exemption available under section 400 of the United Kingdom Companies Act 2006 from preparing group accounts.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements'. Accordingly, the Company has elected to apply FRS 101 'Reduced Disclosure Framework'. Therefore the recognition and measurement requirements of EU-adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 accounts.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group financial statements of Severn Trent Plc which are available to the public and can be obtained as set out in note 14.

#### **l) Changes in accounting policies – IFRS 9 and IFRS 15**

In the current financial year the Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. There is no material impact on the financial statements from the adoption of these new accounting standards.

#### **c) Finance and similar income**

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income.

#### **d) Exceptional items**

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

#### **e) Taxation**

Current tax payable is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit on ordinary activities before taxation as reported in the income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.



# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### f) Impairment of non-current assets

If the recoverable amount of goodwill, an item of property, plant and equipment, or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

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

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

Impairments are recognised in the income statement.

#### g) Foreign currency

Foreign currency transactions arising during the year are translated into sterling at the rate of exchange ruling on the date of the transaction. All profits and losses on exchange arising during the year are dealt with through the income statement.

### 2. Critical accounting judgments and sources of estimation uncertainty

In the process of applying the Company's accounting policies, no critical accounting judgments or accounting estimates were required.

### 3. Employee numbers

The average monthly number of employees (including executive Directors) during the year was nil (2018: nil).

### 4. Directors' remuneration

The Directors received no emoluments for their services to the Company. The emoluments of the Directors are paid by other companies within the Severn Trent Group.

### 5. Operating costs

	2019 £'000	2018 £'000
Exchange losses	—	576

### 6. Exceptional items

	2019 £'000	2018 £'000
Impairment of investment in subsidiary	62	257,603

An impairment was recognised in the current year to reduce the investment held in Severn Trent Overseas Holdings Limited to its recoverable amount following an impairment review. Further details are disclosed in note 9.

During the prior year, the Company disposed of its entire shareholding in its Luxembourg and US subsidiaries. Further details are disclosed in note 9.



# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 7. Finance income

	2019 £'000	2018 £'000
Interest income earned on:		
- amounts due from fellow group undertakings	3,437	2,735

### 8. Taxation

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

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax at 19% (2018: 19%)		
- Current year	652	410
- Prior year	110	–
	<b>762</b>	<b>410</b>

The Company earns profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax.

#### b) Factors affecting the tax charge in the year

The tax charge for the current year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	2019 £'000	2018 £'000
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>3,375</b>	<b>(209,577)</b>
Tax at the standard rate of corporation tax in the UK 19% (2018: 19%)	641	(39,820)
Tax effect of items not deductible in determining taxable profits	11	48,945
Tax effect of items not taxable in determining taxable profits	–	(8,715)
Adjustments in respect of prior years	110	–
<b>Total tax charge for the year</b>	<b>762</b>	<b>410</b>

### 9. Investment in subsidiary undertakings

	£'000
Net book value at 1 April 2018	47,719
Impairment	(62)
Dividend in specie	(47,657)
<b>Net book value at 31 March 2019</b>	<b>–</b>

On 22 February 2019 the Company paid a dividend in specie of £277,941,000 to its parent company, Severn Trent Carsington Limited. The dividend in specie was satisfied in part by the transfer of the Company's 100% shareholdings in Severn Trent Overseas Holdings Limited. Immediately prior to the dividend an impairment of £62,000 was recognised to reduce the investment balance to its recoverable amount.



# Severn Trent Finance Limited

## Notes to the financial statements (continued)

### 10. Trade and other receivables

	2019 £'000	2018 £'000
<b>Current assets</b>		
Amounts receivable from ultimate parent	–	516
Amounts receivable from fellow group undertakings	–	54
	–	570
	2019 £'000	2018 £'000
<b>Non-current assets</b>		
Amounts receivable from fellow group undertakings under loan agreements	–	225,077
	–	225,077

During the year, receivable balances were transferred to the parent company, Severn Trent Carsington Limited as part of the consideration for the dividend in specie of £277,941,000 declared and paid 22 February 2019.

### 11. Share capital

	2019 £'000	2018 £'000
<b>Total issued and fully paid share capital</b>		
94,574,694 ordinary shares of £0.00000001 (2018: £1) each	–	94,575

### 12. Contingent liabilities

The banking arrangement of the Company operate on a pooled basis with certain fellow group undertakings. Under these arrangements participating companies guarantee each 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 2019 the Company's maximum exposure under these arrangements was nil (2018: £2,721,000).

### 13. Related party transactions

There have been no transactions with the Directors of the Company during the last financial year.

In accordance with the exemption allowed by FRS 101, no disclosure is made of transactions with other wholly owned subsidiaries which are consolidated into the Severn Trent Plc Group.

### 14. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Carsington 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.