

Severn Trent Finance Holdings Limited

Report and financial statements

for the year ended 31 March 2012

Company number 06044159

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Severn Trent Finance Holdings Limited

Report and financial statements for the year ended 31 March 2012

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Severn Trent Finance Holdings Limited

Company information

Company number	06044159
Directors	M Dovey (appointed 23 January 2012) B Kennedy (appointed 31 December 2011) R C McPheely K A A Porritt (resigned 31 December 2011) P M Senior (resigned 1 November 2011) G P Tyler (appointed 1 November 2011)
Secretary	M Armitage
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Bankers	Lloyds TSB Bank Plc 125 Colmore Row Birmingham B3 2DS
Solicitors	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Auditor	Deloitte LLP Chartered Accountants Four Brindleyplace Birmingham B1 2HZ

Severn Trent Finance Holdings Limited

Directors' report

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2012

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent Plc

The principal activity of the company is to act as a holding company for certain subsidiary companies in the Severn Trent group

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

During the year the company received no income from its investments (2011: £139,596,000). In December 2011, the company acquired 100% of the Ordinary B share capital (equating to 9.367% of the ordinary share capital) of Severn Trent Carsington Limited for consideration of £277,405,080 and disposed of subsidiaries realising gains of £139,888,987. This was part of a wider group reorganisation.

An impairment of £54,961,727 has been recognised in respect of the company's investment in Severn Trent Holdings Limited, following a review of the carrying value of its investments.

The company does not trade and the 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 £79,837,000 (2011: £139,551,000). The directors do not recommend the payment of a dividend. An interim dividend of £1,130,143,629 (2011: £139,596,022) was declared and paid during the year on the ordinary shares.

Principal risks and uncertainties

Treasury management

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

Environment

The 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 Accounts (which does not form part of this report).

Post balance sheet events

There have been no significant post balance sheet events.

Severn Trent Finance Holdings Limited

Directors' report

Share capital

On 29 November 2011 the company passed a resolution to reduce the nominal value of its shares from £1 to 33.9 pence each. The reduction in capital that resulted of £1,131,396,000 has been credited to retained reserves.

Directors

The directors who served during the year are shown on page 1. On 1 November 2011 P M Senior resigned and G P Tyler was appointed as a director of the company. On 31 December 2011 K A A Porritt resigned and B Kennedy was appointed as a director of the company. On 23 January 2012 M J Dovey was appointed as a director of the company.

No emoluments were paid by the company in respect of the services of the directors to the company. Their emoluments are paid by other companies within the Severn Trent group.

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements 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.

Going concern and financial position

The directors have considered the financial position and future prospects of the company. The directors believe that the company has access to sufficient resources to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and annual accounts.

Severn Trent Finance Holdings Limited

Directors' report

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

Auditor and disclosure of information to auditor

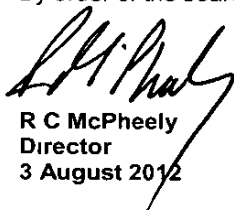
In the case of each of the persons who are directors of the company at the date when this report is approved

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

Relevant audit information means information needed by the company's auditor in connection with preparing its report. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP has indicated its willingness to continue as auditor

By order of the board



R C McPheely
Director
3 August 2012

Independent auditor's report to the members of Severn Trent Finance Holdings Limited

We have audited the financial statements of Severn Trent Finance Holdings Limited for the year ended 31 March 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Christopher Robertson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom
3 August 2012

Severn Trent Finance Holdings Limited

Profit and loss account For the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Exceptional costs	2	(54,962)	-
Operating profit		(54,962)	-
Income from shares in group undertakings		-	139,596
Profit on disposal of investments		139,889	-
Net interest payable	5	(6,878)	(63)
Profit before tax		78,049	139,533
Taxation on profit on ordinary activities	6	1,788	18
Profit for the financial year		79,837	139,551

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

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

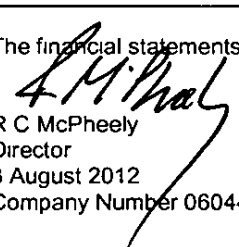
Movements in shareholder's funds are disclosed in note 14

Severn Trent Finance Holdings Limited

Balance sheet As at 31 March 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	8	1,509,517	3,271,880
		1,509,517	3,271,880
Current assets			
Debtors	9	1,777	8
Cash at bank and in hand		18	5
		1,795	13
Creditors amounts falling due within one year	10	(21,358)	(1,558,264)
Net current liabilities		(19,563)	(1,558,251)
Total assets less current liabilities		1,489,954	1,713,629
Creditors amounts falling due after more than one year	11	(826,852)	(221)
Net assets		663,102	1,713,408
Capital and reserves			
Share capital	12	580,247	1,711,643
Share premium	13	1,168	1,168
Profit and loss account	13	81,687	597
Total shareholder's funds	14	663,102	1,713,408

The financial statements were approved by the board of directors on 3 August 2012. They were signed on its behalf by


R C McPheely
Director
3 August 2012
Company Number 06044159

Severn Trent Finance Holdings Limited

Notes to the financial statements

1. Accounting policies

a) Accounting convention

The financial statements have been prepared on the going concern basis (see Directors' report) under the historical cost convention, 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

b) Basis of preparation

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

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

c) Foreign currency

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

Exchange differences are included in the profit and loss account

d) Current and deferred taxation

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

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

e) Investments

Investments held as fixed assets are stated at cost less amounts written off

f) Impairment of investments

Impairments of investments are calculated as the difference between the carrying value of the net assets of income generating units including, where appropriate, investments and goodwill, and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken

Net realisable value represents the net amount that can be generated through sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital to the income generating unit

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

Impairments are recognised in the profit and loss account and where material, are disclosed as exceptional

Severn Trent Finance Holdings Limited

Notes to the financial statements

2. Audit fees and employees

The audit fees of £1,000 (2011 £1,000) payable for the audit of the statutory accounts were paid by the company's holding company. No other fees were payable to the auditor.

The average number of employees during the year (including executive directors) was nil (2011 nil).

3. Exceptional items

	2012 £'000	2011 £'000
Impairment of investments	54,962	-

4. Directors' remuneration

The emoluments of the directors are paid by other companies within the Severn Trent group. The directors do not receive any remuneration for services to this company.

5. Net interest payable

	2012 £'000	2011 £'000
Interest payable and similar charges on		
- Amounts payable to group undertakings	6,878	63

Severn Trent Finance Holdings Limited

Notes to the financial statements

6. Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Current tax		
Group relief receivable at 26% (2011 28%)		
- current year	(1,788)	(18)

The tax assessed for the year is lower than (2011 lower than) the standard rate of corporation tax in the UK of 26% (2011 28%). The differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	78,049	139,533
Tax on ordinary activities at standard UK corporation rate of 26% (2011 28%)	20,293	39,069
Effects of		
Adjustment for non taxable income	(36,371)	(39,087)
Expenses not deductible for tax purposes	14,290	-
Current tax credit for the year	(1,788)	(18)

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. The standard rate of UK corporation tax changed from 26% to 24% with effect from 1 April 2012. Deferred tax assets and liabilities have been calculated at 24%.

On 3 July 2012 the proposed change in the UK corporation tax rate to 23% was substantively enacted. This is effective from 1 April 2013.

Severn Trent Finance Holdings Limited

Notes to the financial statements

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period

	2012 Pence per share	£'000	2011 Pence per share	£'000
Interim dividend	66 0	1,130,143	8 1	139,596

8. Fixed asset investments

The company has the following investments which principally affected its profits or net assets

Subsidiary undertakings	Country of operation and incorporation	Principal activity	Equity interest	Percentage of share capital held
Severn Trent Holdings Limited	United Kingdom	Holding company	Ordinary	100
Severn Trent Carsington Limited	United Kingdom	Investment company	Ordinary B	100

	Subsidiary undertakings £'000
Cost	
At 1 April 2011	3,271,880
Additions	277,405
Disposals	(1,984,806)
At 31 March 2012	1,564,479
Charge for the year	(54,962)
At 31 March 2012	(54,962)
Net book value	
At 31 March 2012	1,509,517
At 31 March 2011	3,271,880

On 2 December 2011 the company transferred its shareholdings in Severn Trent Luxembourg Overseas Holdings S a r l (STLOH), Severn Trent Financing and Investments Limited (STFIL) and Severn Trent Finance Limited (STFL) to Severn Trent Carsington, a fellow subsidiary of Severn Trent Plc

The consideration for the transfer of STLOH was the elimination of a debt due to Severn Trent Carsington in the sum of £1,847,289,841. A gain of £129,552,162 was recognised on this transaction.

The consideration for the transfer of STFIL and STFL was the issue of 10,335,520 ordinary B shares of £1 each. A gain of £10,336,825 was recognised on this transaction. This gain is non distributable, see note 13.

Severn Trent Finance Holdings Limited

Notes to the financial statements

9 Debtors

Amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by group undertakings	1,777	8

10. Creditors. amounts falling due within one year

	2012 £'000	2011 £'000
Loans due to parent and fellow subsidiary undertakings	4,402	4,101
Amounts owed to parent and fellow subsidiary undertakings	16,956	1,554,163
	21,358	1,558,264

Amounts due to group undertakings are unsecured, interest free and repayable on demand

Loans due to parent and fellow subsidiary undertakings comprise two loans, both with Severn Trent Plc. The first loan of £4,100,739 is unsecured and incurs interest at a rate of LIBOR + 0.95%. The second loan of £301,200 is unsecured and incurs interest at a rate of LIBOR + 1%. Both loans were repaid on 2 April 2012.

11. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Loans due to parent and fellow subsidiary undertakings	826,852	221

Borrowings are repayable as follows

	2012 £'000	2011 £'000
Between two and five years	826,852	221

The loan is unsecured, incurs interest at a rate of LIBOR + 1% and is due to Severn Trent Carsington Limited. The loan is repayable on 15 December 2014.

Severn Trent Finance Holdings Limited

Notes to the financial statements

12. Share capital

	2012 £'000	2011 £'000
Total issued and fully paid		
1,711,643,450 ordinary shares of £0.339 each (2011 £1 each)	580,247	1,711,643

On 2 December 2011 the company passed a resolution to reduce the nominal value of each share to 33.9 pence. The reduction in share capital of £1,131,396,000 that resulted has been credited to retained reserves. This was part of a wider group reorganisation.

13. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2011	1,168	597	1,765
Dividend paid on equity shares	-	(1,130,143)	(1,130,143)
Profit for the financial year	-	79,837	79,837
Reduction in share capital	-	1,131,396	1,131,396
At 31 March 2012	1,168	81,687	82,855

Gains of £10,336,825 arising on the transfer of the company's investments in Severn Trent Finance and Investments Limited and Severn Trent Finance Limited are not distributable.

14. Reconciliation of movement in shareholder's funds

	2012 £'000	2011 £'000
Profit for the financial year	79,837	139,551
Dividends paid on equity shares	(1,130,143)	(139,596)
Net reduction in shareholder's funds	(1,050,306)	(45)
Opening shareholder's funds	1,713,408	1,713,453
Closing shareholder's funds	663,102	1,713,408

Severn Trent Finance Holdings Limited

Notes to the financial statements

15. Contingent liabilities

The banking arrangements of the company 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 group overdrawn balances.

At 31 March 2012 the company's maximum liability under this arrangement was £18,000 (2011: £5,000).

16. Related party transactions

Transactions with the directors of the company are disclosed in note 4.

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

17. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Investment 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.