

# Severn Trent Finance Holdings Limited

## Report and financial statements

for the year ended 31 March 2014

Company number 06044159



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# **Severn Trent Finance Holdings Limited**

## **Report and financial statements for the year ended 31 March 2014**

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## **Severn Trent Finance Holdings Limited**

### **Company information**

<b>Company number</b>	06044159
<b>Directors</b>	M J Dovey B Kennedy R C McPheely G P Tyler (resigned 10 March 2014)
<b>Secretary</b>	A Campbell
<b>Registered office</b>	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
<b>Bankers</b>	Barclays Bank Plc 1 Churchill Place London E14 5HP
<b>Auditor</b>	Deloitte LLP Chartered Accountants and Statutory Auditor Four Brindleyplace Birmingham B1 2HZ

# Severn Trent Finance Holdings 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 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 (2013: nil). There has been no change in the carrying value of investments and no indicators of impairment have been identified.

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.

### 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).

### Going concern and financial position

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 from the Severn Trent group in the form of intra-group loans. 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.

By order of the board



A Campbell  
Company Secretary  
26 September 2014

# Severn Trent Finance Holdings Limited

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2014

### Matters included in the Strategic report

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

- Principal activity of the company
- Future developments in the business
- Principal risks and uncertainties

### Directors

The directors who served during the year are shown on page 1

G P Tyler resigned as a director on 10 March 2014

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' 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 judgement is given in their favour or relief from any liability is granted to them by the court.

### Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements.

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 the 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.

### Research and development

The company continues to invest in research and development. This has resulted in a number of updates to existing products and technologies. The directors regard R&D investment as necessary for continuing success in the medium to long term future.

### 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

### Accounting policies

The directors have adopted the new UK GAAP accounting framework which will be mandatory for periods beginning on or after 1 January 2015. Therefore these financial statements are prepared under FRS 100 'Application of Financial Reporting Requirements' and FRS 101 'Reduced Disclosure Framework'.

### 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 Financial Reporting Standard 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 judgements and accounting estimates that are reasonable and prudent,
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the board



A Campbell  
Company Secretary  
26 September 2014

## Severn Trent Finance Holdings Limited

### Profit and loss account For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Interest payable	5	(13,586)	(17,673)
<b>Loss on ordinary activities before tax</b>		<b>(13,586)</b>	<b>(17,673)</b>
Taxation on loss on ordinary activities	6	2,688	(8,542)
<b>Loss for the financial year</b>		<b>(10,898)</b>	<b>(26,215)</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 losses/profits above and therefore no separate statement of comprehensive income has been presented

# Severn Trent Finance Holdings Limited

## Balance sheet As at 31 March 2014


	Notes	2014 £'000	2013 £'000
Investments	7	1,509,517	1,509,517
		<b>1,509,517</b>	<b>1,509,517</b>
<b>Current assets</b>			
Debtors	8	3,454	-
Cash at bank and in hand		39	1,193
		<b>3,493</b>	<b>1,193</b>
Creditors amounts falling due within one year	9	(887,021)	(25,894)
<b>Net current liabilities</b>		<b>(883,528)</b>	<b>(24,701)</b>
<b>Total assets less current liabilities</b>		<b>625,989</b>	<b>1,484,816</b>
Creditors amounts falling due after more than one year	10	-	(847,929)
<b>Net assets</b>		<b>625,989</b>	<b>636,887</b>
<b>Capital and reserves</b>			
Called up share capital	11	580,247	580,247
Share premium		1,168	1,168
Profit and loss account	12	44,574	55,472
<b>Total shareholder's funds</b>		<b>625,989</b>	<b>636,887</b>

For the year ended 31 March 2014, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 (the "Act") 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 of the Act

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 26 September 2014. They were signed on its behalf by

  
 R C McPheely  
 Director  
 26 September 2014  
 Company Number 06044159



## Severn Trent Finance Holdings Limited

### Statement of changes in equity For the year ended 31 March 2014

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 April 2012	580,247	1,168	81,687	663,102
Loss and total comprehensive loss for the period	–	–	(26,215)	(26,215)
At 31 March 2013	580,247	1,168	55,472	636,887
Loss and total comprehensive loss for the period	–	–	(10,898)	(10,898)
<b>At 31 March 2014</b>	<b>580,247</b>	<b>1,168</b>	<b>44,574</b>	<b>625,989</b>

# **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 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

#### **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 elected to adopt early the new accounting framework issued by the Financial Reporting Council. The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements'. Accordingly, in the year ended 31 March 2013, the company adopted FRS 101 'Reduced Disclosure Framework' and ceased to apply all UK Accounting Standards issued prior to FRS 100. 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 payments, 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 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 15

#### **c) Taxation**

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full, using the liability method, on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 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 income tax asset is realised or the deferred tax liability is settled

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis

# Severn Trent Finance Holdings Limited

## Notes to the financial statements

### d) Impairment of fixed assets

If the recoverable amount of a fixed 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 of the asset or cash-generating unit.

Impairments are recognised immediately in the profit and loss account.

### e) Investments

Investments are stated at cost less, where appropriate, provisions for impairment.

### f) 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 profit and loss account.

## 2. Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies no significant judgements of key accounting estimates were required.

## 3. Employee information

The average monthly number of employees (including executive directors) during the year was nil (2013: nil).

## 4 Directors' remuneration

The emoluments of the directors are paid by other companies within the Severn Trent group.

## 5. Net interest payable

	2014 £'000	2013 £'000
Interest payable and similar charges on		
- Amounts payable to group undertakings	(13,586)	(17,673)

# Severn Trent Finance Holdings Limited

## Notes to the financial statements

### 6. Taxation

#### a) Analysis of tax (credit)/charge in the year

	2014 £'000	2013 £'000
<b>Current tax</b>		
UK corporation tax at 23% (2013 24%)		
- current year	11,832	1,421
Group relief at 23% (2013 24%)		
- current year	(3,157)	7,121
- adjustment in respect of prior years	(11,363)	-
<b>Total current tax</b>	<b>(2,688)</b>	<b>8,542</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. The standard rate of UK corporation tax changed from 24% to 23% with effect from 1 April 2013.

The Finance Act 2013 was enacted during the year and implemented a reduction in the corporation tax rate from 23% to 21% with effect from 1 April 2014 and then to 20% with effect from 1 April 2015. Deferred tax assets and liabilities have been calculated at 20%.

#### b) Factors affecting the tax (credit)/charge in the year

The tax assessed for the year is higher than (2013 higher than) the standard rate of corporation tax in the UK of 23% (2013 24%). The differences are explained below.

	2014 £'000	2013 £'000
<b>Loss on ordinary activities before tax</b>	<b>(13,586)</b>	<b>(17,673)</b>
Loss on ordinary activities multiplied by the standard UK corporation rate of 23% (2013 24%)	(3,125)	(4,242)
Tax effect of expenditure not deductible in determining taxable profits	(33)	12,784
Adjustments to tax charge in respect of prior periods	470	-
<b>Total tax (credit)/charge</b>	<b>(2,688)</b>	<b>8,542</b>

# Severn Trent Finance Holdings Limited

## Notes to the financial statements

### 7 Fixed asset investments

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

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
<b>Cost</b>			
At 1 April 2013 and at 31 March 2014	1,287,074	277,405	1,564,479
<b>Provisions for impairment</b>			
At 1 April 2013 and at 31 March 2014	(54,962)	-	(54,962)
<b>Net book value</b>			
At 31 March 2014 and at 31 March 2013	1,232,112	277,405	1,509,517
<b>Subsidiary undertakings</b>	<b>Country of operation and incorporation</b>	<b>Principal activity</b>	<b>Percentage and class of share capital held</b>
Severn Trent Holdings Limited	United Kingdom	Holding company	100% Ordinary
Severn Trent Carsington Limited	United Kingdom	Investment company	100% Ordinary B (overall 9 367% of share capital)

# Severn Trent Finance Holdings Limited

## Notes to the financial statements

### 8. Debtors

Amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed by group undertakings	3,454	-

### 9. Creditors, amounts falling due within one year

	2014 £'000	2013 £'000
Loans due to parent and fellow subsidiary undertakings	859,174	-
Amounts owed to parent and fellow subsidiary undertakings	27,847	24,473
Corporation tax payable	-	1,421
	887,021	25,894

### 10. Creditors' amounts falling due after more than one year

	2014 £'000	2013 £'000
Loans due to parent and fellow subsidiary undertakings	-	847,929

### 11 Share capital

	2014 £'000	2013 £'000
<b>Total issued and fully paid</b>		
1,711,643,450 ordinary shares of £0.339 each	580,247	580,247

### 12. Profit and loss account

Gains of £10,336,825 which arose in a prior year on the transfer of the company's investments in Severn Trent Finance Limited and Severn Trent Financing and Investments Limited are not distributable

# **Severn Trent Finance Holdings Limited**

## **Notes to the financial statements**

### **13 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 overdrawn balances of other Severn Trent group companies.

At 31 March 2014 the company's maximum liability under these arrangements was £39,000 (2013 £1,193,000)

### **14. Related party transactions**

There have been no transactions with the directors of the company over the last year.

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

### **15 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.