

# **East Worcester Water Limited**

## **Annual report and financial statements for the year ended 31 March 2018**

Company number: 02757948



**East Worcester Water Limited**

**Annual report and financial statements  
for the year ended 31 March 2018**

**Contents**

Company information..... 1

Strategic report ..... 2

Directors' report ..... 3

Income statement ..... 5

Balance sheet ..... 6

Statement of changes in equity..... 7

Notes to the financial statements..... 8

# East Worcester Water Limited

## Company information

<b>Company number</b>	02757948
<b>Directors</b>	M J Dovey (resigned 14 December 2017) 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>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP

# East Worcester Water 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 that of a finance company.

The company's main source of income is interest on amounts owed by Commerzbank Finance Limited. These amounts were novated from Dresdner Kleinwort Finance Inc. during the year. The loans are repayable in annual instalments with the final payments being due in 2020. Interest charges are accrued on the loans by reference to the governing LIBOR rate and such charges are payable to East Worcester Water Limited annually.

Finance income for the year ended 31 March 2018 was £1,237,000 (2017: £1,727,000).

The company's profit for the financial year after taxation was £1,002,000 (2016: £1,382,000). As at 31 March 2018, the company has net assets of £175,219,000 (2017: £174,217,000).

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 or prospects in the next year.

Severn Trent Plc manages its operations on a divisional basis 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.

### 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).

### 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. 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 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.

By order of the board



A A Campbell  
Company Secretary  
3 October 2018

# **East Worcester Water Limited**

## **Directors' report**

The directors present their annual report and the financial statements of the company for the year ended 31 March 2018.

### **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 and to the date of this report are shown on page 1. M J Dovey resigned as a director on 14 December 2017.

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. 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).

### **Results and dividends**

The company's profit for the financial year after taxation was £1,002,000 (2017: £1,382,000). The directors do not recommend the payment of a dividend. No dividend was paid during the year (2017: nil).

### **Post balance sheet events**

There have been no significant post balance sheet events.

# East Worcester Water Limited

## Directors' report (continued)

### Directors' responsibilities statement

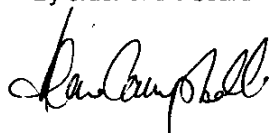
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 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 applicable United Kingdom 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.

By order of the board



**A A Campbell**  
Company Secretary  
3 October 2018

# East Worcester Water Limited

## Income statement

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Finance income	5	1,237	1,727
<b>Profit on ordinary activities before tax</b>		<b>1,237</b>	<b>1,727</b>
Tax on profit on ordinary activities	6	(235)	(345)
<b>Profit for the financial year</b>		<b>1,002</b>	<b>1,382</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.

# East Worcester Water Limited

## Balance sheet

At 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Trade and other receivables	7	157,416	158,116
<b>Current assets</b>			
Trade and other receivables	7	17,365	16,634
Cash and cash equivalents		1,018	212
		<b>18,383</b>	<b>16,846</b>
<b>Current liabilities</b>			
Current tax payable		(580)	(745)
<b>Net current assets</b>		<b>17,803</b>	<b>16,101</b>
<b>Net assets</b>		<b>175,219</b>	<b>174,217</b>
<b>Equity</b>			
Called up share capital	8	1,204	1,204
Share premium account		168,323	168,323
Total retained earnings		5,692	4,690
<b>Total equity</b>		<b>175,219</b>	<b>174,217</b>

For the financial year ended 31 March 2018, 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 3 October 2018. They were signed on its behalf by:

  
R C McPheely  
Director  
3 October 2018  
Company Number: 02757948



# East Worcester Water Limited

## Statement of changes in equity

For the year ended 31 March 2018

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total £'000
At 1 April 2016	1,204	168,323	3,308	172,835
Profit and total comprehensive income for the year	–	–	1,382	1,382
At 31 March 2017	1,204	168,323	4,690	174,217
Profit and total comprehensive income for the year	–	–	1,002	1,002
<b>At 31 March 2018</b>	<b>1,204</b>	<b>168,323</b>	<b>5,692</b>	<b>175,219</b>

# East Worcester Water 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.

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.

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. The group financial statements of Severn Trent Plc are available to the public and can be obtained as set out in note 12.

#### 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) 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 net profit 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.

### 2. New accounting policies

The company has adopted all amendments to standards with an effective date relevant to this year end with no material impact on its results, assets or liabilities. All other accounting policies have been applied consistently.

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

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

### 4. Directors' remuneration and employee numbers

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.

The average monthly number of employees (including executive directors) during the year was nil (2017: nil).

# East Worcester Water Limited

## Notes to the financial statements (continued)

### 5. Finance income

	2018 £'000	2017 £'000
Interest income earned on:		
- amounts due from group undertakings	327	380
Other finance income	910	1,347
<b>Total finance income</b>	<b>1,237</b>	<b>1,727</b>

### 6. Taxation

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

	2018 £'000	2017 £'000
<b>Current tax</b>		
Current year at 19% (2017: 20%)	235	345

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 equal to (2017: equal to) the standard rate of corporation tax in the UK of 19% (2017: 20%).

### 7. Trade and other receivables

	2018 £'000	2017 £'000
<b>Current assets</b>		
Amounts receivable from immediate parent undertaking	109	59
Other debtors	656	1,001
Prepayments	16,600	15,574
	<b>17,365</b>	<b>16,634</b>
<b>Non-current assets</b>		
Amounts receivable from immediate parent undertaking under loan agreements	120,580	104,680
Prepayments	36,836	53,436
	<b>157,416</b>	<b>158,116</b>
	<b>174,781</b>	<b>174,750</b>

### 8. Share capital

	2018 £'000	2017 £'000
<b>Total issued and fully paid share capital</b>		
1,080,100 ordinary shares of £1 each	1,080	1,080
124,397 non-voting ordinary shares of £1 each	124	124
	<b>1,204</b>	<b>1,204</b>

# **East Worcester Water Limited**

## **Notes to the financial statements (continued)**

### **9. 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 2018 the company's maximum exposure under these arrangements was £1,018,000 (2017: £212,000).

### **10. Subsequent events**

There have been no significant subsequent events.

### **11. 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.

### **12. Ultimate parent undertaking**

The immediate parent undertaking is Severn Trent Water Limited, which is the parent undertaking and controlling party of the smallest group to consolidate these financial statements.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the 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.