

# **Severn Trent Utilities Finance Plc**

## **Annual report and financial statements for the year ended 31 March 2024**

Company number: 02914860

# Severn Trent Utilities Finance Plc

## Annual report and financial statements for the year ended 31 March 2024

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## Severn Trent Utilities Finance Plc

### Company information

<b>Company number</b>	02914860
<b>Directors</b>	H Woodall-Pagan R C McPheely A P Stephens
<b>Secretary</b>	G Eagle
<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
<b>Auditor</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ

# Severn Trent Utilities Finance Plc

## Strategic report

The Directors present their Strategic report for the year ended 31 March 2024.

### Business review and principal activities

The Company is a wholly owned subsidiary of Severn Trent Plc and operates as part of the Severn Trent Group's Regulated Water and Wastewater business.

The principal activity of the Company is the provision of long-term finance for its immediate parent, Severn Trent Water Limited.

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. The performance of the Regulated Water and Wastewater business, 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 Company's result for the financial year after taxation was nil (2023: nil).

The Directors do not recommend the payment of a dividend (2023: 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).

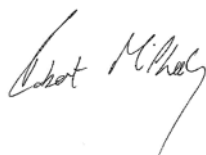
The Company raises debt finance for its immediate parent company, Severn Trent Water Limited. Amounts raised are usually passed on to Severn Trent Water Limited on identical terms. Severn Trent Water Limited provides guarantees for the Company's obligations under these arrangements. The principal risk of these arrangements is that Severn Trent Water Limited is unable to meet its obligations to the Company.

### Financial position and going concern

As at 31 March 2024, the Company has net assets of nil (2023: nil) and a net current liability position of £0.2 million (2023: £0.2 million).

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.

By order of the Board



**R C McPheely**  
Director  
16 July 2024

# Severn Trent Utilities Finance Plc

## Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

### Matters included in the Strategic report

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

- Business review, future developments 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 and to the date of signing this report 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.

### 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

The Company has raised £250 million of debt post year end, full details of which can be found within note 13.

### 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.

### Annual General Meeting ('AGM')

In compliance with sections 336 and 656 of the Companies Act 2006, the AGM is scheduled to be held on 31 July 2024.

## Severn Trent Utilities Finance Plc

### 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.

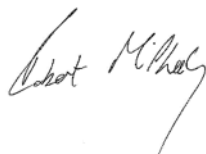
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial 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 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 United Kingdom Accounting standards, including 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.

Approved by the Board and signed on its behalf by:



**R C McPheely**  
**Director**  
**16 July 2024**

## Severn Trent Utilities Finance Plc

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN TRENT UTILITIES FINANCE PLC

#### Report on the audit of the financial statements

#### 1. Opinion

In our opinion the financial statements of Severn Trent Utilities Finance Plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 2. 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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3. Summary of our audit approach

##### Key audit matters

The key audit matter that we identified in the current year was:

- Valuation and completeness of borrowings

Within this report, key audit matters are identified as follows:

## Severn Trent Utilities Finance Plc



Similar level of risk to our audit for the year ended 31 March 2023

<b>Materiality</b>	The materiality that we used in the current year was £17.1 million which represents 0.28% of the company's borrowings
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	There have not been any significant changes in our audit approach.

### 4. 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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the ability of the company's immediate parent undertaking, Severn Trent Water Limited, to settle the amounts owed to the company;
- Evaluating the borrowing arrangements of Severn Trent Water Limited and evaluating the sufficiency of headroom available in the forecasts (cash and covenants);
- Assessing the assumptions used in the cash flow forecasts of Severn Trent Water Limited for consistency with the approved budgets and performing sensitivity analysis, including the impact of macroeconomic factors relating to these assumptions;
- Assessing the impact of risks and uncertainties on the business model; and
- Assessing the appropriateness of the disclosures included in the financial statements.

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 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.

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Severn Trent Utilities Finance Plc

### 5.1. Valuation and completeness of borrowings

#### Key audit matter description

The principal activity of the company is the provision of long-term finance for its immediate parent company, Severn Trent Water Limited. The company has external borrowings which it subsequently lends to Severn Trent Water Limited on the same terms.

Borrowings payable as at 31 March 2024 were £6,042.3 million (2023: £5,153.8 million). These borrowings are initially recognised at fair value less issue costs and subsequently measured at amortised cost using the effective interest rate method.

The key audit matter is focused on the valuation and completeness of company's borrowings. The valuation of borrowings takes into consideration the foreign exchange translation of foreign currency debts and Retail Price Index (RPI) and Consumer Price Index (CPI) indexation adjustments for index-linked loans.

The accounting policy for borrowings is disclosed in note 1 (f) and the disclosures are included in note 9 of the financial statements.

#### How the scope of our audit responded to the key audit matter

Our procedures included the following:

- for all borrowings, we agreed the original principal and loan terms to the original loan agreement;
- for new borrowings in the year, we agreed receipt of the value of the borrowings to bank statement;
- we recalculated the foreign exchange adjustment on foreign currency debt;
- we recalculated the amortised cost of the borrowings including the adjustment for RPI/CPI indexation of index linked loans; and
- we assessed the Treasury Committee minutes and the Board minutes for evidence of any new borrowings in the year to assess completeness.

#### Key observations

Based on the work performed we concluded that the valuation and completeness of borrowings is appropriate.

## 6. Our application of materiality

### 6.1. Materiality

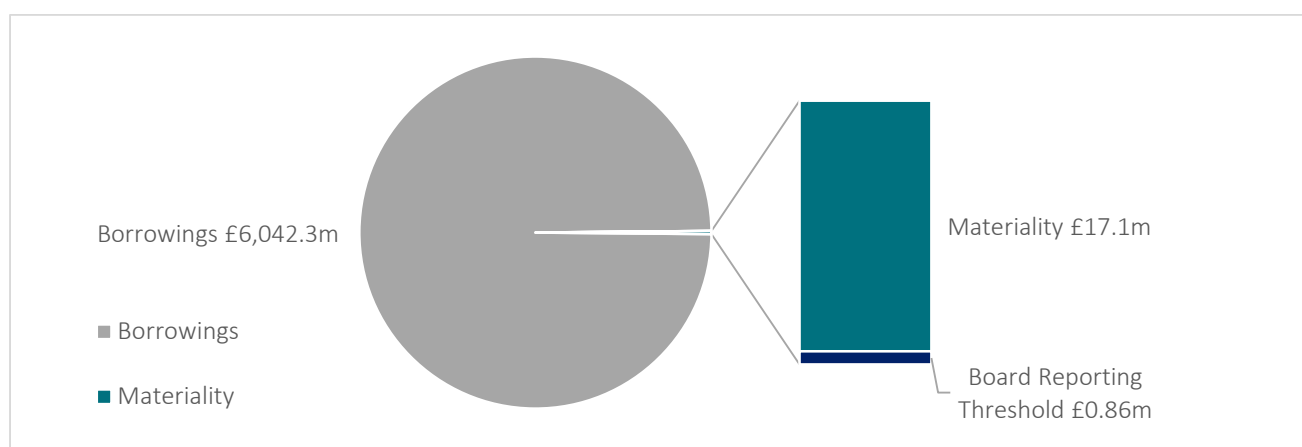
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b>	£17.1 million (2023: £15.4 million)
--------------------	-------------------------------------

## Severn Trent Utilities Finance Plc

<b>Basis for determining materiality</b>	Materiality has been based on 0.28% (2023: 0.30%) of the company's borrowings. This reflects that materiality is required to be less than that of the group, Severn Trent Water Limited and the Severn Trent PLC group ("the Group") for work performed in relation to the Group audits.
<b>Rationale for the benchmark applied</b>	The primary purpose of the company is to raise funding from external sources and provide funding to the immediate parent company, Severn Trent Water Limited. We have therefore used total borrowings as the benchmark.



### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered the following factors:

- the simple nature of the business as a provider of finance and the fact that there have been no significant changes to the business since the prior year;
- the low value of uncorrected misstatements identified in previous years; and
- our assessment of the control environment as well as the continuity of the business year on year.

### 6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £855,000 (2023: £770,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

## Severn Trent Utilities Finance Plc

### 7.2. Our consideration of the control environment

The company uses SAP, a financial accounting software platform for recording transactions.

With the involvement of our Information Technology specialists, we obtained an understanding of, and relied on, relevant General Information Technology Controls within the company financial accounting software platform, including access controls, change management controls and controls around segregation of duties.

We also obtained an understanding of the control environment over the treasury cycle and related account balances.

## 8. 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.

## 9. 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 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 company or to cease operations, or have no realistic alternative but to do so.

## 10. 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.

## Severn Trent Utilities Finance Plc

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 11. 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.

#### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group remuneration policies applicable to the Company, key drivers for directors' remuneration, bonus levels and performance targets;;
- results of our enquiries of management, internal audit, the directors and those charged with governance about their own identification and assessment of the risks of irregularities including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT, and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

#### 11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

## Severn Trent Utilities Finance Plc

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Matters on which we are required to report by exception

#### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

## Severn Trent Utilities Finance Plc

We have nothing to report in respect of this matter.

### 14. Other matters which we are required to address

#### 14.1. Auditor tenure


Following the recommendation of the Audit Committee of the company's ultimate parent company, Severn Trent Plc, we were appointed by the company on 15 July 2005 to audit the financial statements for the year ending 31 March 2006 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ended 31 March 2006 to 31 March 2024.

#### 14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

### 15. 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.



Jacqueline Holden FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

16 July 2024

## Severn Trent Utilities Finance Plc

### Income statement

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Finance income	6	<b>292.6</b>	341.1
Finance costs	7	<b>(292.6)</b>	(341.1)
<b>Result from ordinary activities before taxation</b>		-	-
Taxation on result from ordinary activities		-	-
<b>Result for the year</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.

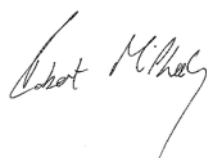
## Severn Trent Utilities Finance Plc

### Balance sheet

As at 31 March 2024

	Note	2024 £m	2023 £m
<b>Non-current assets</b>			
Trade and other receivables	8	<b>5,988.1</b>	4,854.3
<b>Current assets</b>			
Trade and other receivables	8	<b>123.7</b>	354.5
Cash and cash equivalents		<b>0.1</b>	0.1
		<b>123.8</b>	354.6
<b>Current liabilities</b>			
Trade and other payables	9	<b>(69.6)</b>	(55.1)
Borrowings	10	<b>(54.4)</b>	(299.7)
		<b>(124.0)</b>	(354.8)
<b>Net current liabilities</b>			
		<b>(0.2)</b>	(0.2)
<b>Total assets less current liabilities</b>			
		<b>5,987.9</b>	4,854.1
<b>Non-current liabilities</b>			
Borrowings	10	<b>(5,987.9)</b>	(4,854.1)
<b>Net assets</b>			
		<b>–</b>	–
<b>Equity</b>			
Share capital	11	<b>–</b>	–
Retained earnings		<b>–</b>	–
		<b>–</b>	–

The financial statements were approved by the Board of Directors on 16 July 2024. They were signed on its behalf by:



**R C McPheely**  
**Director**  
**16 July 2024**  
**Company Number: 02914860**



## Severn Trent Utilities Finance Plc

### Statement of changes in equity For the year ended 31 March 2024

	Share capital £m	Retained earnings £m	Total £m
At 1 April 2022	–	–	–
Total comprehensive result for the year	–	–	–
At 1 April 2023	–	–	–
Total comprehensive result for the year	–	–	–
<b>At 31 March 2024</b>	–	–	–

# Severn Trent Utilities Finance Plc

## Notes to the financial statements

### 1. General information

Severn Trent Utilities Finance Plc is a company incorporated and domiciled in the United Kingdom. The address of its registered office is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ.

### 2. Accounting policies

#### a) Accounting convention

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, and in accordance with applicable United Kingdom Accounting Standards and comply with the requirements of the Companies Act 2006. 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 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 United Kingdom adopted International Financial Reporting Standards 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 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 Group financial statements of Severn Trent Plc which are available to the public and can be obtained as set out in note 15.

#### c) Finance income and finance costs

Interest income and interest costs are accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

#### 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, 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.

The taxation charge, at 25% (2023: 19%), for both the current and prior year is nil, with no reconciling items.

## Severn Trent Utilities Finance Plc

### Notes to the financial statements (continued)

#### 2. Accounting policies (continued)

##### e) Loans receivable

Loans receivable are measured at fair value on initial recognition, less issue fee income received. All loan receivables are held for collection of contractual cash flows, which represent solely payments of principal and interest. 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.

The Company recognises lifetime expected credit losses ('ECL') when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to the 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the loans. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

##### *Definition of default*

It is considered that a default has taken place where information developed internally indicates that the borrower is unlikely to pay its creditors, including the Company, in full. It is considered that default has occurred when a financial asset is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### f) 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.

Index-linked debt is adjusted for changes in the relevant inflation index and changes in value are charged to finance costs.

Borrowings denominated in foreign currency are translated to sterling at the spot rate on the balance sheet date. Exchange gains or losses resulting from this are credited or charged to gains/losses on financial instruments.

##### g) Foreign exchange

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

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

In the process of applying the Company's accounting policies, the Company has made no critical accounting judgements and there are no key sources of estimation uncertainty.

#### 4. Audit fees and employees

Fees payable to the Company's auditor for the audit of the Company's annual accounts of £44,000 (2023: £41,000) have been paid by the parent undertaking on behalf of the Company. No other fees were payable to the auditor (2023: £3,000 for audit-related assurance services).

The average number of employees during the year (including Executive Directors) was nil (2023: nil).

#### 5. Directors' remuneration

The emoluments of the Directors are paid by other companies with the Severn Trent Group.

## Severn Trent Utilities Finance Plc

### Notes to the financial statements (continued)

#### 6. Finance income

	2024	2023
	£m	£m
Interest income earned on:		
Loans due from group undertakings	<b>292.6</b>	341.1

#### 7. Finance costs

	2024	2023
	£m	£m
Interest charged on:		
Bank and other loans	<b>292.6</b>	341.1

#### 8. Trade and other receivables

	2024	2023
	£m	£m
<b>Current assets</b>		
Interest receivable from group undertakings	<b>69.3</b>	54.8
Loans receivable from group undertakings	<b>54.4</b>	299.7
	<b>123.7</b>	354.5
<b>Non-current assets</b>		
Loans receivable from group undertakings	<b>5,988.1</b>	4,854.3
	<b>6,111.8</b>	4,854.3

Management has assessed the recoverability of the intercompany receivables from Severn Trent Water Limited. There is no history of losses to date, nor default events, and Severn Trent Water Limited generates a significant recurring profit (and EBITDA) within a regulatory environment where income is fixed under the regulatory pricing mechanism over a relatively fixed customer base. Severn Trent Water Limited, has cash and facilities sufficient for its cash flow requirements (including the amounts payable to the Company) until February 2026. Management therefore considers that there is a negligible to zero probability of a loss arising from a default event within 12 months of the balance sheet date and have not recorded a provision as at 31 March 2024.

#### 9. Trade and other payables

	2024	2023
	£m	£m
<b>Current liabilities</b>		
Interest payable on other loans	<b>69.6</b>	55.1

## Severn Trent Utilities Finance Plc

### Notes to the financial statements (continued)

#### 10. Borrowings

	2024	2023
	£m	£m
<b>Current liabilities</b>		
Other loans	54.4	299.7
<b>Non-current liabilities</b>		
Other loans	5,987.9	4,854.1
	<b>6,042.3</b>	<b>5,153.8</b>

The Company operates back-to-back lending arrangements with its parent company, Severn Trent Water Limited. Therefore, the loans repayable partly or wholly after more than one year are repayable to the Company under the same terms that it repays them externally. The loans comprise:

2024	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	More than 20 years	Total
	£m	£m	£m	£m	£m	£m	£m
Fixed rate	–	599.0	1,743.9	887.3	821.9	–	4,052.1
Floating rate	–	17.0	10.5	–	–	–	27.5
Index-linked	54.4	218.1	–	–	64.9	1,625.3	1,962.7
	54.4	834.1	1,754.4	887.3	886.8	1,625.3	6,042.3

2023	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	More than 20 years	Total
	£m	£m	£m	£m	£m	£m	£m
Fixed rate	299.7	598.4	1,265.2	499.2	670.5	–	3,333.0
Floating rate	–	17.5	12.3	–	–	–	29.8
Index-linked	–	49.8	200.0	–	63.0	1,478.2	1,791.0
	299.7	665.7	1,477.5	499.2	733.5	1,478.2	5,153.8

The weighted average interest rate of borrowings due after more than five years is 3.40% (2023: 2.99%).

#### 11. Share capital

	2024	2023
	£m	£m
<b>Total issued and fully paid share capital</b>		
50,000 ordinary shares of £1 each (2023: 50,000)	–	–

#### 12. 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 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 2024 the Company's maximum exposure under these arrangements was £0.1 million (2023: £0.1 million).

## **Severn Trent Utilities Finance Plc**

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

#### **13. Post balance sheet events**

On 12 April 2024 Severn Trent Utilities Finance Plc issued a £100 million 24 year CPI-Linked Note with an interest rate of 2.492%.

On 24 June 2024 Severn Trent Utilities Finance Plc issued a £100 million tap of its January 2042 bond raising gross proceeds of £88.4 million.

On 3 July 2024 Severn Trent Utilities Finance Plc issued a £50 million tap of its April 2036 bond raising gross proceeds of £48.1 million.

#### **14. 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 subsidiary companies which are consolidated into the Severn Trent Plc Group.

#### **15. 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. Financial statements for Severn Trent Water Limited can be obtained from The Company Secretary, Severn Trent Water Limited, P.O. Box 5309, Coventry, CV3 9FH.

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.