

Severn Trent Utilities Finance Plc
Annual report and financial statements
for the year ended 31 March 2019

Company number: 02914860

Severn Trent Utilities Finance Plc

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

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Severn Trent Utilities Finance Plc

Company information

Company number	02914860
Directors	J A Jackson B Kennedy R C McPheely
Secretary	A A Campbell (resigned 22 February 2019) G Eagle (appointed 22 February 2019)
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Solicitors	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
Auditor	Deloitte LLP Statutory Auditors 2 New Street Square London EC4A 3BZ

Severn Trent Utilities Finance Plc

Strategic report

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 Waste Water 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 current year. 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 Waste Water 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 a loss of £0.1 million (2018: nil). The Directors do not recommend the payment of a dividend (2018: nil).

As at 31 March 2019, the Company has a net assets position of nil (2018: £0.1 million). The financial position of the Company at the year end was satisfactory.

Principal risks and uncertainties

Treasury management

Financial risks are managed by a central treasury department ('Group Treasury') under policies approved by the Board of Directors of Severn Trent Plc. The Board has established a Treasury Management Committee to monitor treasury activities and to facilitate timely responses to changes in market conditions when necessary. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board defines written principles for overall risk management, as well as written policies covering specific areas such as exchange rate risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments. 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.

During the year, the Company successfully issued a new debt instrument; a £100.0 million fixed rate bond repayable in September 2026. It also raised £132.0 million against an existing bond, repayable in January 2042.

Severn Trent Utilities Finance Plc

Strategic report (continued)

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. In particular Severn Trent Water Limited acts as a guarantor in relation to the Company's borrowings which are long-term in nature (see note 9). 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 handwritten signature in blue ink, appearing to be 'G Eagle', written over the text 'By order of the Board'.

G Eagle
Company Secretary
14 June 2019

Severn Trent Utilities Finance Plc

Directors' report

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

Matters included in the Strategic report

The following matters are included in the Company's Strategic report on pages 2 and 3:

- Business Review and Principal activity of the Company
- Results and Dividends
- Principal risks and uncertainties

Post balance sheet events

There are no post balance sheet events.

Directors

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

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including FRS101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. This indemnification has been in force throughout the year and up to the date of signing the financial statements.

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Directors' report (continued)

Auditor and disclosure of information to the auditor

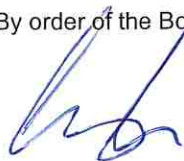
In the case of each of the persons who are directors of the Company at the date when this report is approved:

- 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.

By order of the Board



G Eagle
Company Secretary
14 June 2019

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

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 2019 and of its loss 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 12.

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).

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 the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• valuation and completeness of borrowings.
Materiality	The materiality that we used in the current year was £9 million which was determined on the basis of 0.24% of borrowings.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Severn Trent Utilities Finance Plc

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



We have nothing to report in respect of these matters.

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.

In the prior year, we reported on management override of controls as a key audit matter. This was not identified as a key audit matter in the current year, however we discuss how the audit was capable of detecting irregularities, including fraud, later in this report.

Valuation and completeness of borrowings	
Key audit matter description	<p>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 borrowings which it subsequently lends to Severn Trent Water Limited on the same terms.</p>
	<p>Borrowings payable as at 31 March 2019 were £3,812.7 million (2018: £3,547.5 million) and are highly material to the company. As further disclosed in note 1(e) and note 9 to the financial statements, these borrowings are measured at amortised cost using the effective interest rate method.</p> <p>A key audit matter has been identified around the valuation and completeness of the company's borrowings with new borrowings being issued within the year.</p>
How the scope of our audit responded to the key audit matter	<p>Procedures performed to respond to the key audit matter included the following:</p> <ul style="list-style-type: none">• for all borrowings, we agreed the original principal amount 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 statements;• we recalculated the foreign exchange adjustment on foreign currency debt;• we recalculated the amortised cost of the borrowings including the adjustment for deferred origination fees and RPI indexation on index linked loans; and• we reviewed Board minutes for evidence of approval of any new borrowings in the year to assess completeness.
Key observations	<p>No misstatements or matters requiring communication to those charged with governance have been identified during the testing of this key audit matter.</p>
	

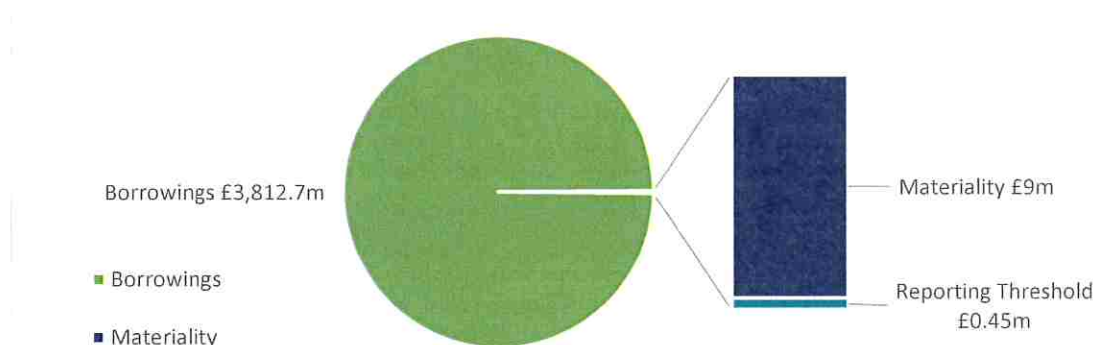
Severn Trent Utilities Finance Plc

Our application of 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:

Materiality	£9 million (2018: £9 million)
Basis for determining materiality	Materiality has been based on 0.24% (2018: 0.25%) of the company's borrowings. This reflects that materiality is required to be less than that of the parent company, Severn Trent Water Limited, for work performed in relation to the Group audit.
Rationale for the benchmark applied	The above benchmark was applied because the principal activity of the company is the provision of long term finance for its immediate parent, Severn Trent Water Limited.



We agreed with the directors that we would report to them all audit differences in excess of £450,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- enquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation, concerning the company's 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 related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, IT, and financial instruments regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the valuation and completeness of the company's borrowings with new borrowings being issued within the year.
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

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

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- 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.

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Report on other legal and regulatory requirements

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.

Matters on which we are required to report by exception

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.

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.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee of the company's ultimate parent company, Severn Trent Plc, we were appointed on 15 July 2015 to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years, covering the years ending 31 March 2006 to 31 March 2019.

Consistency of the audit report with the additional report to those charged with governance

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

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.

Kari Hale, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 June 2019

Severn Trent Utilities Finance Plc

Income statement

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Finance income	5	151.5	179.8
Finance expense	6	(151.5)	(179.8)
Result from ordinary activities before taxation		–	–
Current tax	7	(0.1)	–
Taxation on result from ordinary activities		(0.1)	–
Loss for the year		(0.1)	–

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

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

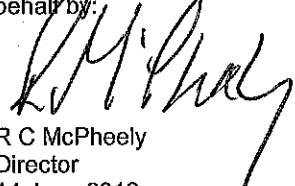
Severn Trent Utilities Finance Plc

Balance sheet

At 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Trade and other receivables	8	3,812.7	3,547.5
Current assets			
Trade and other receivables	8	42.3	42.0
Cash at bank		0.2	0.2
		42.5	42.2
Current liabilities			
Trade and other payables	9	(42.5)	(42.1)
Net current assets		--	0.1
Non-current liabilities			
Trade and other payables	9	(3,812.7)	(3,547.5)
Net assets		--	0.1
Equity			
Called up share capital	10	--	--
Retained earnings		--	0.1
Total shareholder's funds		--	0.1

The financial statements were approved by the Board of Directors on 14 June 2019. They were signed on its behalf by:


 R C McPheely
 Director
 14 June 2019
 Company Number: 02914860

Severn Trent Utilities Finance Plc

Statement of changes in equity

For the year ended 31 March 2019

	Share capital	Retained earnings	Total
	£m	£m	£m
At 1 April 2017	—	0.1	0.1
Total comprehensive result for the year	—	—	—
At 1 April 2018	—	0.1	0.1
Total comprehensive loss for the year	—	(0.1)	(0.1)
At 31 March 2019	—	—	—

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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 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 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 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.

i) Changes in accounting policies – IFRS 9

In the current financial year the Company has adopted IFRS 9 'Financial Instruments'.

IFRS 9 "Financial Instruments" affects the measurement and disclosure of financial instruments with effect from 1 April 2018. The adoption of IFRS 9 has not resulted in any significant changes to the Company's existing accounting practices for financial instruments or to the classification and measurement of its financial assets and liabilities.

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 income 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

Severn Trent Utilities Finance Plc

Notes to the financial statements (continued)

1. Accounting policies (continued)

e) Taxation (continued)

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.

f) Borrowings

All 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 currency

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

2. Significant accounting judgments and key sources of estimation uncertainty

No significant accounting judgments of key sources of estimation uncertainty have been made.

3. Audit fees and employees

Fees payable to the Company's auditor for the audit of the Company's annual accounts of £26,000 (2018: £8,000) and non-audit fees for audit-related assurance services of £7,000 (2018: £6,000) have been paid by the parent undertaking on behalf of the Company. No other fees were payable to the auditor (2018: nil).

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

4. Directors' remuneration

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

5. Finance income

	2019 £m	2018 £m
Interest income earned on:		
Amounts due from group undertakings	151.5	179.8
Total finance income	151.5	179.8

Severn Trent Utilities Finance Plc

Notes to the financial statements (continued)

6. Finance costs

	2019 £m	2018 £m
Interest charged on:		
Bank and other loans	151.5	179.8
Total finance costs	151.5	179.8

7. Taxation

a) Analysis of tax charge in the year

	2019 £m	2018 £m
Current tax at 19% (2018: 19%)		
Current year	—	—
Prior year adjustment	0.1	—
Total current tax	0.1	—

The Company earns profits primarily in the UK. Therefore, the 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 assessed for the current year is higher than (2018: equal to) the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	2019 £m	2018 £m
Result from ordinary activities before tax	—	—
Tax at the standard rate of corporation tax in the UK 19% (2018: 19%)	—	—
Adjustments in respect of prior years	0.1	—
Total tax charge	0.1	—

8. Trade and other receivables

	2019 £m	2018 £m
Current assets		
Amounts owed by group undertakings	42.3	41.9
Group relief receivable	—	0.1
	42.3	42.0
Non-current assets		
Amounts owed by group undertakings	3,812.7	3,547.5
	3,855.0	3,589.5

Severn Trent Utilities Finance Plc

Notes to the financial statements (continued)

9. Trade and other payables

	2019 £m	2018 £m
Current liabilities		
Interest payable	42.4	42.1
Current tax payable	0.1	—
	42.5	42.1
Non-current liabilities		
Borrowings	3,812.7	3,547.5
	3,855.2	3,589.6

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:

2019	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	More than 20 years £m	Total £m
Fixed rate	796.7	596.5	818.4	—	379.4	2,591.0
Floating rate	—	17.2	13.7	—	—	30.9
Index-linked	—	205.4	—	—	985.4	1,190.8
	796.7	819.1	832.1	—	1,364.8	3,812.7

2018	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	More than 20 years £m	Total £m
Fixed rate	498.8	793.8	818.2	—	247.3	2,358.1
Floating rate	—	17.5	13.4	—	—	30.9
Index-linked	—	39.6	159.4	—	959.5	1,158.5
	498.8	850.9	991.0	—	1,206.8	3,547.5

The weighted average interest rate of borrowings due after more than five years is 3.33% (2018: 3.56%).

10. Share capital

	2019 £m	2018 £m
Total issued and fully paid		
50,000 ordinary shares of £1 each	—	—

Severn Trent Utilities Finance Plc

Notes to the financial statements (continued)

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 companies 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.

