

Company statement of comprehensive income

For the year ended 31 March 2015

	2015 £m	2014 £m
Profit for the year	191.1	310.7
Other comprehensive income		
Items that will not be reclassified to the income statement:		
Deferred tax arising on change of rate	-	(0.5)
	-	(0.5)
Items that may be reclassified to the income statement:		
Amounts on cash flow hedges transferred to the income statement in the year	2.7	2.6
Deferred tax on transfers to income statement	(0.5)	(0.5)
	2.2	2.1
Other comprehensive income for the year	2.2	1.6
Total comprehensive income for the year	193.3	312.3

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Company balance sheet

At 31 March 2015

	Note	2015 £m	2014 £m
Non-current assets			
Intangible fixed assets	1	0.2	0.2
Tangible fixed assets	2	0.3	0.4
Investments in subsidiaries	3	3,760.3	3,762.7
Derivative financial instruments		-	2.6
		3,760.8	3,765.9
Current assets			
Debtors	4	34.6	25.0
Derivative financial instruments		2.0	3.6
Cash at bank and in hand		-	25.9
		36.6	54.5
Creditors: amounts falling due within one year	5	(325.7)	(217.1)
Net current liabilities		(289.1)	(162.6)
Total assets less current liabilities		3,471.7	3,603.3
Creditors: amounts falling due after more than one year	6	(82.7)	(113.8)
Net assets		3,389.0	3,489.5
Capital and reserves			
Called up share capital	8	233.7	233.9
Share premium account	9	100.2	94.2
Other reserves	10	159.6	156.5
Retained earnings		2,895.5	3,004.9
Total capital and reserves		3,389.0	3,489.5

Signed on behalf of the board who approved the accounts on 21 May 2015.

Andrew Duff **James Bowling**
 Chairman Chief Financial Officer

Company number: 02366619

Company statement of changes in equity

For the year ended 31 March 2015

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2013	233.3	89.7	154.4	2,877.0	3,354.4
Profit for the year	-	-	-	310.7	310.7
Amounts on cash flow hedges transferred to the income statement	-	-	2.6	-	2.6
Deferred tax on transfers to the income statement	-	-	(0.5)	-	(0.5)
Deferred tax arising from rate change	-	-	-	(0.5)	(0.5)
Total comprehensive income for the year	-	-	2.1	310.2	312.3
Share options and LTIPs					
- proceeds from shares issued	0.6	4.5	-	-	5.1
- value of employees' services	-	-	-	3.0	3.0
Dividends paid	-	-	-	(185.3)	(185.3)
At 31 March 2014	233.9	94.2	156.5	3,004.9	3,489.5
Profit for the year	-	-	-	191.1	191.1
Amounts on cash flow hedges transferred to the income statement	-	-	2.7	-	2.7
Deferred tax on transfers to the income statement	-	-	(0.5)	-	(0.5)
Total comprehensive income for the year	-	-	2.2	191.1	193.3
Share options and LTIPs					
- proceeds from shares issued	0.7	6.0	-	-	6.7
- own shares purchased	-	-	-	(3.6)	(3.6)
Share buy back	-	-	-	(100.0)	(100.0)
Share cancellation	(0.9)	-	0.9	-	-
Dividends paid	-	-	-	(196.9)	(196.9)
At 31 March 2015	233.7	100.2	159.6	2,895.5	3,389.0

In previous years £1,221.2 million of the company's retained profit arose as a result of group restructuring exercises, and is not considered likely to be distributable.

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1 Intangible fixed assets

	Purchased software £m
Cost	
At 1 April 2014 and 31 March 2015	0.9
Amortisation	
At 1 April 2014 and 31 March 2015	(0.7)
Net book value	
At 31 March 2014 and 31 March 2015	0.2

2 Tangible fixed assets

	Land and buildings £m	Office fixtures and equipment £m	Total £m
Cost			
As at 31 March 2014 and 31 March 2015	0.1	0.6	0.7
Depreciation			
As at 1 April 2014	-	(0.3)	(0.3)
Charge for the year	-	(0.1)	(0.1)
As at 31 March 2015	-	(0.4)	(0.4)
Net book value			
As at 31 March 2015	0.1	0.2	0.3
As at 31 March 2014	0.1	0.3	0.4

3 Investments

	Subsidiary undertakings		
	Shares £m	Loans £m	Total £m
As at 1 April 2014	3,313.6	449.1	3,762.7
Loans repaid	-	(2.4)	(2.4)
As at 31 March 2015	3,313.6	446.7	3,760.3

Details of principal subsidiaries of the company are given in note 45 of the group financial statements.

4 Debtors

	2015 £m	2014 £m
Amounts owed by group undertakings	19.3	19.2
Deferred tax	1.9	4.9
Corporation tax recoverable	11.6	-
Other debtors	1.8	0.3
Prepayments and accrued income	-	0.6
	34.6	25.0

An analysis of the movements in the major deferred tax liabilities and assets recognised by the company is set out below:

	Accelerated tax depreciation £m	Fair value of financial instruments £m	Other £m	Total £m
At 1 April 2013	0.1	7.3	0.8	8.2
Charge to profit and loss account	-	(2.2)	0.5	(1.7)
Charge to profit and loss account arising from rate change	-	(0.5)	(0.1)	(0.6)
Charge to other comprehensive income	-	(0.5)	-	(0.5)
Charge to other comprehensive income arising from rate change	-	(0.5)	-	(0.5)
At 1 April 2014	0.1	3.6	1.2	4.9
Charge to profit and loss account	-	(1.9)	(0.8)	(2.7)
Charge to other comprehensive income	-	(0.5)	-	(0.5)
Transfers	-	-	0.2	0.2
At 31 March 2015	0.1	1.2	0.6	1.9

5 Creditors: amounts falling due within one year

	2015 £m	2014 £m
Bank overdrafts	(6.1)	(4.0)
Other loans	(17.0)	(26.4)
Borrowings (see note 7)	(23.1)	(30.4)
Derivative financial instruments	(6.5)	(0.2)
Trade creditors	(0.1)	(0.4)
Amounts due to group undertakings	(204.8)	(146.2)
Other creditors	(7.0)	(10.1)
Taxation and social security	-	(28.7)
Accrued expenses	(84.2)	(1.1)
	(325.7)	(217.1)

6 Creditors: amounts falling due after more than one year

	2015 £m	2014 £m
Borrowings – other loans (see note 7)	(79.7)	(95.5)
Amounts due to group undertakings	(3.0)	-
Derivative financial instruments	-	(18.3)
	(82.7)	(113.8)

Notes to the company financial statements continued

7 Borrowings

	2015 £m	2014 £m
Borrowings due within one year	23.1	30.4
Borrowings due after more than one year		
Between one and two years	-	17.8
Between two and five years	-	-
After more than five years	79.7	77.7
Total borrowings due after one year	79.7	95.5
	102.8	125.9

Borrowings repayable after more than 5 years comprises the company's RPI linked retail bonds issued in July 2012. The bonds carry a coupon of 1.3% on the principal amount which is uplifted by RPI. The bonds are repayable in July 2022.

The company's borrowings are denominated in sterling, after taking account of cross currency swaps the company has entered into. There is no significant difference between the book value and the fair value of the company's borrowings. Fair values are based on the expected future cash flows discounted using zero coupon forward interest rates related to the expected timing of payments.

At the balance sheet date the company had committed undrawn borrowing facilities expiring as follows:

	2015 £m	2014 £m
2-5 years	-	200.0

The facility in the prior year was shared with Severn Trent Water Limited. During the year the facility was renegotiated as a Severn Trent Water Limited only facility.

8 Share capital

	2015 £m	2014 £m
Total issued and fully paid share capital		
238,683,513 ordinary shares of 97 ¹⁷ / ₁₉ p (2014: 238,942,647)	233.7	233.9

Changes in share capital were as follows:

	Number	£m
Ordinary shares of 97¹⁷/₁₉p		
At 1 April 2014	238,942,647	233.9
Shares issued under the group's Employee Sharesave Scheme	707,444	0.7
Share buy back	(966,578)	(0.9)
At 31 March 2015	238,683,513	233.7

9 Share premium

	2015 £m	2014 £m
At 1 April	94.2	89.7
Share premium arising on shares issued under the group's Employee Sharesave Scheme	6.0	4.5
At 31 March	100.2	94.2

10 Other reserves

	Capital redemption reserve £m	Hedging reserve £m	Total £m
At 1 April 2013	156.1	(1.7)	154.4
Total comprehensive income for the year	-	2.1	2.1
At 1 April 2014	156.1	0.4	156.5
Total comprehensive income for the year	-	2.2	2.2
Share buy back	0.9	-	0.9
At 31 March 2015	157.0	2.6	159.6

The capital redemption reserve arose on the redemption of B shares. The movement in the current year arose from the repurchase and cancellation of own shares, as outlined in note 30 of the group financial statements.

The hedging reserve arises from gains or losses on interest rate swaps taken directly to equity under the hedge accounting provisions of IAS 39 and the transition rules of IFRS 1.

11 Share based payments

For details of employee share schemes and options granted over the shares of the company, see note 37 of the group financial statements. Details of options exercised and awards vesting during the year and of the weighted average share price of the company during the year are also disclosed in that note.

12 Pensions

The group operates group defined benefit pension schemes, of which some employees of the company are members. There is no contractual agreement for charging the net defined benefit cost of these schemes between the companies that participate in the schemes. As a result, the net defined benefit cost of the scheme is recognised in the financial statements of the sponsoring employer, Severn Trent Water Limited. The cost of contributions to the group schemes amount to £0.1 million (2014: £0.1 million). There were no amounts outstanding for contributions to the defined benefit schemes (2014: nil).

Information about the plans as a whole is disclosed in note 28 to the group financial statements.

13 Related party transactions

The retirement benefit schemes operated by the company are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 12.

14 Contingent liabilities

a) Bonds and guarantees

The company has entered into bonds and guarantees in the normal course of business. No liabilities are expected to arise in respect of either the bonds or guarantees.

b) Bank offset arrangements

The banking arrangements of the company operate on a pooled basis with certain of its subsidiary undertakings. Under these arrangements participating companies guarantee each others' overdrawn balances to the extent of their credit balances, which can be offset against balances of participating companies. As at 31 March 2015, the company had no contingent liabilities (2014: £25.9 million).

15 Post balance sheet events

Following the year end the board of directors has proposed a final dividend of 50.94 pence per share.

16 Dividends

For details of the dividends paid in the years ended 31 March 2015 and 31 March 2014 see note 14 in the group financial statements.

Five year summary

	2015	2014	2014 As previously stated	2013	2012	2011
	£m	Restated ³ £m	£m	£m	£m	£m
Continuing operations						
Turnover	1,801.3	1,756.7	1,856.7	1,831.6	1,770.6	1,711.3
Profit before interest, tax and exceptional items	540.3	523.8	516.8	495.4	504.2	519.1
Net exceptional items before tax	(18.7)	(15.2)	(44.4)	(5.8)	(50.9)	(21.4)
Net interest payable before (losses)/gains on financial instruments and exceptional finance costs	(240.0)	(247.9)	(247.9)	(244.3)	(229.0)	(230.6)
(Losses)/gains on financial instruments	(133.5)	58.0	58.0	(45.3)	(67.7)	(14.2)
Results of associates and joint ventures	0.1	0.2	0.2	0.2	0.1	0.1
Profit on ordinary activities before taxation	148.2	318.9	282.7	200.2	156.7	253.0
Current tax on profit on ordinary activities	(37.8)	(55.8)	(56.5)	(27.9)	(60.5)	(32.1)
Deferred tax	5.1	(21.5)	(21.5)	8.2	78.2	53.6
Exceptional tax	-	230.2	230.2	38.4	-	-
Profit on ordinary activities after tax	115.5	471.8	434.9	218.9	174.4	274.5
Profit for the period	115.5	471.8	434.9	218.9	174.4	274.5
Net assets employed						
Fixed assets	7,325.5	7,123.8	7,123.8	6,906.1	6,743.6	6,635.3
Other net liabilities excluding net debt, retirement benefit obligation, provisions and deferred tax	(516.1)	(348.2)	(348.2)	(273.8)	(341.3)	(320.4)
Derivative financial instruments ¹	(177.7)	(197.1)	(197.1)	(279.8)	(261.8)	(90.5)
Retirement benefit obligation	(468.9)	(348.3)	(348.3)	(383.7)	(345.8)	(292.1)
Provisions for liabilities and charges and deferred tax	(659.5)	(692.6)	(692.6)	(827.5)	(845.5)	(957.4)
Net assets held for sale	72.6	-	-	-	-	-
	5,575.9	5,537.6	5,537.6	5,141.3	4,949.2	4,974.9
Financed by						
Called up share capital	233.7	233.9	233.9	233.3	232.6	232.2
Reserves	576.2	843.7	843.7	599.9	740.9	867.6
Total shareholders' funds	809.9	1,077.6	1,077.6	833.2	973.5	1,099.8
Non-controlling interests	13.4	12.5	12.5	10.8	7.9	6.3
Net debt ²	4,752.6	4,447.5	4,447.5	4,297.3	3,967.8	3,868.8
	5,575.9	5,537.6	5,537.6	5,141.3	4,949.2	4,974.9
Statistics						
Earnings per share (continuing) – pence	48.3	198.5	182.1	90.9	72.5	115.2
Adjusted earnings per share – pence	107.2	92.5	88.4	92.6	88.9	105.6
Dividends per share (excluding special dividend) – pence	84.9	80.4	80.4	75.8	70.1	65.1
Dividend cover (before exceptional items and deferred tax)	1.3	1.2	1.1	1.3	1.3	1.6
Gearing	85.2%	80.3%	80.3%	83.6%	80.2%	77.8%
Ordinary share price at 31 March – pence	2,059.0	1,823.0	1,823.0	1,712.0	1,544.0	1,446.0
Average number of employees						
– Severn Trent Water	5,532	5,634	5,634	5,458	5,162	5,237
– Other	1,910	1,914	2,358	2,763	2,889	3,045

¹ Excludes instruments hedging foreign currency debt

² Includes instruments hedging foreign currency debt

³ Restated for discontinued operations (see note 38)

Gearing has been calculated as net debt divided by the sum of equity and net debt.