Severn Trent Services (Water and Sewerage) Limited

Annual report and financial statements
for the year ended 31 March 2026

Company number: 08880470

Severn Trent Services (Water and Sewerage) Limited

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Severn Trent Services (Water and Sewerage) Limited

Company information

Company number	08880470
Directors	R E Martin J Wroe R C Walwyn
Secretary	N Richards (appointed 17 February 2026) G Eagle (resigned 17 February 2026)
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
Banker	Barclays Bank PLC 1 Churchill Place London E14 5HP
Solicitor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
Auditor	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX

Severn Trent Services (Water and Sewerage) Limited

Strategic report

The Directors present their Strategic report for the year ended 31 March 2026.

Business review and principal activities

The Company is a wholly owned subsidiary of Severn Trent Plc and operates as part of the Severn Trent Plc Group's Infrastructure Services (formerly Business Services) segment.

The principal activity of the Company is to provide regulated sewerage and sewerage disposal services.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company saw improved performance in the year, as a result of previously acquired projects achieving legal and local authority approvals, as well as environmental permits, allowing project delivery to begin in the 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 Infrastructure Services segment, 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 profit for the financial year after taxation was £1,024,000 (2025: loss of £82,000).

The Directors do not recommend the payment of a dividend (2025: nil).

Principal risks and uncertainties

Treasury management
The Severn Trent Plc 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).

Financial position and going concern

As at 31 March 2026, the Company has net assets of £3,453,000 (2025: £2,429,000) and a net current liability position of £1,217,000 (2025: net current asset position of £199,000).

The Directors have considered the financial position and future prospects of the Company. The Company participates in the Group's pooled banking arrangements and may draw down on funding, when required, from the Severn Trent Plc Group in the form of intra-group loans. 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.

Approved by the Board and signed on its behalf by:

J Wroe
Director
14 July 2026

Severn Trent Services (Water and Sewerage) Limited

Directors' report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 March 2026.

Matters included in the Strategic report

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

- Business review and principal activities
- Results and dividends
- Principal risks and uncertainties
- 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.

Insurance and indemnities

The Company maintains Directors' and Officers' liability insurance in respect of legal action that might be brought against its Directors and Officers. As permitted by the Company's Articles of Association and to the extent permitted by law, the Company indemnifies each of its Directors and other Officers of the Company against certain liabilities that may be incurred as a result of their positions within the Severn Trent Water Limited. The indemnities were in force throughout the tenure of each Director during the last financial year and are currently in force. Severn Trent Services (Water & Sewerage) Limited does not have in place any indemnities for the benefit of the External Auditors.

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

There have been no significant post balance sheet events.

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.

PricewaterhouseCoopers LLP were appointed as auditor during the period. They have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' report (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and the Directors' 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:

J Wroe
Director
14 July 2026

Severn Trent Centre
2 St John's Street
Coventry
CV1 2LZ

Independent auditor’s report to the members of Severn Trent Services (Water and Sewerage) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Severn Trent Services (Water and Sewerage) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 ‘Reduced Disclosure Framework’, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise:

- the Balance sheet as at 31 March 2026;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (‘ISAs (UK)’) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditor's report to the members of Severn Trent Services (Water and Sewerage) Limited (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2026 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental regulations and Ofwat regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as corporate tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries that improve financial performance and

Independent auditor’s report to the members of Severn Trent Services (Water and Sewerage) Limited (continued

management bias in significant accounting estimates and judgments. Audit procedures performed by the engagement team included:

- discussions among the engagement team covering the potential for material misstatements due to error or fraud, the risks associated with related parties and emphasis on the need to maintain professional scepticism throughout the engagement;
- inquiries of the directors and others within the entity, including those outside of finance, as to their knowledge, awareness and concerns regarding fraud, or breaches in laws and regulations;
- identification and testing of journal entries that met our risk criteria and incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed;
- testing significant accounting estimates and judgments made by the directors and assessing whether these included any bias;
- reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management; and
- reviewing legal expense accounts to identify items which may indicate the existence of material legal claims.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
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. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.
- we have no exceptions to report arising from this responsibility.

Chris Waddell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
14 July 2026

Severn Trent Services (Water and Sewerage) Limited

Income statement
For the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Revenue	4	**5,857**	4,204
Operating costs before exceptional items and charge for bad and doubtful debts	5	**(4,519)**	(4,345)
Charge for bad and doubtful debts	5	**(79)**	(10)
Total operating costs		**(4,598)**	(4,355)
Profit/(loss) before interest and tax		**1,259**	(151)
Finance income	8	**136**	82
Profit/(loss) before taxation		**1,395**	(69)
Current tax	9	**(369)**	(554)
Deferred tax	9	**(2)**	541
Taxation on profit on ordinary activities		**(371)**	(13)
Profit/(loss) for the year		**1,024**	(82)

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

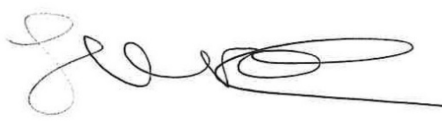
The Company has no recognised gains or losses other than the results above and therefore no separate statement of comprehensive income has been presented.

Severn Trent Services (Water and Sewerage) Limited

Balance sheet
At 31 March 2026

	Note	2026 £000	2025 £000
Non-current assets			
Intangible assets		**5**	7
Property, plant and equipment	10	**14,938**	7,068
Trade and other receivables	11	**3,472**	1,135
		18,415	8,210
Current assets			
Trade and other receivables	11	**523**	577
Cash and cash equivalents		**233**	1,183
		756	1,760
Current liabilities			
Trade and other payables	12	**(1,315)**	(776)
Current tax payable		**(345)**	(785)
Provisions	13	**(313)**	–
		(1,973)	(1,561)
Net current (liabilities)/assets		**(1,217)**	199
Total assets less current liabilities		**17,198**	8,409
Non-current liabilities			
Trade and other payables	12	**(13,653)**	(5,890)
Deferred tax	14	**(92)**	(90)
		(13,745)	(5,980)
Net assets		**3,453**	2,429
Called up share capital	15	**954**	954
Total retained earnings		**2,499**	1,475
		3,453	2,429

The financial statements were approved by the Board of Directors on 14 July 2026. They were signed on its behalf by:



J Wroe
Director
14 July 2026
Company Number: 08880470

Severn Trent Services (Water and Sewerage) Limited

Statement of changes in equity
For the year ended 31 March 2026

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 April 2024	954	1,557	2,511
Loss for the year	–	(82)	(82)
At 1 April 2025	954	1,475	2,429
Profit for the year	–	1,024	1,024
At 31 March 2026	**954**	**2,499**	**3,453**

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 Companies Act 2006. The principal accounting policies, which have been applied consistently in the current and preceding year are set out below.

Severn Trent Services (Water and Sewerage) Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

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 share based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets 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 18.

c) Revenue recognition

Turnover represents the fair value of consideration receivable, excluding value-added tax, trade discounts and inter-company sales, in the ordinary course of business services provided.

Turnover is not recognised until the service has been provided to the customer.

Water and wastewater revenue is recognised when the service is provided and includes an estimate of the amount of mains water and wastewater charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information.

The expected turnover over the life of a contract is allocated to each performance obligation based on the stand-alone selling price of each performance obligation, which is based on the forecast costs incurred and expected margin for each obligation. Any changes to the revenue relating to performance obligations already delivered are recognised in the period in which they are identified. Differences between amounts recognised as revenue and amounts billed are recognised as contract assets or liabilities.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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.

e) Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation.

Property, plant and equipment is depreciated, using the straight-line method, to its estimated residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The cost of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in enhancements to the operating capability of the infrastructure networks is capitalised.

Where items of property, plant and equipment are transferred to the Company from customers or developers, the fair value of the asset transferred is recognised in the balance sheet. Fair value is determined based on estimated depreciated replacement cost. The transfer is considered to be linked to the provision of ongoing services therefore the corresponding credit is recorded in deferred income and released to turnover over the expected useful lives of the related assets. Further details regarding the judgment applied is detailed in note 2.

The estimated useful lives are:

Fixed asset category	Estimated useful life
Infrastructure assets	10 – 150 years
Movable plant and equipment	2 – 15 years

f) Impairment of non-current assets

If the recoverable amount of an item of property, plant and equipment, or any other non-current asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell or estimated value in use at the date the impairment review is undertaken. Fair value less costs to sell represents the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing third parties, less costs of disposal. Value in use represents the present value of future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the cost of capital of the cash-generating unit or asset.

Notes to the financial statements (continued)

1. Accounting policies (continued)

f) Impairment of non-current assets (continued)

The discount rate used is based on the estimated cost of capital adjusted for the risk profiles of the business.

Impairment reviews are also carried out if there is an indication that an impairment may have occurred, or, where otherwise required, to ensure that non-current assets are not carried above their estimated recoverable amounts.

Impairments are recognised in the income statement.

g) Trade receivables and accrued income

Trade receivables and accrued income are measured at fair value on initial recognition. If there is objective evidence that the asset is impaired, it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense in operating costs.

The Company applies the simplified approach permitted by IFRS 9 for estimating expected credit losses on trade receivables. For trade receivables that are assessed not to be impaired individually, expected credit losses are estimated based on the Company's historical experience of trade receivable write-offs.

h) Pre-contract costs

Incremental costs incurred in obtaining contracts with customers are recognised as a prepayment and written off to the income statement over the life of the contract where it is expected that the costs will be recovered. All other costs of obtaining contracts are written off to the income statement as incurred.

i) Provisions

Provisions are recognised where:

- there is a present obligation as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle this obligation; and
- a reliable estimate of this amount can be made.

A provision for onerous contracts is recognised when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under that contract. The provision is measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Notes to the financial statements (continued)

2. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, the Company is required to make certain judgments, estimates and assumptions that it believes are reasonable based on the information available. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The critical accounting judgment was:

Income from connections to the water and wastewater networks

The Company receives income from developers and domestic customers for new connections to the water and wastewater networks either in the form of infrastructure assets or cash. The more significant examples of these transactions are:

- Developers transfer to the Company infrastructure assets that they have installed in a new development. Usually there is no monetary consideration exchanged when the Company adopts assets in this manner.
- When new properties are connected to the network, the Company is permitted, under the Water Industry Act, to obtain a contribution from the developer towards the cost of reinforcing its network to meet the additional demands arising from the new connections. These are referred to as Infrastructure charges. The charges are a standard amount per property and are not linked to specific reinforcement expenditure.
- When developers require properties to be connected to the Company's network, the Company installs a meter and connection to each property but retains ownership of the assets and responsibility for their maintenance.

Assessing whether this income is received in relation to the provision of the connection to the Company's infrastructure networks or is to facilitate the ongoing provision of water and wastewater services to the properties in question requires judgment about the nature of the ongoing relationship between the Company and the customer. During the period the Company received infrastructure assets with a fair value of £7,965,000 (2025: nil).

The Company considers that the purpose of these transactions is to facilitate the ongoing provision of water and wastewater services to the properties in question and they are inextricably linked to that ongoing service. There is a transferable right to receive an ongoing water and wastewater service that passes from customer to customer when the property is bought and sold during the life of the property and, without the ongoing water and wastewater service, the transactions have no value. Therefore, in line with our accounting policies the amounts received are held on the balance sheet and released to turnover in the income statement over the life of the related assets.

There were no significant estimation uncertainties.

3. New accounting policies and future requirements

On 9 April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements'. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 does not impact the recognition or measurement of items in the financial statements.

The new standard is effective for accounting periods commencing on or after 1 January 2027. We will consider the requirements of the new standard in the period up to its implementation but our initial assessment has not identified any material impacts on the Company's financial reporting.

At the balance sheet date, no other Standards or Interpretations were in issue but not yet effective that are expected to have a material impact on the Company's financial position.

4. Revenue

The Company's activities are solely based in the UK.

	2026	2025
	£000	£000
Water and wastewater services	**5,857**	4,204

Deferred income arising from connections to the Company's water and wastewater networks represents a contract liability and is recognised in line with the Company's accounting policy set out in note 1 and the judgment described in note 2. Changes in the Company's contract liabilities from deferred income were as follows:

	2026	2025
	£'000	£'000
At 1 April	**6,026**	6,162
Assets transferred at no cost	**7,965**	–
Amounts released to the income statement	**(185)**	(136)
At 31 March	**13,806**	6,026

£185,000 (2025: £136,000) that was included in the balance of the contract liability was recognised in the income statement during the year. No revenue was recognised in the year from performance obligations relating to connections to the Group's water and wastewater networks that were satisfied or partially satisfied in previous years (2025: nil).

Payments for infrastructure and other charges relating to connection to the networks occur when the connections are made. The performance obligations, including provision of an ongoing water and wastewater service, are provided over the life of the relevant property.

Revenue from the remaining performance obligations is expected to be recognised as follows:

	2026	2025
	£'000	£'000
In the next year	**189**	136
Between one and five years	**756**	544
After more than five years	**12,961**	5,346
At 31 March	**13,806**	6,026

Notes to the financial statements (continued)

5. Operating costs

	2026	2025
	£'000	£'000
Wages and salaries	**1,022**	1,050
Power	**21**	23
Raw materials and consumables	**19**	29
Rates	**76**	71
Charge for bad and doubtful debts	**79**	10
Depreciation of tangible fixed assets	**288**	234
Amortisation of intangible fixed assets	**2**	3
Hired and contracted services	**2,886**	2,763
Other operating costs	**205**	172
	4,598	4,355

The wages and salaries costs stated above have been recharged from Severn Trent Services Operations UK Limited, a fellow group undertaking. Included in the above are audit fees of £13,000 (2025: £11,000) payable for the audit of the financial statements. No other fees were payable to the auditors (2025: nil).

6. Employee numbers

The average number of employees during the year (including Executive Directors) was nil (2025: nil).

7. Directors' remuneration

The Executive Directors do not receive remuneration for their services within the Company. The emoluments of the Executive Directors are paid by other companies within the Severn Trent Plc Group.

8. Finance income

	2026	2025
	£'000	£'000
Interest income earned on:		
Amounts due from group undertakings	**136**	82

Notes to the financial statements (continued)

9. Taxation

a) Analysis of tax charge in the year

	2026 £'000	2025 £'000
Current tax at 25% (2025: 25%)		
Current year	**369**	(19)
Prior years	**–**	573
Total current tax charge	**369**	554
Deferred tax		
Origination and reversal of temporary differences:		
- current year	**2**	24
- prior years	**–**	(565)
Total deferred tax charge/(credit)	**2**	(541)
	371	13

b) Factors affecting the tax charge in the year

The tax assessed for the current year is higher than (2025: higher than) than the standard rate of corporation tax in the UK of 25% (2025: 25%).

The differences are explained below:

	2026 £'000	2025 £'000
Profit/(loss) before taxation	**1,395**	(69)
Tax at the standard rate of corporation tax in the UK 25% (2025: 25%)	**349**	(17)
Depreciation of ineligible assets	**68**	56
Adjustments in respect of prior years	**–**	8
Other temporary differences	**(46)**	(34)
Total tax charge	**371**	13

Notes to the financial statements (continued)

10. Property, plant and equipment

	Infrastructure assets	Fixed plant and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2025	6,467	758	657	7,882
Additions	7,965	–	193	8,158
At 31 March 2026	**14,432**	**758**	**850**	**16,040**
Depreciation				
At 1 April 2025	(441)	(373)	–	(814)
Charge for the year	(185)	(103)	–	(288)
At 31 March 2026	**(626)**	**(476)**	**–**	**(1,102)**
Net book value				
At 31 March 2026	**13,806**	**282**	**850**	**14,938**
At 31 March 2025	6,026	385	657	7,068

Notes to the financial statements (continued)

11. Trade and other receivables

	2026 £'000	2025 £'000
Current assets		
Net trade receivables	**289**	376
Amounts receivable from group undertakings	**118**	14
Prepayments	**100**	31
Accrued income	**16**	156
	523	577
Non-current assets		
Amounts receivable from group undertakings under loan agreements	**3,100**	750
Prepayments	**372**	385
	3,472	1,135

The carrying values of trade and other receivables are reasonable approximations of their fair values.

The Company offers a loan facility of £5m to Severn Trent Plc. The loan is unsecured with interest at the Bank of England base rate + 1.375% and has a maturity date of 8 December 2027.

Prepayments includes unamortised pre-contract costs, paid as a result of winning the contract to provide wastewater services to a housing development in Aldershot, amounting to £385,000 (2025: £396,000). These costs are being amortised over 40 years on a straight line basis.

Accrued income is shown net of expected credit loss allowance and is not yet due.

Movements on the expected credit loss allowances were as follows:

	£'000
At 1 April 25	19
Provision against trade receivables and accrued income charged during the year	79
Amounts written off during the year	(72)
As at 31 March 26	**26**

12. Trade and other payables

	2026 £'000	2025 £'000
Current liabilities		
Trade payables	**119**	113
Amounts owed to fellow subsidiary undertakings	**310**	108
Social security and other taxes	**47**	36
Deferred income	**189**	136
Accruals	**650**	383
	1,315	776
Non-current liabilities		
Amounts owed to fellow subsidiary undertakings	**36**	–
Deferred income	**13,617**	5,890
	13,653	5,890

Notes to the financial statements (continued)

13. Provisions

	Onerous contract £'000
As at 1 April 2025	–
Reclassification	208
Charge to income statement	105
As at 31 March 2026	**313**

The provision relates to contracts where the unavoidable costs of meeting contractual obligations exceed the expected economic benefits to be received. During the year, £208,000 was reclassified from trade and other payables to provisions in order to reflect the nature of the underlying obligation and a further £105,000 charge was recognised in the income statement. The provision reflects management's estimate of the net cost required to fulfil the remaining obligations under these contracts and is expected to be utilised as the contracts are delivered.

14. Deferred tax

An analysis of the movement in the deferred tax liability recognised by the Company is set out below:

	Accelerated tax depreciation £'000
As at 1 April 2025	90
Charge to income statement	2
As at 31 March 2026	**92**

15. Share capital

	2026 £'000	2025 £'000
Total issued and fully paid share capital		
953,926 ordinary shares of £1 each (2025: 953,926)	**954**	954

16. Post balance sheet events

There have been no significant post balance sheet events.

17. 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.

18. Ultimate parent undertaking

The immediate parent undertaking is Severn Trent Services International (Overseas Holdings) Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the smallest and largest group to consolidate these financial statements. Copies of the Severn Trent Plc consolidated financial statements can be obtained from Severn Trent Plc's registrars at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.