

# Notice of meeting

**This document is important and requires your immediate attention.**

If you are in any doubt about the action you should take, you should consult your independent financial adviser. If you have recently sold or transferred your shares in Severn Trent Plc please forward this document to your bank, stockbroker or other agent through or to whom the sale or transfer was effected for delivery to the purchaser or transferee.

Dear Shareholder,

I am pleased to invite you to the company's eighteenth Annual General Meeting (AGM), which will be held at the National Motorcycle Museum, Solihull, West Midlands on Tuesday 24 July 2007 at 11.00am.

The Notice of Meeting for the AGM is also included in this document. It sets out the resolutions to be proposed and includes brief explanatory notes on the business to be considered at the meeting.

At this time each year we send a considerable amount of documentation to our shareholders. This includes the Annual Report and Accounts, or Annual Review, as well as the Notice of Meeting and Forms of Proxy that allow you to attend and vote at the AGM. Those documents are also available on our website at [www.severntrent.com](http://www.severntrent.com). You can help us minimise the resources used and reduce the impact on the environment by electing to receive future reports and related documentation electronically. If you wish to take advantage of this service for future mailings you may register your request on our registrar's website at [www.shareview.co.uk](http://www.shareview.co.uk).

Your participation in the AGM is important to us and even if you are unable to attend in person you can give your voting instruction on-line at [www.sharevote.co.uk](http://www.sharevote.co.uk) or by post.

The Directors consider that the resolutions in the Notice of Meeting are in the best interests of shareholders as a whole and recommend that you vote in favour of them.

Your Directors and I look forward to your participation and take the opportunity to thank you for your continued support.



**Sir John Egan**  
Chairman  
20 June 2007

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the eighteenth Annual General Meeting of Severn Trent Plc (the "Company") will be held at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands B92 0EJ on Tuesday 24 July 2007 at 11.00 am to consider and, if thought appropriate, pass Resolutions 1 to 7 as ordinary resolutions and Resolutions 8, 9 and 10 as special resolutions.

## Resolution 1

To receive the accounts and the reports of the Directors and the Auditors for the year ended 31 March 2007.

## Resolution 2

To declare a final dividend in respect of the year ended 31 March 2007 of 38.68 pence for each ordinary share of 97<sup>17</sup>/<sub>19</sub> pence.

## Resolution 3

To reappoint Sir John Egan as a Director.

## Resolution 4

To reappoint Tony Wray as a Director.

## Resolution 5

To reappoint Deloitte & Touche LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be determined by the Directors.

## Resolution 6

To approve the Directors' remuneration report for the year ended 31 March 2007.

## Resolution 7

That the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £76,463,232, provided that this authority shall expire on the date of the Annual General Meeting in 2008, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be and are hereby revoked.

## Resolution 8

That the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by Resolution 7 above or by way of a sale of treasury shares as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date[s] as the directors may determine where the equity securities respectively attributable to the interests of the shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on any such record date[s], subject to such exclusions or other arrangements as the

Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and

- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £11,469,484;

and shall expire upon the expiry of the general authority conferred by Resolution 7 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

## Resolution 9

That the Company is authorised generally and without conditions to make market purchases (as defined in section 163(3) of the Act) of its ordinary shares of 97<sup>17</sup>/<sub>19</sub> pence each, but:

- (i) the Company may not purchase more than 23,432,281 ordinary shares;
- (ii) the Company may not pay less than 97<sup>17</sup>/<sub>19</sub> pence for each ordinary share;
- (iii) the Company may not pay, in respect of each ordinary share, more than 5% over the average of the middle market price of an ordinary share based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the Company agrees to buy the ordinary shares;
- (iv) this authority will last until the Company's Annual General Meeting in 2008; and
- (v) the Company may make a contract, before the authority ends, to purchase ordinary shares where the purchase is or may be completed (fully or partly) after the authority ends and may purchase its ordinary shares pursuant to any such contract.

## Resolution 10

That the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2007 Annual General Meeting.

By Order of the Board

**Fiona Smith**

Group General Counsel and Company Secretary

Severn Trent Plc  
2297 Coventry Road  
Birmingham  
B26 3PU  
Registered in England and Wales  
Registration No. 2366619

5 June 2007

## Directors seeking reappointment



**Sir John Egan** MSc Econ BSc (67)

Sir John Egan joined the board in October 2004 and became Chairman on 1 January 2005. He is a director of Warwick Castle Park Trust Ltd and was, until recently, Chairman of Inchcape plc and Harrison Lovegrove & Co Ltd. Sir John worked in the motor industry until 1990 at General Motors, Massey Ferguson and British Leyland, rising to become Chairman and Chief Executive of Jaguar plc. He was Chief Executive of BAA plc from 1990 to 1999 and Chairman of MEPC from 1998 to 2000. He was also President of the Confederation of British Industry from 2002 to 2004. Sir John was knighted in the Queen's Birthday Honours List in 1986. He is a deputy lieutenant of the County of Warwickshire and, from September 2007, Chancellor of Coventry University.



**Tony Wray** BSc(Hons) (45)

Mr Wray joined the board in March 2005. He is Managing Director of Severn Trent Water Ltd. Prior to that, he was Director of Networks at Eircom, the Republic of Ireland's telephone operator. He joined British Gas in 1983 and held various managerial positions before becoming Head of Asset Management. In 2000 he moved to Transco, first as Director of Asset Management, then as National Operations Director, before being appointed to implement the merger integration of Lattice (Transco) and National Grid Group into National Grid Transco.

# Explanatory notes

## **Annual Report and Accounts (Resolution 1)**

The Directors must lay before the shareholders the accounts of the Company for the financial year ended 31 March 2007, the report of the Directors and the report of the auditors of the Company on those accounts.

## **Declaration of a Dividend (Resolution 2)**

A final dividend of 38.68 pence has been recommended by the Directors for payment to ordinary shareholders who are on the register of members at the close of business on 29 June 2007. A final dividend can only be declared by the shareholders at a general meeting but must not exceed the amount recommended by the Directors. If so declared the date of payment of the final dividend will be 3 August 2007.

## **Reappointment of Directors (Resolutions 3 and 4)**

In accordance with the Combined Code on Corporate Governance (published by the Financial Reporting Council in June 2006), the Company's Articles of Association require all Directors to submit themselves for reappointment at least once every three years. This provision also ensures that, as a minimum, one third of the Board of Directors, together with any Director appointed since the last Annual General Meeting, retires each year and, if eligible and so desires, stands for reappointment at the Annual General Meeting. Directors retire on the basis of their length of service since their last election.

No Directors have been appointed since the last Annual General Meeting. Sir John Egan and Tony Wray retire by rotation. Both Directors offer themselves for reappointment.

Following a formal review, the Nominations Committee has confirmed that each Director standing for reappointment continues to make a valuable contribution to the Board's deliberations and continues to demonstrate commitment. The Committee supports and recommends the proposed reappointments.

Details of the Directors who are standing for reappointment are included in this Notice of Annual General Meeting.

## **Reappointment and Remuneration of Auditors (Resolution 5)**

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the next such meeting. Resolution 5 proposes the reappointment of Deloitte & Touche LLP as auditors of the Company and authorises the Directors, in accordance with standard practice, to agree the level of their remuneration. The Audit Committee will approve the audit fees for recommendation to the Board.

## **Approval of Remuneration Report (Resolution 6)**

The Directors' remuneration report for the year ended 31 March 2007 has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. Those regulations specify that shareholders must be given the opportunity to approve it. Accordingly, the Directors invite shareholders to approve the Directors' remuneration report which is included in the Annual Report and Accounts 2007 and summarised in the Annual Review.

## **Authority to Allot Shares (Resolution 7)**

Under section 80 of the Companies Act 1985 the Directors of the Company may only allot relevant securities if so authorised by shareholders in general meeting. This resolution proposes that the Directors be granted authority to allot relevant securities in the capital of the Company up to an aggregate nominal amount of £76,463,232, being approximately equal to one third of the Company's issued share capital as at 5 June 2007, such authority to expire at the conclusion of the 2008 Annual General Meeting.

The Directors have no present intention of issuing any relevant securities other than pursuant to existing rights under employee share schemes.

## **Disapplication of Statutory Pre-emption Rights (Resolution 8)**

This special resolution proposes the renewal of the authority granted to Directors by shareholders in 2006 to issue equity securities for cash without first having to offer those securities to existing shareholders, as is required by section 89 of the Companies Act 1985, up to a maximum amount of £11,469,484 which is approximately equivalent to 5% of the Company's issued share capital as at 5 June 2007. Equity securities are ordinary shares in the Company, including any ordinary shares which the Company has purchased and elected to hold as treasury stock, but they do not include shares which are allotted under employee share schemes. By exempting the Company from the rule in section 89 of that Act, the Directors will have greater flexibility to raise finance.

A rights issue would involve the Company offering existing shareholders the opportunity to buy new ordinary shares. The number of ordinary shares which a shareholder can buy depends on the number he/she already owns. The rules in some countries prevent shareholders from participating in a rights issue but this resolution would allow the Directors to make alternative arrangements for those shareholders.

## **Authority for the Company to Purchase its Own Shares (Resolution 9)**

This special resolution proposes the renewal of the authority granted at the Company's last Annual General Meeting. If passed, it will allow the Company to buy back up to 23.4 million of its ordinary shares on the London Stock Exchange. This equates to about 10% of the Company's issued share capital. The resolution sets out the lowest and highest prices that the Company can pay for the shares.

The Directors are committed to managing the Company's capital effectively and purchasing the Company's own ordinary shares is one of the options that the Directors keep under review. The Directors will only do this if they believe it is in the shareholders' best interests and will increase the earnings per share.

Any shares purchased in this way, other than those purchased pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 will be automatically cancelled. Shares purchased pursuant to such Regulations may either be held or dealt with by the Company. The Company did not hold any Treasury Shares as at 5 June 2007.

As required to be stated under the Financial Services Authority's Listing Rules, as at 5 June 2007, being the latest practicable date before publication of this document, there were options outstanding to subscribe for 3,894,566 ordinary shares under the Company's employee share schemes. If the outstanding options were fully exercised they would represent 1.66% of the existing 234,322,811 issued ordinary shares of the Company. If the buyback authority was exercised in full, that percentage would be 1.85% of the reduced share capital of 210,890,530 ordinary shares.

## **Approval and Adoption of new Articles of Association (Resolution 10)**

The proposed new Articles of Association reflect those provisions of the Companies Act 2006 (the '2006 Act') which have now been brought into force. The principal changes relate to electronic communications with shareholders. The proposed new Articles of Association will allow the Company to communicate with shareholders by post, by email and, as the method of default, through the Company website, subject to individual shareholder preference. The Company intends to ask shareholders for their consent to receive electronic communications in the first quarter of 2008.

In addition to the modifications following from the 2006 Act, it is also proposed that some amendments to the Articles of Association be adopted to reflect previous changes in legislation or to ensure consistency with the 2006 Act.

Set out below is a summary of the main differences between the current and the proposed new Articles of Association. This summary has been prepared to assist shareholders in understanding the rationale for and substance of the proposed amendments. Although the new Articles of Association are in many respects largely unchanged from the current Articles of Association, the Directors recommend that shareholders pass a resolution to adopt new Articles of Association rather than to pass resolutions detailing each individual amendment in accordance with the Guidance on Electronic Communications with Shareholders 2007 issued by the Institute of Chartered Secretaries and Administrators.

**i. Notice of general meetings (Articles 57 and 59)**

The 2006 Act provides that when a company gives an electronic address in a notice of meeting or proxy, shareholders can automatically use that address for communications relating to that meeting or proxy. Article 57 in the proposed new Articles of Association has been amended to permit this, subject to any conditions or limitations as are contained in the notice itself.

The amendments to Article 59 deal with situations where, because of a postal strike or similar situation beyond the control of the Company, the Company is unable to send out hard copies of the notice of meeting or the hard copy notification that the notice of meeting has been placed on its website. This is to ensure that such failure to give notice does not invalidate the proceedings of the meeting.

**ii. Electronic proxies (Articles 77, 78 and 81)**

As noted above, the 2006 Act provides that when a company has given an electronic address in a notice of meeting or proxy, the company is treated as having accepted that communications in relation to that meeting or proxy can be sent to that address. Article 77 is amended to enable the Company to receive appointments of proxies in electronic form, subject to any conditions or limitations which are specified in the notice of meeting. Articles 78 and 81 in relation to the receipt of proxies are amended to bring them in line with the language used under the 2006 Act.

**iii. Sending of notices, documents and information (Articles 144, 145 and 147)**

The proposed amendments to Article 144 update the references to electronic mail to electronic form while clarifying that the method of delivery adopted by the Company on any one occasion shall not affect how it chooses to deliver information in future. It has also been amended to provide that documents may be made available on a website, provided the requirements in proposed new Article 144 are satisfied.

As provided under the 2006 Act, the proposed Article 144 allows the Company to ask each individual shareholder for his or her consent to receive communications from the Company via a website. If the shareholder does not respond to the request for consent within 28 days, the Company is entitled to take that as consent by the shareholder to receive communications in this way. When the Company makes a document available on its website, it must notify each shareholder who has consented (or is deemed to have consented) to receive documents via the website that the document is available on the website either by post or by email (if the shareholder has already agreed to receive documents electronically). A shareholder who has received a document electronically can request hard copy of any document at any time. Shareholders can also revoke their consent to receive electronic communications at any time.

The proposed new Article 145 allows the Company to send hard copies of any notices, documents or information to any shareholder if it decides to do so. The reason for this is to allow the Company to send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

The proposed new Article 147 deals with the case of joint holders of shares and has been amended to provide that the agreement of the first-named holder on the register of shareholders to accept notices, documents or information electronically or via a website will be binding on the other joint holders.

**iv. Provisions about notices and deemed delivery (Articles 146, 148, 149(A) and new Articles 149(E) and (F))**

Article 146 sets out when notices, documents or information given or sent by the Company to its shareholders are deemed to be delivered. Article 148 governs the manner in which the Company gives notices to a person entitled to a share as a result of the death or bankruptcy of a shareholder and is amended to cover both documents and information.

Article 149(A) is being amended to allow for any notice, document or information (not being a notice of a general meeting) to be given by advertisement in at least one national daily newspaper published in the UK.

New Article 149(E) is inserted to deal with notices, documents or information given or sent by the Company to a shareholder which have been returned undelivered after three consecutive occasions. The shareholder will only be entitled to receive such further communications upon provision of a new postal or electronic address to the Company. New Article 149(F) is inserted to deal with the validation of documents in electronic form by shareholders where required by the Articles of Association.

**v. Directors' retirement age limit (Article 113)**

The provisions relating to age limits for directors in the Companies Act 1985 were repealed in April 2007. Accordingly, Article 113 which deals with this is no longer necessary and is therefore being deleted.

## General notes

### Entitlement to attend and vote

To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a person may cast) a person must have their name entered on the register of members not later than 6.00pm two days prior to the meeting or prior to any adjournment thereof. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Persons who are not shareholders of Severn Trent Plc will not be admitted to the meeting unless prior arrangements are made with the Company.

### Appointment of proxies

A shareholder entitled to attend and to vote at the meeting is entitled to appoint one or more proxies to attend the meeting, and any adjournment thereof, and on a poll, vote instead of him/her. The Chairman of the meeting will also permit duly appointed proxies to speak at the meeting. A proxy need not be a shareholder of Severn Trent Plc. Forms of Proxy should be deposited at the office of the Company's registrar, Lloyds TSB Registrars, The Causeway, Worthing BN99 6LW not less than 48 hours before the time for holding the meeting.

### Electronic proxy voting

Shareholders may register the appointment of a proxy by contacting the [www.sharevote.co.uk](http://www.sharevote.co.uk) website where full details of the procedure are given. The website is operated by the Company's registrar, Lloyds TSB Registrars. Shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may be viewed on the website. Any electronic communication sent by a shareholder that is found to contain a computer virus will not be accepted. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged in any way.

### Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

All messages relating to the appointment of a proxy, or an instruction to a previously-appointed proxy, which are to be transmitted through CREST, must be received by Lloyds TSB Registrars (ID7RA01) not later than 11.00am on Sunday 22 July 2007 or, if the meeting is adjourned, close of business on the day two days prior to the day fixed for the adjourned meeting.

### Employee share schemes

An employee whose shares are held by the Trustee of the Severn Trent Share Incentive Plan is not entitled to attend the meeting in respect of those shares. However, the employee can instruct the Trustee how to vote on his/her behalf on any resolution set out in the Notice of Annual General Meeting, should the resolution be put to a formal vote by poll. Voting direction forms will be sent to those employees concerned. Voting directions should be returned to the address on the reverse of the form so as to be received not later than 11.00am on Tuesday 17 July 2007. Employees may also instruct the Trustee how to vote by contacting the [www.sharevote.co.uk](http://www.sharevote.co.uk) website.

### Inspection of documents

A copy of the Articles of Association of the Company, showing the proposed amendments, will be available for inspection at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the period following the date of this notice of meeting and up to and including the date of the Annual General Meeting and at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands B92 0EJ from 10.00am on the day of the meeting.

Additionally, the following documents, which are available for inspection during normal business hours at the registered office of the Company on any business day, may also be inspected at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands B92 0EJ from 10.00am on the day of the Annual General Meeting:

copies of the executive Directors' service contracts with the Company;

copies of the non-executive Directors' letters of appointment;

the register of interests of the Directors in the share capital of the Company; and

the register of substantial shareholders.

### Electronic communication service

Shareholders are reminded that they may receive shareholder communications from Severn Trent Plc electronically. The electronic communication service offers the following benefits:

The Company's full Annual Report and Accounts and Annual Review can be viewed on the day they are published;

Your AGM votes can be cast electronically;

Important shareholder communications may be received electronically; and

You may see details of your individual shareholdings quickly and securely online.

If you wish to take advantage of this service you may register your request with the Company's registrar on their website at [www.shareview.co.uk](http://www.shareview.co.uk).