Half Yearly Financial Report
20 November 2024
Interim results for the six months to 30 September 2024

Successful AMP7, in a strong position for AMP8

Successfully completing AMP7

- Highest year ever of capital investment, forecasting to the upper end of £1.3-£1.5bn guidance range.
- RCV[1] expected to have grown by £4.2bn to £13.6bn at the end of AMP7[2].
- Achieved 4* EPA[3] status from the Environment Agency for a fifth consecutive year.
- Installed 900 solutions on storm overflows through industry-leading plan, with average spills expected to be below 18 for the year 2025.
- Delivered our leakage target every year in AMP7, and confident of a 15% reduction over five years.
- Performing for customers, with Severn Trent Water on track to achieve target for over 80% of performance commitments, delivering nominal net ODI[4] rewards of around £420m[5] across AMP7.
- Expect to deliver over £100m[6] in net ODI rewards this year – our highest ever year.
- Improving customer service, with our Trustpilot score of 4.8 out of 5 the joint highest in the FTSE100.
- More than doubled the base return to March 2024, delivering real RoRE[7] of over 8% which equates to nominal RoRE of over 13%.

Strong interim financial results for year five

- Half year PBIT[8] up to £297.8m, and adjusted EPS[9] increased to 58.0p.
- Economic regulated gearing[10] is 58.6%, taking into account the expected impact of end-of-AMP RCV adjustments earned to date.
- Resilient financial position, with £600m of finance raised this year and 20 months of liquidity, providing flexibility in the timing of accessing debt markets.

Group Results	30 September 2024	30 September 2023
Revenue	£1,217.7m	£1,165.3m
PBIT	£297.8m	£255.1m
Net finance costs	£124.6m	£179.2m
EPS	47.2p	20.5p
Adjusted EPS	58.0p	29.7p
Interim dividend per ordinary share	48.68p	46.74p
Capital investment	£665.9m	£476.9m

Ready for a fast start to AMP8

- Draft Determination unlocks real RCV growth of at least 28%[11], which is fully equity financed.
- PR24[12] plan rated Outstanding, providing £93m reward (£109m in nominal prices) while locking in base costs, customer-sharing rates, and a minimum WACC[13].
- Accelerating £450m of investment, which earns a return from 1 April 2025.
- Ahead of year one capital run rate and work underway on £3.5bn of our AMP8 capital programme, with supply chain resource locked in on over £2bn worth of contracts.
- Insourcing water mains renewal activity with 440 new roles.
- Committed to net zero operational emissions by 2030, supported by £250m investment from the Draft Determination – 79% of the sector's total net zero enhancement funding.

Liv Garfield, Chief Executive, said:

"I am proud of what we have delivered for customers, hitting our targets on leakage and blockages while also achieving the highest 4 status from the Environment Agency in each of the last five years. We have continued to lead the industry on sustainability, pioneering carbon neutral technology and progressing our Green Recovery programme at pace, while committing to support 100,000 people out of poverty by 2033.*

"But we know there is more to do. The Outstanding rating we received for our plan gives us visibility and confidence to make a fast start on the biggest investment programme in our history. We are implementing the sector's most ambitious storm overflow improvement plan at pace, while also creating 7,000 jobs across our region, including a new 440-strong team of experts dedicated to our water pipe replacement programme. We are going further and faster than ever before and have a great platform to deliver huge benefits for our region in the years ahead."

Footnotes to page 1 of this RNS

1. RCV: Regulatory Capital Value (see glossary), £13.6 billion is our projected nominal RCV including all estimated end-of-AMP adjustments and transition expenditure.
2. AMP: Asset Management Plan (see glossary); AMP7 refers to the period 1 April 2020 to 31 March 2025, and AMP8 refers to the period 1 April 2025 to 31 March 2030.
3. EPA: Environmental Performance Assessment ('EPA') is a calendar year measure assessed each year by the Environment Agency ('EA'). Four star is the highest possible rating, reflecting 'industry-leading' environmental performance.
4. ODI: Outcome Delivery Incentives (see glossary), quoted pre-tax and in 2017/18 prices unless otherwise stated.
5. Calculated based on prices in the year in which the ODIs earned have been, or are expected to be, recognised in revenue.
6. ODI guidance is the net reward position pre-tax, pre-customer-sharing and in 2017/18 prices.
7. RoRE: Return on Regulated Equity (see glossary).
8. PBIT: Profit Before Interest and Tax.
9. EPS: Earnings Per Share; adjusted basic EPS is set out in note 8.
10. Economic regulated gearing is based on our shadow RCV including the Green Recovery programme and the expected impact of end-of-AMP RCV adjustments earned to date. Shadow regulated gearing, which is based on our shadow RCV including our Green Recovery programme, is 60.6% (59.7% at 31 March 2024). Regulated gearing on our FD RCV is 62.8% (61.3% at 31 March 2024).
11. 28% real RCV growth includes transition expenditure, which will be added to the RCV at the end of AMP7.
12. PR24: Price Review 24 (see glossary).
13. WACC: Weighted Average Cost of Capital.

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Interim Results Presentation and Webcast

A presentation of these results hosted by Liv Garfield, CEO, and Helen Miles, CFO, will be available on our website (severntrent.com) from 7.00am GMT today, 20 November 2024.

We will be hosting a live Q&A session with Liv, Helen and our wider Executive team at 9:00am GMT today via video call which you can register for through our website.

Chief Executive's Review

As we head into the final few months of the AMP7 regulatory period, the business is stronger than ever and we are looking forward to a successful AMP8.

The Draft Determination we received in July provided significant clarity to AMP8, confirming at least 28% real RCV growth, base costs broadly in line with our business plan, and new protection mechanisms on energy costs and business rates. The Outstanding rating we received, which reflects the high quality and ambition of our PR24 business plan, provides certainty on the WACC, base costs, and customer-sharing, as well as a £93 million reward for meeting three additional commitments which we are confident of achieving. In August we submitted a response to the Draft Determination in order to secure the right plan for all stakeholders, and we expect to receive the Final Determination on Thursday, 19 December 2024.

That said, we've had more than enough clarity already to make a fast start to AMP8. We're making great progress on our capital programme with work underway on £3.5 billion of projects. Meanwhile, we've been shadow reporting our new suite of ODIs to ensure we maintain our high standards into AMP8.

Beyond AMP8, the Draft Determination has laid the foundations for long-term growth. Ofwat approved the need for all 13 of our enhancement cases to improve customer outcomes, mostly related to long-term drivers of totex spend such as climate change, which unlocks investment not just in AMP8, but for decades to come. And where we haven't been given costs we've asked for, we have provided additional evidence to Ofwat to justify the investment.

Reducing spills from storm overflows continues to be our number one priority, and we have been going further and faster to address the issue. Our implementation of the biggest storm overflow improvement plan in the sector, supported by last year's equity raise, is a big step to resolving the problem as we aim to halve storm overflow spills by 2030. There are over 500 people working on our programme who have already delivered 900 interventions this year to improve our highest priority sites. As these interventions come into effect, we expect to reduce our average spills to below 18 for the year 2025.

We're finishing AMP7 in really good shape. This year more than 80% of ODIs are green, and we are set to deliver our largest ever year of capital investment, giving us a smooth capital glide path into AMP8, while we have had another year of four star EPA status confirmed for 2023.

Completing a strong AMP7

As we close out AMP7, it's worth reflecting on the major steps we've taken as an organisation over these five years:

- We've delivered strong performance for our customers, with Severn Trent Water achieving target on more than 80% of ODIs across AMP7, at the same time as bringing customer complaints down by over 40%.
- We've translated this operational excellence into total net ODI outperformance of around £420 million on a nominal basis, and so far have earned cumulative nominal RoRE over 13%.
- We've improved our impact on the environment, through our sector-leading spills programme, a reduction in RNAGS as part of our Get River Positive scheme, the four star EPA status we've delivered every year in AMP7, or the biodiversity we're enhancing on roughly 15,000 hectares of land.

- We've become a more sustainable business, growing our renewable energy generation by c. 30% across the AMP, while launching new carbon-neutral technology at Strongford earlier this year, as we remain on course for net zero by 2030.
- We've innovated through our Green Recovery programme; having secured 71% of the entire sector's funding, we are delivering seven projects which will generate 6% RCV growth.
- We've continued to foster the next generation of Severn Trent talent, with a programme of insourcing in our capital design and waste infrastructure teams, accreditation as a real Living Wage and real Living Hours employer, our £10 million investment in the Severn Trent Academy, and around 600 graduates and apprentices welcomed into the organisation across the AMP.
- We've grown our presence in our region, supporting the 2022 Commonwealth Games as net zero partner, implementing our ten-year Societal Strategy to help 100,000 people out of poverty, and donating 1% of profits to local improvement schemes through our Severn Trent Community Fund.
- And Severn Trent Water and Hafren Dyfrdwy are closing the AMP with the two lowest bills in the land for our customers, while also expanding our affordability offering to provide around £200 million of support to our most vulnerable customers across AMP7.

These successes put us in a strong position operationally, financially, and culturally to continue leading the sector into AMP8 and beyond.

Sustaining operational excellence as we complete AMP7

Our water performance has remained strong across the broad suite of ODIs for the first six months of year five. We remain on track to deliver our lowest ever leakage levels this year, driven by a c. 85% increase in activity to reduce leakage compared to the end of AMP6. This will be a seventh consecutive year of hitting our leakage target, and across AMP7 we will have reduced leakage by 15%.

We expect to meet our targets on water quality complaints and low pressure this year, which means they will have been green for every year of AMP7. Meanwhile, we've just experienced our best ever six months on supply interruptions as our in-house network response team continues to drive improved performance.

We are on course to outperform our metering target again for the fifth consecutive year. Our smart metering rollout continues to accelerate, we expect to have fitted 400,000 smart meters by the end of AMP7, which will take our total metered customer base to 55%.

Additionally, as we prepare to deliver a further 16% reduction in leakage in AMP8 as well as continued improvement to supply interruptions, we have created 440 jobs to form a new mains renewals team. This will allow us to double the renewal rate in our network, helping to prevent bursts. We are also investing £31 million on alternative supplies, including a new fleet of water tankers to keep customers on supply following bursts.

Whilst our performance is green on the vast majority of water ODIs, one exception is CRI, which we're expecting to be in penalty this year. This is mainly caused by our Strensham site, where we expect the introduction of our biggest ever ultraviolet disinfection scheme to deliver significant improvement. The enhancement project is well underway and is forecast for delivery early in AMP8.

The waste infrastructure team we insourced last year has driven significant improvements. In the past six months, during comparably wet periods our response times have been three times faster, with 45% fewer complaints. This has contributed to our best ever blockages performance, where we will have met our target every year in AMP7.

As we look ahead to AMP8, we take confidence from our relative performance on measures which will become common ODIs. We continue to be the frontier performer in the industry on external sewer flooding despite missing our increasingly stretching targets, and whilst we remain in penalty on pollutions, Severn Trent Water and Hafren Dyfrdwy are the two best performers in the sector. To further improve, we have opened our new Waste Operational Control Centre with 40 new roles, applying learnings from the approach which has had success in our water business to speed up decision making during incidents and adopt a more proactive approach to our network.

Overall, we remain on course for our largest ever year of outperformance on ODIs, and expect to deliver over £100 million in net ODI rewards pre-sharing. We expect to hit all of our end-of-AMP ODIs, including Farming for Water and Water Framework Directive improvements. We remain strong on D-MeX again this year, having been in the top three in the sector every year in AMP7, with the potential incentives set to increase by a factor of five in AMP8, although we still have further to go on C-MeX.

Improving our environment through ambitious levels of investment

Storm overflow spills remain a significant focus for our industry, and we are investing this year to reduce spills as quickly as possible. Across our patch there are 2,472 fully-monitored storm overflows that collect over 300 million data points each year, which provided us with the critical information to identify 923 priority sites and determine the best interventions for each site. With over 500 people working on the programme, we have delivered 900 interventions this year, and our preliminary analysis suggests that this work has prevented 24,000 spills.

But we won’t stop there. We will be delivering a further 600 interventions next year, helping to reduce our average spills to below 18. And our £1.2 billion storm overflow improvement plan for AMP8 is the most ambitious in the sector, as we aim to halve average spills per storm overflow by 2030.

We have been awarded four star status in the Environment Agency’s annual Environmental Performance Assessment for an industry-record fifth consecutive year for 2023. To ensure we maintain environmental leadership, we are expanding our waste Incident Response team to provide an enhanced and ringfenced reactive tanker resource. This will speed up response time during an incident, preventing pollutions before they happen.

As part of our Get River Positive pledges, we have improved the biodiversity of over 11,500 hectares, with an aim to improve 15,000 hectares by 2025, meaning our work on biodiversity would account for 3% of the Government’s 2042 target for the entire country. Additionally, we are on course for our target of planting 1.3 million trees by 2027, and we have supported around 5,000 farmers to deliver environmental solutions on their land. We believe we are currently responsible for 14% of RNAGS in our region, with a target to be below 2% by 2030.

We remain committed to achieving net zero carbon emissions by 2030. In the Draft Determination, we were awarded £250 million for net zero, 79% of sector enhancement spend in this area, supporting us to implement technologies from our Strongford Net Zero Hub across other wastewater treatment works. We are on track for all elements of our Triple Carbon Pledge and by 2030 we expect to achieve net zero carbon emissions, 100% of our energy will come from renewable sources, and our vehicle fleet will be 100% electric, subject to the availability of specialist vehicles. Since 2019, we have reduced our operational scope 1 and 2 emissions by 21%, and 58% of our supply chain by emissions have now committed to science-based targets.

Gearing up for AMP8 with highest ever year of investment

This year marks our largest ever year of investment with total capital expenditure forecasted in the upper end of our £1.3 billion to £1.5 billion guidance range, including our Green Recovery programme and accelerated spend from AMP8. This will take our total capital investment in AMP7 to well over £4 billion, strengthening resilience in our network and enhancing our performance. This also means that we are uniquely placed to end AMP7 at the required capital run rate for AMP8.

Our upgrades to seven major treatment works are into the final stages of commissioning. When complete, these upgrades will increase our treatment capacity, improve process efficacy and efficiency, and improve the quality of final effluent. Meanwhile, we are into the final stages of a £25 million sewer upgrade in Stroud, to provide an additional 7,400 cubic metres of storm water storage – our largest ever storm overflow storage tank. We are also on track with our £32 million scheme to build 16 kilometres of new pipeline between Derwent Valley and Strelley Reservoir, reducing our dependency on boreholes and future-proofing the water supply for customers in north Nottinghamshire.

As planned, we are stepping up our Green Recovery programme this year, with each of the seven projects on track. In September, we started the construction of the UK's first operational ozone wastewater treatment plant, using ozone gas as an additional disinfectant to improve the quality of treated water returning to the local river. And as part of the Bathing Rivers programme, two further plants in Warwickshire will be operational by the end of this financial year.

Our non-regulated business continues to grow and add value to the Group. Between Severn Trent Green Power and Bioresources we currently generate 360GWh, which equates to 66% of our overall consumption, with further growth expected in the near future. Earlier this year we announced our plan to build three large-scale solar farms in Leicestershire, Warwickshire and North Yorkshire, and we have now also completed on a fourth site in Shropshire. All four projects have now progressed into the delivery phase, and have the opportunity to increase our energy generation by around 185GWh.

As we approach AMP8, we are fully confident in our ability to deliver our largest capital programme ever. We have already formally launched AMP8 with over 70 incumbent suppliers who are briefed on our key projects and working with us to ensure maximum innovation and efficient delivery. Work is underway on £3.5 billion of our AMP8 capital programme with supply chain resource secured on over £2 billion worth of contracts and over £1 billion of AMP8 capital costs locked in.

Delivering for our colleagues, customers, and community

As we enter a period of unprecedented investment, we are committed to growing our offering to customers and the wider region, and our efforts on customer service are continuing to show signs of progress. We are on track to reduce complaints by over 40% over the course of AMP7, and our Trustpilot score is now 4.8 out of 5 – the joint highest in the FTSE100.

However, our C-MeX scores have not been as high as we would like, and we are making further investments in this area. For example, our new Kraken customer information system will help to improve customer service, automising call transcripts and documenting any follow-up actions to allow our call centre agents to focus on high quality customer conversations.

We also want to ensure that as new investment comes in, no customers are left unable to afford their bills. So far this year we've provided over £40 million of support for customers, and across AMP8 our total support will be £575 million. And we're also committed to tackling the wider causes of poverty: we have already supported nearly 20,000 customers as part of our ten-year Societal Strategy to improve the prospects of 100,000 people in our region. Recently we have partnered with Leicester

Employment Hub and Leicester Job Centre Plus to create pathways for people with barriers to work into roles at our new contact centre in Leicester.

To improve employment rates across marginalised groups further, we're providing 12-week placements to 50 people as part of the West Midlands Combined Authority's job rotation pilot. And in conjunction with ReGenerate, we've recently formed the Midlands Employer Alliance, comprising many of the largest employers in our region, to target recruitment towards underprivileged groups.

Over the course of AMP7 we have grown our business by nearly 3,000 employees across customer, operational, and back office teams. In totality we expect our AMP8 plans to be responsible for creating approximately 7,000 new jobs, on top of our continued programme of insourcing which ensures high quality jobs for more people while bringing critical skills in house.

We firmly believe that investing in a more insourced organisation will drive even better outcomes for our customers, as we promote the culture that has brought us success in AMP7. Our £10 million Academy has welcomed over 13,000 learners through its doors this financial year, and currently offers over 600 training courses across operational, engineering, professional, leadership, and customer learning streams. The investments we make in our people are reflected in our Glassdoor score of 4.5 out of five, which is the highest score across UK water and sewerage companies, and our consistently-strong colleague engagement scores – our latest score of 8.6 is once again within the top 5% of utilities globally.

Chief Financial Officer's Review

Looking back over the AMP, much has been delivered. We are growing our RCV by 40% in nominal terms. We have one of the strongest balance sheets in the sector, having raised £1.25 billion of equity in the AMP, and one of the lowest costs of debt.

All this in a period that included a global pandemic, unprecedented energy prices, inflation at levels not seen for decades previously and a significant uplift in work volumes. While also facing into significant challenges from extreme weather and the changing climate we have managed our costs around 1% of RoRE.

Despite this challenging backdrop, we have continued to invest for the long term including: insourcing critical operations, developing the net zero blueprint, improving customer service and supporting more customers who can't pay and of course, in enhancing the environment.

We approach AMP8 with a fully equity funded PR24 plan, and with our cash requirements covered to July 2026.

Our financial performance for the first half of the year was in line with expectations. We expect our PBIT to return to being more weighted to the first half this year. As expected, lower inflation during the year has reduced our finance costs and our highest-ever capital investment has led to an increase in the amount of interest capitalised in the period.

After our adjusted effective current tax rate of 0.1% our adjusted earnings in the first half of the year increased by 132% to £173.6 million (2023/24: £74.8 million).

A summary of our financial performance in the period is set our below:

	2024	2023	Better/(worse)	
	£m	£m	£m	%
Turnover	1,217.7	1,165.3	52.4	4.5
PBIT	297.8	255.1	42.7	16.7
Net finance costs	(124.6)	(179.2)	54.6	30.5
Gains/losses on financial instruments, share of results of joint venture and impairment of loans receivable	19.1	(5.2)	24.3	467.3
Profit before tax	192.3	70.7	121.6	172.0
Tax	(50.9)	(19.1)	(31.8)	(166.5)
Profit for the period	141.4	51.6	89.8	174.0
Adjusted earnings for the period (note 8b)	173.6	74.8	98.8	132.1

Group turnover was £1,217.7 million (2023/24: £1,165.3 million), up £52.4 million (4.5%), driven by higher revenues in our Regulated Water and Wastewater business (up £50.6 million).

Group PBIT was £297.8 million (2023/24: £255.1 million). In our Regulated Water and Wastewater business PBIT increased by 21.4% as revenue increased mainly due to tariff increases and higher operating costs were partly offset by lower energy prices and reductions in infrastructure renewals. In Business Services EBITDA was broadly in line with prior year as higher operating costs offset the increased revenue.

Our effective interest cost reduced to 4.4% (2023/24: 5.6%) due to lower inflation uplift on index linked debt, as expected. Although average net debt increased by 3.2% over the same period in the previous year, net finance costs decreased to £124.6 million (2023/24: £179.2 million), down 30.5%. Excluding the impact of inflation on our index-linked debt, our effective cash cost of interest was 3.3%

(2023/24: 3.4%), as we saw the impact of lower interest rates on new debt issues compared to maturing debt.

Our adjusted effective current tax rate was 0.1% (2023/24: nil%) as the benefit of full expensing for tax purposes of our significant expenditure on qualifying plant and machinery reduced our profit chargeable to tax. Our effective tax rate was 26.5% (2023/24: 27.0%) including deferred tax.

Group profit after tax was £141.4 million (2023/24: £51.6 million). Our adjusted basic earnings per share were 58.0 pence (2023/24: 29.7 pence). Basic earnings per share were 47.2 pence (2023/24: 20.5 pence).

Our balance sheet remains strong. At 30 September 2024 our adjusted net debt was £7,665.4 million (31 March 2024: 7,187.9 million), our economic regulated gearing was 58.6% (31 March 2024: 58.7%) and our shadow regulated gearing was 60.6% (31 March 2024: 59.7%). We have £1,100 million of committed facilities, and our cash flow requirements are funded to July 2026.

Our net pension deficit at 30 September 2024 decreased to £185.1 million (31 March 2024: £213.0 million). The overall funding level for our defined benefit schemes was 90.5% (31 March 2024: 89.4%).

Capital investment was £665.9 million (2023/24: £476.9 million) as we deliver our AMP7 commitments, Green Recovery and accelerated investment to prepare for the significant investment levels in AMP8.

The Board continues to recognise the important role dividends play in providing income for pensioners and other investors. Taking into account the Group's prospects and financial position and the interests of other stakeholders including customers, our pension scheme members, colleagues and communities; the Board has declared an interim dividend for the year ending 31 March 2025 of 48.68 pence, up 4.2% in line with our policy for AMP7 to increase the dividend by CPIH.

Regulated Water and Wastewater

Six months ended 30 September

	2024	2023	Better/(worse)	
	£m	£m	£m	%
Turnover	**1,130.9**	1,080.3	50.6	4.7
Net labour costs	**(115.5)**	(87.8)	(27.7)	(31.5)
Net hired and contracted costs	**(132.7)**	(123.9)	(8.8)	(7.1)
Power	**(89.3)**	(131.5)	42.2	32.1
Bad debts	**(16.4)**	(15.5)	(0.9)	(5.8)
Other costs	**(172.2)**	(152.4)	(19.8)	(13.0)
	(526.1)	(511.1)	(15.0)	(2.9)
Infrastructure renewals expenditure	**(94.2)**	(119.0)	24.8	20.8
Depreciation	**(216.1)**	(207.6)	(8.5)	(4.1)
PBIT	**294.5**	242.6	51.9	21.4

Turnover for our Regulated Water and Wastewater business was £1,130.9 million (2023/24: £1,080.3 million) and PBIT was £294.5 million (2023/24: £242.6 million).

Turnover increased by £50.6 million mainly due to an increase of £42.1 million from the annual CPIH + K increase in prices. The RFI mechanism reduced turnover less this year resulting in a £12.9 million period-on-period increase. The previous year reflected the over-recovery in 2021/22 post Covid-19 as revenue recovered more quickly than expected.

IRE diversions income was £9.8 million lower, mainly due to lower HS2 activity, which offsets in expenditure, and the remaining increase of £5.4 million is due to other small variances.

Net labour costs of £115.5 million were 31.5% higher period-on-period. We have increased headcount to drive operational improvements by insourcing critical operations and to deliver the step up in our capital programme. This has increased labour costs by £18.3 million, including £6.0 million from insourcing our Waste Networks gangs from Customer Solutions Plus completed in September last year. Annual pay increases, which take effect from 1 July each year, increased costs by £14.6 million period-on-period. The increases in gross labour costs were partly offset by a £10.7 million step up in capitalised salaries.

Net hired and contracted costs increased by £8.8 million (7.1%), £5.6 million of which relates to a planned step up in the Green Recovery programme. Additional tankering to manage the impacts of prolonged periods of wet weather contributed an additional £4.2 million and higher technology third-party costs and back-office support contracts resulted in £3.3 million of additional costs. These increases were partly offset by a reduction in our third party waste reactive gangs following the insource in September last year.

Power costs were £42.2 million or 32.1% lower period-on-period, driven by the lower wholesale weighted average price of electricity on imports (over £100/Mwh lower). We have managed electricity consumption to the same level as half year 2023/24 despite new assets coming online and additional treatment of waste flows driven by wet weather.

Bad debt charges increased by £0.9 million but remained flat as a proportion of household revenue at 2.0% (2023/24: 2.0%).

Other costs were up by £19.8 million. Business rates increased by £4.6 million compared to half year 2023/24, costs in relation to damage to third party property, mainly from burst mains, were £4.3 million higher and regulatory fees were £3.5 million higher. There were a number of other small increases across different areas.

Infrastructure renewals expenditure was £24.8 million lower in the period, due to lower HS2 activity compared to last year as well as a higher proportion of proactive leakage jobs (which are capitalised) compared to this time last year.

Depreciation of £216.1 million was £8.5 million higher period-on-period due to the increasing asset base as we approach the end of the AMP.

Business Services

Six months ended 30 September

	2024 £m	2023 £m	Increase/(decrease) £m	%
Turnover				
Operating Services and other	**47.9**	51.4	(3.5)	(6.8)
Green Power	**42.1**	36.7	5.4	14.7
	90.0	88.1	1.9	2.2
EBITDA				
Operating Services and other	**13.0**	12.6	0.4	3.2
Green Power	**10.5**	10.7	(0.2)	(1.9)
Property Development	**0.9**	1.4	(0.5)	(35.7)
	24.4	24.7	(0.3)	(1.2)

Business Services turnover was £90.0 million (up 2.2%) and EBITDA was £24.4 million (down 1.2%).

In our Operating Services and Other businesses, turnover decreased by £3.5 million due to timing of project work in MOD and other contracts. EBITDA was £13.0 million, £0.4 million higher year-on-year due to legal costs recovered following the successful close of the EIR case.

In Green Power, turnover was £5.4 million higher year-on-year. Our Andigestion acquisition, that was completed in September 2023, contributed an additional £6.1 million to revenue in the period, partly offset by lower energy prices which reduced revenue by £4.1 million. Excluding the impact of Andigestion, higher generation in the period increased revenue by £1.1 million, boosted by the re-commissioning of the Derby food waste plant. The additional generation also increased incentive income revenue by £2.8 million compared to half year 2023/24. Other movements including higher gate fees and lower Green certificates reduced revenue by a net £0.5 million.

Green Power EBITDA was £0.2 million lower period-on-period. Above-inflation cost increases on employment costs, food waste and haulage, as well as additional maintenance costs resulted in a year-on-year increase of operational costs of £5.6 million.

Profits from Property Development were £0.9 million, £0.5 million lower year-on-year due to timing of property sales expected to ramp up in the second half. Our long-term plans to deliver £150 million profit by 2032 remain.

Corporate and other

Corporate overheads were £10.6 million (2023/24: £4.4 million), which includes costs in relation to Executive Directors variable pay (annual bonus and long-term incentive plans) that are now charged in the holding company to ensure these costs are not borne by customers. The remaining increase relates to higher legal costs and pay increase on corporate overheads. Other businesses generated a loss before interest and tax of £0.3 million (2023/24: PBIT £0.4 million).

Net finance costs

The Group's net finance costs for the six month period were £124.6 million, (2023/24: £179.2 million). Average net debt of £7,469.1 million was higher than the previous year (2023/24: £7,235.5 million) but lower inflation in the period reduced the interest cost on index-linked debt by £42.6 million. As a result, our effective interest cost for the period reduced to 4.4% (2023/24: 5.6%). Our effective cash cost of interest (which excludes the inflation uplift on index-linked debt) was 3.3% (2023/24: 3.4%) due to lower interest rates on recent issues. Interest capitalised of £43.0 million (2023/24: £31.1 million) increased due to the higher capital work in progress during the period.

The Group's EBITDA interest cover was 4.4 times (2023/24: 2.7 times) and PBIT interest cover was 2.5 times (2023/24: 1.5 times). See note 18 for further details.

Net gains/losses on financial instruments

The Group uses financial derivatives solely to hedge risks associated with its normal business activities including:

- Cross currency swaps, which economically act to hedge exchange rate risk on borrowings denominated in foreign currencies;
- Interest rate swaps to balance our interest rate mix in line with our strategy and to manage interest rate exposures on floating rate borrowings;
- Exposures to increases in electricity prices; and
- Inflation swaps, which swap RPI linked cash flows for CPI linked cash flows to mitigate risks arising from changes in the regulatory model from RPI to CPIH.

An analysis of the amounts charged to the income statement in the period is presented in note 5 to the financial statements including:

- A net credit of £0.5 million (2023/24: £2.0 million) from revaluing debt and swaps accounted for as fair value hedges.
- A net credit of £24.7 million (2023/24: £4.0 million) from exchange movements on borrowings denominated in foreign currencies along with the revaluation of the related cross currency swap where hedge accounting is not applied and interest rate swaps not subject to hedge accounting.
- A net charge of £6.7 million (2023/24: £10.1 million) arose from losses on cash flow hedges recycled from reserves and other valuation adjustments.

The Group has fixed around 90% of the estimated wholesale energy usage for the remainder of 2024/25 through a combination of forward price contracts and financial derivatives

Taxation

We are committed to paying the right amount of tax at the right time, and were pleased to have our Fair Tax Mark accreditation renewed for the sixth year.

As well as corporation tax on profits, which is included in the tax charge in our accounts, we pay a range of other taxes, charges and levies imposed by government agencies including business rates; employer's National Insurance; the Climate Change Levy; and Insurance Premium Tax. Our 2023/24 Annual Report and Accounts sets out an analysis of the taxes incurred in that year and we will set out this year's amounts in our Annual Report to be published in June 2025.

The tax charge reported in the income statement is calculated at a rate of 26.5% (2023/24: 27.0%), representing the best estimate of the annual average tax rate expected for the full year, applied to the profit for the six month period.

The current tax charge for the period was £0.2 million (2023/24: nil). The deferred tax charge was £50.7 million (2023/24: £19.1 million).

The tax allowances generated by our significant capital programme, reduced our adjusted effective current tax rate (in line with guidance) to 0.1% (2023/24: nil%).

Profit for the period and earnings per share

Reported profit for the period was £141.4 million (2023/24: £51.6 million).

Basic earnings per share were 47.2 pence (2023/24: 20.5 pence). Adjusted basic earnings per share were 58.0 pence (2023/24: 29.7 pence).

Cash flow

Six months ended 30 September

	2024	2023
	£m	£m
Operational cashflow	**541.9**	482.3
Cash capex	**(662.0)**	(477.0)
Net interest paid	**(105.1)**	(81.2)
Purchase of subsidiaries net of cash acquired	**(14.9)**	(38.5)
Net tax paid	**(0.7)**	–
Free cash flow	**(240.8)**	(114.4)
Dividends	**(209.9)**	(161.6)
Issue of shares	**15.4**	13.1
Purchase of own shares	**–**	(1.6)
Change in net debt from cash flows	**(435.3)**	(264.5)
Non-cash movements	**(42.2)**	(91.4)
Change in adjusted net debt	**(477.5)**	(355.9)
Opening adjusted net debt	**(7,187.9)**	(7,123.9)
Closing adjusted net debt	**(7,665.4)**	(7,479.8)

Adjusted net debt comprises:

	30 September	31 March	30 September
	2024	2024	2023
	£m	£m	£m
Bank loans	(785.1)	(783.5)	(649.0)
Other loans	(7,904.4)	(7,357.9)	(7,067.1)
Lease liabilities	(119.1)	(120.0)	(114.4)
Net cash and cash equivalents	1,046.0	951.4	216.7
Fair value accounting adjustments	26.5	29.8	36.2
Exchange on currency debt not hedge accounted	0.6	19.7	23.7
Loans due from joint ventures	70.1	72.6	74.1
Adjusted net debt	(7,665.4)	(7,187.9)	(7,479.8)

At 30 September 2024 we held £1,046.0 million (31 March 2024: £951.4 million) in net cash and cash equivalents. Our average debt maturity is 13 years. Including £1.1 billion undrawn committed facilities, the Group's cash flow requirements are funded until July 2026.

We invest cash in deposits with highly rated banks and liquidity funds. We regularly review the list of counterparties and their limits, and report this to the Treasury Committee.

Adjusted net debt at 30 September 2024 was £7,665.4 million (31 March 2024: £7,187.9 million). Regulated gearing (adjusted net debt of our regulated businesses, expressed as a percentage of estimated Regulatory Capital Value) was 62.8% (31 March 2024: 61.3%). Shadow regulated gearing was 60.6% (31 March 2024: 59.7%).

The estimated fair value of debt at 30 September 2024 was £882.7 million lower than book value (31 March 2024: £465.3 million lower).

Pensions

We have three defined benefit pensions arrangements, two for Severn Trent and one for Dee Valley Water. The two Severn Trent schemes closed to future accrual on 31 March 2015 and the Dee Valley Water scheme closed to future accrual on 31 March 2024.

The future funding plan agreed under the 2022 actuarial valuation for the main Severn Trent Pension Scheme ('STPS') includes:

- Annual deficit reduction payments to be made until the year ending 31 March 2027, with a forecast[1] payment of c. £40.2 million in the year ending 31 March 2025, increasing thereafter in line with November CPI. With effect from March 2025 these contributions are expected to be payable to a limited liability partnership that the Group and the Trustee have established;
- Payments under an asset-backed funding arrangement of £8.2 million per annum to 31 March 2032, which will only continue beyond 31 March 2025 if the Scheme's assets are less than the Scheme's Technical Provisions; and
- Inflation-linked payments under another asset-backed funding arrangement, with a forecast[1] payment of c. £20.5 million in the year ending 31 March 2025, potentially continuing to 31 March 2031, although these contributions will cease earlier should a subsequent valuation of the STPS show that these contributions are no longer needed.

1. *Index-linked payment forecasts based on the Oxford Economics forecast CPI for the twelve month period to November 2024.*

The Group's other two defined benefit schemes are in surplus.

On an IAS 19 basis, the estimated combined net position (before deferred tax) of all of the Group's defined benefit pension schemes at 30 September 2024 was a deficit of £185.1 million. Calculation of the pension deficit for accounting purposes uses corporate bond yields as the basis for the discount rate of our long-term liabilities, irrespective of the nature of the scheme's assets or their expected returns. The net finance cost was £5.0 million and administration costs were £1.9 million.

The movements in the net deficit during the period were as follows:

	Fair value of scheme assets	Defined benefit obligations	Net deficit
	£m	£m	£m
At start of the period	1,805.0	(2,018.0)	(213.0)
Amounts credited/(charged) to income statement	41.1	(48.0)	(6.9)
Actuarial (losses)/gains taken to reserves	(23.3)	57.7	34.4
Net contributions received and benefits paid	(59.1)	59.5	0.4
At end of the period	**1,763.7**	**(1,948.8)**	**(185.1)**

On an IAS 19 basis, the funding level is 90.5% (31 March 2024: 89.4%).

Dividends

The Board has declared an interim ordinary dividend of 48.68p per share (2023/24: 46.74p per share), which will be paid on 10 January 2025 to shareholders on the register on 29 November 2024.

Principal risks and uncertainties

The Board considers the principal risks and uncertainties affecting the business activities of the Group for the remainder of the financial year to be those detailed below. These principal risks are unchanged since our year end disclosures. Details of how the Group mitigates and manages these risks are set out in the Annual Report.

Health and Safety:
- Due to the nature of our operations, we could endanger the health and safety of our people, contractors and members of the public.

Infrastructure Failure and Asset Resilience:
- We do not provide a safe and secure supply of drinking water to our customers.
- We do not transport and treat wastewater effectively, impacting our ability to return clean water to the environment.

Customer Service and Experience:
- We do not meet the needs of our customers or anticipate changing expectations through the level of customer experience we provide.

Supply Chain and Capital Project Delivery:
- Key suppliers cannot meet contractual obligations, causing disruption to capital delivery (cost and quality) and/or critical operational services.

Security and Resilience:
- Core operational capabilities are compromised through physical, people or technological threats.

Political, Legal and Regulatory:
- Changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcements, increase the reputational risk of non-compliance.

Financial Liabilities:
- We fail to fund our Severn Trent defined benefit pension scheme sustainably.
- We do not have access to funds to meet ongoing commitments and finance the business appropriately.

Strategy:
- Unforeseen changes in the external environment could impact our ability to achieve our ambitions within the regulatory framework.

Climate Change, Environment and Biodiversity:
- Severn Trent's climate change strategy does not enable us to respond to the shifting natural climatic environment and maintain our essential services.
- Failure to act as a steward of natural capital in our region providing social, environmental and economic benefits.

People and Culture:
- Our people and culture do not adapt in response to a changing environment and take advantage of technological advancements to deliver enhanced business performance.

Technical Guidance 2024/25

Year-end guidance		**FY24**	**Year-on-Year**	**Movement in guidance since last update[8]**
Regulated Water and Wastewater				
Turnover[1]	Higher year-on-year including inflation increase, partly offset by an expected reduction of diversions income mainly relating to HS2.	£2.15bn	▲	↔
Operating costs & IRE[2]	Lower year-on-year, driven by a reduction in energy cost and diversions expenditure mainly relating to HS2, partly offset by an increase in growth-related opex investment, and above inflation cost increases.	£1.3bn	▼	↔
ODIs[3]	Net reward of over £100 million (pre-customer sharing), which would result in a net reward of around £60 million (post-customer sharing) dependent on the mix of net rewards earned. Both include end-of-AMP ODI rewards.	£55m	▲	↔
Business Services				
EBITDA	Lower year-on-year due to the impact of lower energy prices on Green Power revenue.	£59m	▼	↔
Group				
Interest charge[4]	Lower year-on-year with higher cost of new debt offset by reducing inflation on index-linked debt and increased capitalised borrowing costs.	£282m	▼	▼
Adjusted effective current tax rate	Adjusted effective current tax rate of nil due to “full expensing" and other accelerated capital allowances on our substantial capital investment programme.	0.2%	▼	↔
Capital investment	Set to deliver our largest annual investment programme investing between £1.3 billion - £1.5 billion.	£1.2bn	▲	↔
Dividend[5]	2024/25 dividend of 121.71 pence, in line with our policy of annual growth by CPIH.	116.84p	▲	↔
AMP7				
Cumulative ODIs[6]	Cumulative AMP7 ODI rewards of around £320 million in 2017/18 prices and around £420 million in nominal prices (post-customer sharing).		↔	
Totex	We expect totex to impact RoRE by around 1%, reflecting 0.7% of energy costs, as previously guided, and reinvestment of 0.3% of our RoRE outperformance to set us up for success in AMP8 while delivering benefits for customers and the environment.		↔	
RCV[7]	Expected 2024/25 RCV of £13.6 billion which is inclusive of transitional expenditure.		↔	

Footnotes to Technical Guidance

1. *Including Green Recovery allowance.*
2. *Including AMP8 preparation expenditure, Transitional expenditure and Green Recovery related opex.*
3. *Customer Outcome Delivery Incentives are quoted pre-tax in 2017/18 prices. We assume a 25% rate of corporation tax to be in place when ODIs are taken into revenue. A net reward of £100 million (pre-sharing) would deliver a net reward of £60 million +/-10% (post-sharing), dependent on the mix of ODI net rewards earned.*
4. *Based on Oxford Economics April inflation forecast. Index-linked debt comprising around a quarter of our total debt.*
5. *2024/25 dividend growth rate based on November 2023 CPIH of 4.17%.*
6. *Based on inflation of the year in which ODI rewards are taken into revenue, post-sharing and assuming 2023/24 ODI rewards are taken into revenue in 2025/26 and 2024/25 ODI rewards are taken into revenue in 2026/27. ODIs are quoted gross of tax.*
7. *AMP7 nominal Regulatory Capital Value ('RCV') is measured including expected additions from Green Recovery, real options and transitional expenditure, as well as other estimated midnight adjustments. Expected Nominal RCV at 1 April 2025 assumes forecasted CPIH of 2% for 2024/25 and RPI of 2.9% for 2024/25 as per Oxford Economics April 2024 forecast.*
8. *Compared to guidance issued on 22 May 2024.*

Investor Timetable

20 November 2024	**Interim Results Announcement 2024/25**
28 November 2024	**Ex-dividend date (interim)**
29 November 2024	**Dividend record date (interim)**
17 December 2024	**DRIP election date (interim)**
19 December 2024	**PR24 Final Determination**
20 December 2024	**PR24 investor presentation**
10 January 2025	**Interim dividend payment date**
5 March 2025	**Capital Markets Day**
31 March 2025	**Financial Year End**
For more information please visit: https://www.severntrent.com/investors/financial-calendar-and-regulatory-news/financial-calendar/	

A Dividend Reinvestment Plan ('DRIP') is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

Condensed consolidated income statement
Six months ended 30 September 2024

	Note	**2024** **£m**	2023 £m
Turnover	3,4	**1,217.7**	1,165.3
Other income		**0.4**	–
Operating costs before charge for bad and doubtful debts		**(903.8)**	(894.6)
Charge for bad and doubtful debts		**(16.5)**	(15.6)
Total operating costs		**(920.3)**	(910.2)
Profit before interest and tax		**297.8**	255.1
Finance income		**72.6**	50.1
Finance costs		**(197.2)**	(229.3)
Net finance costs		**(124.6)**	(179.2)
Net gains/(losses) on financial instruments	5	**18.5**	(4.1)
Share of net profit/(loss) of joint ventures accounted for using the equity method	10	**0.6**	(1.1)
Profit on ordinary activities before taxation		**192.3**	70.7
Current tax	6	**(0.2)**	–
Deferred tax	6	**(50.7)**	(19.1)
Taxation on profit on ordinary activities	6	**(50.9)**	(19.1)
Profit for the period		**141.4**	51.6

Earnings per share (pence)

	Note	**2024**	2023
Basic	8	**47.2**	20.5
Diluted	8	**47.1**	20.4

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2024

	Note	**2024 £m**	2023 £m
Profit for the period		**141.4**	51.6
Other comprehensive income/(loss)			
Items that will not be reclassified to the income statement:			
Net actuarial gains/(losses)	11	**34.4**	(42.1)
Deferred tax on net actuarial gains/losses		**(8.6)**	10.5
		25.8	(31.6)
Items that may be reclassified to the income statement:			
(Losses)/gains on cash flow hedges		**(2.3)**	14.4
Deferred tax on losses/gains on cash flow hedges		**0.6**	(3.6)
Amounts on cash flow hedges transferred to the income statement	5	**7.4**	10.7
Deferred tax on transfer to the income statement		**(1.9)**	(2.6)
		3.8	18.9
Other comprehensive income/(loss) for the period		**29.6**	(12.7)
Total comprehensive income for the period		**171.0**	38.9

Condensed consolidated statement of changes in equity
Six months ended 30 September 2024

		Equity attributable to owners of the company				
		Share capital	Share premium	Other reserves	Retained earnings	Total
	Note	£m	£m	£m	£m	£m
At 1 April 2023		249.1	408.7	150.3	162.5	970.6
Profit for the period		–	–	–	51.6	51.6
Net actuarial losses		–	–	–	(42.1)	(42.1)
Deferred tax on net actuarial losses		–	–	–	10.5	10.5
Gains on cash flow hedges		–	–	14.4	–	14.4
Deferred tax on gains on cash flow hedges		–	–	(3.6)	–	(3.6)
Amounts on cash flow hedges transferred to the income statement	5	–	–	10.7	–	10.7
Deferred tax on transfer to the income statement		–	–	(2.6)	–	(2.6)
Total comprehensive income for the period		–	–	18.9	20.0	38.9
Share options and LTIPs						
- proceeds from shares issued		0.7	12.4	–	–	13.1
- value of employees' services		–	–	–	5.0	5.0
- own shares purchases		–	–	–	(1.6)	(1.6)
Deferred tax on share based payments		–	–	–	(3.1)	(3.1)
Reserves transfer		–	–	8.3	(8.3)	–
Dividends paid	7	–	–	–	(161.6)	(161.6)
30 September 2023		249.8	421.1	177.5	12.9	861.3
At 1 April 2024		295.4	1,363.1	167.6	7.9	1,834.0
Profit for the period		–	–	–	141.4	141.4
Net actuarial gains	11	–	–	–	34.4	34.4
Deferred tax on net actuarial gains		–	–	–	(8.6)	(8.6)
Losses on cash flow hedges		–	–	(2.3)	–	(2.3)
Deferred tax on losses on cash flow hedges		–	–	0.6	–	0.6
Amounts on cash flow hedges transferred to the income statement	5	–	–	7.4	–	7.4
Deferred tax on transfer to the income statement		–	–	(1.9)	–	(1.9)
Total comprehensive income for the period		–	–	3.8	167.2	171.0
Share options and LTIPs						
- proceeds from shares issued		0.8	14.6	–	–	15.4
- value of employees' services		–	–	–	5.5	5.5
- issue from treasury shares		–	–	–	2.3	2.3
Deferred tax on share based payments		–	–	–	(0.2)	(0.2)
Dividends paid	7	–	–	–	(210.1)	(210.1)
Unclaimed dividends		–	–	–	0.2	0.2
At 30 September 2024		**296.2**	**1,377.7**	**171.4**	**(27.2)**	**1,818.1**

Condensed consolidated balance sheet
At 30 September 2024

	Note	**30 September 2024 £m**	31 March 2024 £m
Non-current assets			
Goodwill		**116.2**	112.8
Other intangible assets		**199.8**	186.5
Property, plant and equipment		**12,361.2**	11,766.9
Biological assets		**5.7**	5.7
Right-of-use assets		**140.2**	143.0
Derivative financial instruments	9	**66.4**	71.2
Investment in joint venture	10	**13.0**	12.4
Trade and other receivables		**92.0**	89.2
Retirement benefit surplus	11	**5.2**	5.4
		12,999.7	12,393.1
Current assets			
Inventory		**40.5**	40.1
Trade and other receivables		**852.4**	817.3
Derivative financial instruments	9	**1.5**	–
Cash and cash equivalents		**1,055.8**	953.2
		1,950.2	1,810.6
Current liabilities			
Borrowings		**(25.1)**	(67.9)
Derivative financial instruments	9	**(0.1)**	–
Trade and other payables		**(737.6)**	(724.7)
Current tax payable		**(0.4)**	(0.9)
Provisions for liabilities		**(54.5)**	(53.9)
		(817.7)	(847.4)
Net current assets		**1,132.5**	963.2
Total assets less current liabilities		**14,132.2**	13,356.3
Non-current liabilities			
Borrowings		**(8,793.3)**	(8,195.3)
Derivative financial instruments	9	**(23.4)**	(26.0)
Trade and other payables		**(1,826.4)**	(1,688.5)
Deferred tax		**(1,428.6)**	(1,364.5)
Retirement benefit obligations	11	**(190.3)**	(218.4)
Provisions for liabilities		**(52.1)**	(29.6)
		(12,314.1)	(11,522.3)
Net assets		**1,818.1**	1,834.0
Equity			
Called up share capital	13	**296.2**	295.4
Share premium account		**1,377.7**	1,363.1
Other reserves		**171.4**	167.6
Retained earnings		**(27.2)**	7.9
Total equity		**1,818.1**	1,834.0

Condensed consolidated cash flow statement
Six months ended 30 September 2024

	Note	**2024 £m**	2023 £m
Cash generated from operations	14	**555.6**	506.9
Tax paid	14	**(0.7)**	–
Net cash generated from operating activities		**554.9**	506.9
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired		**(14.9)**	(38.5)
Purchases of property, plant and equipment		**(663.5)**	(488.2)
Purchases of intangible assets		**(18.7)**	(23.6)
Proceeds on disposal of property, plant and equipment		**6.5**	10.2
Net loans repaid by joint ventures		**2.5**	1.5
Interest received		**27.6**	4.3
Net cash outflow from investing activities		**(660.5)**	(534.3)
Cash flows from financing activities			
Interest paid		**(130.9)**	(83.8)
Interest element of lease payments		**(1.8)**	(1.7)
Net dividends paid to shareholders of the parent		**(209.9)**	(161.6)
Repayments of borrowings		**(52.4)**	(302.9)
Principal elements of lease payments		**(3.1)**	(0.7)
New loans raised		**582.9**	754.6
Issues of shares net of costs		**15.4**	13.1
Purchase of own shares		**–**	(1.6)
Net cash inflow from financing activities		**200.2**	215.4
Net movement in cash and cash equivalents		**94.6**	188.0
Net cash and cash equivalents at the beginning of the period		**951.4**	28.7
Net cash and cash equivalents at the end of the period		**1,046.0**	216.7
Cash at bank and in hand		**55.4**	20.6
Bank overdrafts		**(9.8)**	–
Short term deposits		**1,000.4**	196.1
		1,046.0	216.7

1. General information

The interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

The information for the period ended 30 September 2024 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year prepared under IFRS has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

a) Accounting policies
The interim financial information has been prepared on the going concern basis using accounting policies consistent with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's annual financial statements for the year ended 31 March 2024.

b) Going concern
Including undrawn committed credit facilities of £1,100 million, and based on its latest forecasts, the Group is fully funded for its investment and cash flow needs for more than the next year.

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and hence the interim financial information has been prepared on a going concern basis.

c) Seasonality
Historically, just over half of the Group's profit before interest and tax ('PBIT') has arisen in the first half of the year.

2. Critical accounting judgments and key sources of estimation uncertainty

In the course of applying the Group's accounting policies, the Group 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. Details of the critical accounting judgments and key sources of estimation uncertainty were set out in the Group's financial statements for the year ended 31 March 2024. Changes to these judgments and uncertainties are set out below.

a) Critical accounting judgments
There have been no changes to the critical accounting judgments made at 31 March 2024.

b) Sources of estimation uncertainty
There have been no significant changes to the estimates relating to depreciation and carrying amounts of property, plant and equipment, retirement benefit obligations or to expected credit losses on trade receivables since 31 March 2024.

3. Segmental analysis

The Group is organised into two main business segments:

Regulated Water and Wastewater includes the wholesale water and wastewater activities of Severn Trent Water Limited ('STW'), its retail services to domestic customers, and Hafren Dyfrdwy Cyfyngedig ('HD').

Business Services includes the Group's Operating Services businesses, the Green Power business including Severn Trent Water's hydro-electric generation, the Property Development business and our other non-regulated businesses including affinity products and searches.

The Severn Trent Executive Committee ('STEC') is considered to be the Group's chief operating decision maker. The reports provided to STEC include segmental information prepared on the basis described above.

Results from interests in our joint venture are not included in the segmental reports reviewed by STEC.

Goodwill is allocated and monitored at the segment level.

Transactions between reportable segments are included within segmental results, assets and liabilities in accordance with Group accounting policies. These are eliminated on consolidation.

A segmental analysis of turnover and PBIT is presented below.

Six months ended 30 September

	2024		2023	
	Regulated Water and Wastewater £m	**Business Services £m**	Regulated Water and Wastewater £m	Business Services £m
External turnover	**1,130.7**	**87.1**	1,080.1	85.2
Inter-segment turnover	**0.2**	**2.9**	0.2	2.9
Total turnover	**1,130.9**	**90.0**	1,080.3	88.1
PBIT	**294.5**	**14.8**	242.6	16.6

The reportable segments' turnover is reconciled to Group turnover as follows:

Six months ended 30 September

	2024 £m	2023 £m
Regulated Water and Wastewater	**1,130.9**	1,080.3
Business Services	**90.0**	88.1
Corporate and other	**0.9**	0.5
Consolidation adjustments	**(4.1)**	(3.6)
	1,217.7	1,165.3

3. Segmental analysis (continued)

Segmental PBIT is reconciled to the Group's profit before tax as follows:

Six months ended 30 September

	2024 £m	2023 £m
Regulated Water and Wastewater	**294.5**	242.6
Business Services	**14.8**	16.6
Corporate and other	**(10.9)**	(4.0)
Consolidation adjustments	**(0.6)**	(0.1)
PBIT	**297.8**	255.1
Net finance costs	**(124.6)**	(179.2)
Net gains/(losses) on financial instruments	**18.5**	(4.1)
Share of net gain/(loss) of joint ventures accounted for using the equity method	**0.6**	(1.1)
Profit on ordinary activities before taxation	**192.3**	70.7

The following table shows segmental capital employed:

	30 September 2024		31 March 2024	
	Regulated Water and Wastewater £m	**Business Services £m**	Regulated Water and Wastewater £m	Business Services £m
Operating assets	**13,255.4**	**339.4**	12,601.0	381.9
Goodwill	**63.5**	**54.0**	63.5	50.6
Segment assets	**13,318.9**	**393.4**	12,664.5	432.5
Segment operating liabilities	**(2,803.3)**	**(31.3)**	(2,641.2)	(49.2)
Capital employed	**10,515.6**	**362.1**	10,023.3	383.3

Operating assets comprise other intangible assets, property, plant and equipment, biological assets, right-of-use assets, retirement benefit surpluses, inventory and trade and other receivables.

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

4. Revenue from contracts with customers

Revenue recognised from contracts with customers is analysed by business segment below:

Six months ended 30 September 2024

	Regulated Water and Wastewater	**Business Services**	**Corporate and other**	**Consolidation adjustments**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**
Water and Wastewater services	1,110.0	–	–	(0.2)	1,109.8
Operating services	–	39.9	–	(0.1)	39.8
Renewable energy	19.5	42.1	–	(2.9)	58.7
Other sales	1.4	8.0	0.9	(0.9)	9.4
	1,130.9	**90.0**	**0.9**	**(4.1)**	**1,217.7**

Six months ended 30 September 2023

	Regulated Water and Wastewater	Business Services	Corporate and other	Consolidation adjustments	Group
	£m	£m	£m	£m	£m
Water and Wastewater services	1,053.4	–	–	(0.2)	1,053.2
Operating services	–	44.1	–	–	44.1
Renewable energy	24.1	36.7	–	(2.9)	57.9
Other sales	2.8	7.3	0.5	(0.5)	10.1
	1,080.3	88.1	0.5	(3.6)	1,165.3

5. Net gains/(losses) on financial instruments

Six months ended 30 September

	2024	2023
	£m	£m
Loss on swaps used as hedging instruments in fair value hedges	**(1.3)**	(8.5)
Gain arising on debt in fair value hedges	**1.8**	10.5
Exchange gain/(loss) on other loans	**18.9**	(1.4)
Net loss on cash flow hedges transferred from equity	**(7.4)**	(10.7)
Hedge ineffectiveness on cash flow hedges	**0.1**	–
Gain arising on swaps where hedge accounting is not applied	**5.8**	5.4
Amortisation of fair value adjustment on debt	**0.6**	0.6
	18.5	(4.1)

6. Tax

Six months ended 30 September

	2024 £m	2023 £m
Current tax		
Current year at 25% (2023: 25%)	**0.1**	–
Prior years	**0.1**	–
Total current tax charge	**0.2**	–
Deferred tax		
Origination and reversal of temporary differences:		
Current year	**50.7**	19.1
Total deferred tax charge	**50.7**	19.1
	50.9	19.1

The tax charge in the income statement is calculated at a rate of 26.5% (2023: 27.0%) representing the best estimate of the annual average effective income tax rate expected for the full year applied to the pre-tax income for the six month period.

The adjusted effective current tax rate was 0.1% (2023: nil%). See note 18.

Current tax of nil (2023: nil) and a net deferred tax charge of £10.1 million (2023: a net deferred tax credit of £1.2 million) has been taken to reserves in the period.

Deferred tax is provided at 25%, the rate that is expected to apply when the asset or liability is expected to be settled.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023.

The Group is within the scope of these OECD Pillar Two model rules and has performed an initial assessment to the impact of Pillar Two income taxes. The Group does not expect a potential exposure.

The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

7. Dividends

Amounts recognised as distributions to owners of the Company in the period:

Six months ended 30 September

	2024		2023	
	Pence per share	**£m**	Pence per share	£m
Final dividend for the year ended 31 March 2024 (2023)	**70.10**	**210.1**	64.09	161.6

The proposed interim dividend of 48.68p per share (2023: 46.74p per share) was approved by the Board on 19 November 2024 and has not been included as a liability at 30 September 2024.

8. Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Severn Trent Employee Share Ownership Trust and treasury shares which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period.

The calculation of basic and diluted earnings per share is based on the following data:

i) Earnings for the purpose of basic and diluted earnings per share

	2024 £m	2023 £m
Profit for the period	**141.4**	51.6

ii) Number of shares

Six months ended 30 September

	2024 m	2023 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**299.4**	251.8
Effect of dilutive potential ordinary shares:		
- share options and LTIPs	**0.5**	0.7
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**299.9**	252.5

b) Adjusted earnings per share

Six months ended 30 September

	2024 pence	2023 pence
Adjusted basic earnings per share	**58.0**	29.7
Adjusted diluted earnings per share	**57.9**	29.6

Adjusted earnings per share figures are presented for continuing operations. These exclude the effects of net gains/losses on financial instruments and deferred tax in both 2024 and 2023. The Directors consider that the adjusted figures provide a useful additional indicator of performance. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures set out above.

The adjustments to earnings are as follows:

Six months ended 30 September

	2024 £m	2023 £m
Earnings for the purpose of basic and diluted earnings per share	**141.4**	51.6
Adjustments for:		
- net (gains)/losses on financial instruments	**(18.5)**	4.1
- deferred tax	**50.7**	19.1
Earnings for the purpose of adjusted basic and diluted earnings per share	**173.6**	74.8

9. Fair value of financial instruments

a) Fair value measurements

The valuation techniques that the Group applies in determining the fair values of its financial instruments on a recurring basis are described below. The techniques are classified under the hierarchy defined in IFRS 13 which categorises valuation techniques into Levels 1 – 3 based on the degree to which the fair value is observable. The Group's valuation techniques are Level 2 unless otherwise stated below:

	30 September 2024 £m	31 March 2024 £m	**Valuation techniques and key inputs**
Cross currency swaps			Discounted cash flow.
Assets	**18.7**	23.1	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties. The currency cash flows are translated at spot rate.
Liabilities	**(16.3)**	(19.0)	
Interest rate swaps			Discounted cash flow.
Assets	**34.5**	39.2	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties.
Liabilities	**(6.9)**	(7.0)	
Energy swaps			Discounted cash flow.
Assets	**2.4**	0.1	Future cash flows are estimated based on forward electricity prices from observable indices at the period end and contract prices discounted at a rate that reflects the credit risk of counterparties.
Liabilities	**(0.3)**	–	
Inflation swaps			Discounted cash flow.
Asset	**12.3**	8.8	Future cash flows on the RPI leg of the instrument are estimated based on observable forward inflation indices. Future cash flows on the CPI leg of the instrument are estimated based on the future expected differential between RPI and CPI ('the CPI wedge'). Both legs are discounted using observable swap rates at the period end, at a rate that reflects the credit risk of counterparties. This is considered to be a Level 3 valuation technique.

Changes in the carrying values of instruments that are measured using a Level 3 technique were as follows:

	Inflation swaps £m
At 1 April 2023	7.3
Gains recognised in the income statement	1.5
At 31 March 2024	8.8
Gains recognised in the income statement	3.5
At 30 September 2024	**12.3**

These Level 3 instruments are valued using unobservable inputs. In valuing the inflation swaps, we have identified the unobservable input as the CPI wedge. A change of 10bps in the CPI wedge would result in a change in the carrying value of £3.2 million.

9. Fair value of financial instruments (continued)

b) Comparison of fair value of financial instruments with their carrying amounts
The Directors consider that the carrying amounts of all financial instruments, except those disclosed in the table below, approximate to their fair values. The carrying values and estimated fair values of other financial instruments are set out below:

	30 September 2024		31 March 2024	
	Carrying value	**Fair value**	Carrying value	Fair value
	£m	**£m**	£m	£m
Floating rate debt				
Bank loans	**631.7**	**631.7**	632.8	632.8
Other loans	**147.9**	**160.2**	147.9	155.9
Overdraft	**9.8**	**9.8**	1.8	1.8
	789.4	**801.7**	782.5	790.5
Fixed rate debt				
Other loans	**5,605.1**	**5,237.9**	5,149.6	4,929.5
Lease liabilities	**119.1**	**119.1**	120.0	120.0
	5,724.2	**5,357.0**	5,269.6	5,049.5
Index-linked debt				
Bank loans	**153.4**	**141.4**	150.7	141.9
Other loans	**2,151.4**	**1,635.6**	2,060.4	1,816.0
	2,304.8	**1,777.0**	2,211.1	1,957.9
	8,818.4	**7,935.7**	8,263.2	7,797.9

The above classification does not take into account the impact of interest rate swaps or cross currency swaps.

Fixed rate loans are valued using market prices for similar instruments, which is a Level 2 valuation technique.

Index-linked loans are rarely traded and therefore quoted prices are not considered to be a reliable indicator of fair value. Therefore, these loans are valued using discounted cash flow models with discount rates derived from observed market prices for a sample of bonds, which is a Level 2 valuation technique.

Fair values of the other debt instruments are also calculated using discounted cash flow models with discount rates derived from observed market prices, which is a Level 2 valuation technique.

10. Interests in joint ventures

Our joint venture undertaking, Water Plus, is the largest business retailer in the non-household retail water market in England.

During the current period, the Group has recognised its share, £0.6 million, of Water Plus's profits.

Movements in the investment in joint venture balances during the period were:

	Investment in joint venture
	£m
At 1 April 2024	12.4
Share of profit for the period	0.6
At 30 September 2024	**13.0**

11. Retirement benefit schemes

The Group operates three defined benefit schemes in the UK, two from Severn Trent and one from Dee Valley Water. The schemes are closed to future accrual. The Group also has an unfunded obligation to provide benefits to certain former employees whose earnings were in excess of the pensions cap that operated when the benefits were accrued. The Group participates in the Dee Valley Water plc Section of the Water Companies Pension Scheme, which is a defined benefit sectionalised scheme (the 'DVWS'). The most recent completed formal triennial actuarial valuations and funding agreements were carried out as at 31 March 2022 for the Severn Trent Pension Scheme ('STPS') and Severn Trent Mirror Image Pension Scheme ('STMIPS') and 31 March 2023 for DVWS.

On 25 July 2024 the Court of Appeal handed down its ruling in Virgin Media Limited v NTL Pension Trustees II Limited and others. The Court has dismissed the appeal against an earlier High Court judgment relating to the validity of changing certain pension benefits without an actuarial confirmation. For the STPS and STMIPS a legal review of all relevant historic deeds has been completed by the Trustee's lawyers and confirmation that past amendments were compliant has been received.

The assumptions used in calculating the defined benefit obligations have been updated to reflect market conditions prevailing at the balance sheet date as follows:

	30 September 2024 %	31 March 2024 %
Price inflation – RPI	**3.1**	3.2
Price inflation – CPI		
Pre 2030	**2.1**	2.2
Post 2030	**3.0**	3.1
Discount rate	**5.1**	4.9
Pension increases in payment	**3.1**	3.2
Pension increases in deferment	**3.0**	3.2

The defined benefit scheme assets have been updated to reflect their market value at 30 September 2024. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income. Service cost, and the cost of administrating the scheme, are recognised in operating costs and interest cost is recognised in net finance costs.

The scheme assets at the balance sheet date were:

STPS, STMIPS, and DVWS	**30 September 2024 £m**	31 March 2024 £m
Fair value of scheme assets		
Equities	**18.7**	20.7
Annuity policies*	**112.2**	117.4
Corporate bonds	**435.9**	429.8
Liability-driven investment funds ('LDI's)	**888.6**	872.5
Property	**212.4**	216.0
Cash	**95.5**	148.1
Other	**0.4**	0.5
	1,763.7	1,805.0

*In July 2021, the STMIPS Trustees completed the purchase of a bulk annuity contract with JUST, an insurance company, to secure the benefits of all members of the STMIPS. The Trustees continue to pay benefits to members as before the transaction, but these cashflows are now matched exactly by income from JUST. In March 2023, the DVWS also entered into a bulk annuity buy-in investment policy with JUST that covers the majority of the scheme obligations.

Some of the invested assets have quoted prices in active markets, but there are equities, corporate bonds and LDI investments which are unquoted, amounting to £1,150.3 million (31 March 2024: £1,161.5 million).

Movements in the net deficit recognised in the balance sheet were as follows:

	Fair value of plan assets £m	**Defined benefit obligations £m**	**Net deficit £m**
At 1 April 2024	1,805.0	(2,018.0)	(213.0)
Scheme administration costs	(1.9)	–	(1.9)
Interest income/(cost)	43.0	(48.0)	(5.0)
Actuarial (losses)/gains	(23.3)	57.7	34.4
Employer contributions	0.4	–	0.4
Benefits paid	(59.5)	59.5	–
At 30 September 2024	**1,763.7**	**(1,948.8)**	**(185.1)**

11. Retirement benefit schemes (continued)

The net deficit is presented on the balance sheet as follows:

	30 September 2024 £m	31 March 2024 £m
Retirement benefit surplus	**5.2**	5.4
Retirement benefit obligations	**(190.3)**	(218.4)
	(185.1)	(213.0)

12. Acquisitions

On 3 July 2024, Severn Trent Green Power Limited acquired 100% of the issued shares in Severn Trent Green Power Atherstone Limited, Severn Trent Green Power Lodge Farm Limited and Severn Trent Green Power Cayton Limited (previously EEB54 Limited, EEB51 Limited and EEB29 Limited respectively) for a total consideration of £14.9 million. The acquisition is expected to increase the Group's renewable energy market share.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Purchase consideration	
Cash paid	14.9

The assets and liabilities recognised as a result of the acquisition are as follows:

	£m
Property, plant and equipment	1.3
Intangible assets	13.6
Deferred tax	(3.4)
Goodwill	3.4
Net identifiable assets acquired	**14.9**

Property, plant and equipment of £1.3 million has been acquired as part of the business combination. This represents capitalised prepayments for contracts to construct grid connection assets. As such, the fair value remains equal to the cash paid.

The fair value of the acquired intangible assets of £13.6 million, being the contractual rights to connect to, and sell solar energy via, the National Grid, is provisional.

Goodwill of £3.4 million has been capitalised attributable to the recognition of the deferred tax liability in relation to the intangible assets acquired.

Acquisition-related costs of £0.6 million are recognised as an expense in the income statement.

The acquired business contributed revenues of nil and net profit of nil to the Group for the period from 3 July 2024 to 30 September 2024. If the acquisition had occurred on 1 April 2024, consolidated revenue and consolidated profit after tax for the half-year ended 30 September 2024 would have been unchanged.

13. Share capital

At 30 September 2024 the issued and fully paid share capital was 302.6 million shares of $97^{17}/_{19}$p amounting to £296.2 million (31 March 2024: 301.7 million shares of $97^{17}/_{19}$p amounting to £295.4 million).

During the period the Company issued 0.8 million (2023/24: 0.8 million) shares as a result of the exercise of employee share options. At 30 September 2024 the Company held 2.4 million (31 March 2024: 2.6 million) treasury shares.

14. Cash flow

a) Reconciliation of operating profit to operating cash flows

Six months ended 30 September

	2024 £m	2023 £m
Profit before interest and tax	**297.8**	255.1
Depreciation of property, plant and equipment	**203.8**	197.5
Depreciation of right-of-use assets	**3.2**	1.4
Amortisation of intangible assets	**18.8**	17.0
Defined benefit pension scheme administration costs	**1.9**	2.0
Defined benefit pension scheme contributions	**(0.4)**	(0.2)
Share based payment charge	**5.5**	5.0
Profit on sale of property, plant and equipment and intangible assets	**(0.4)**	(1.3)
Release from deferred credits	**(8.8)**	(8.4)
Contributions and grants received	**13.7**	24.6
Provisions charged to the income statement	**22.2**	16.5
Utilisation of provisions for liabilities	**(25.9)**	(17.0)
Operating cash flows before movements in working capital	**531.4**	492.2
Increase in inventory	**(0.4)**	(3.3)
Increase in amounts receivable	**(38.5)**	(86.7)
Increase in amounts payable	**63.1**	104.7
Cash generated from operations	**555.6**	506.9
Tax paid	**(0.7)**	–
Net cash generated from operating activities	**554.9**	506.9

b) Reconciliation of movements in adjusted net debt

	Net cash and cash equivalents £m	Bank loans £m	Other loans £m	Lease liabilities £m	Fair value accounting adjustments £m	Exchange on currency debt not hedge accounted £m	Loans due from joint venture £m	Adjusted net debt £m
At 1 April 2024	951.4	(783.5)	(7,357.9)	(120.0)	29.8	19.7	72.6	(7,187.9)
Cash flow	94.6	2.1	(532.6)	3.1	–	–	(2.5)	(435.3)
Fair value adjustments	–	–	1.8	–	(1.8)	–	–	–
Inflation uplift on index-linked debt	–	(2.7)	(36.9)	–	–	–	–	(39.6)
Foreign exchange	–	–	18.9	–	–	(18.9)	–	–
Other non-cash movements	–	(1.0)	2.3	(2.2)	(1.5)	(0.2)	–	(2.6)
At 30 September 2024	**1,046.0**	**(785.1)**	**(7,904.4)**	**(119.1)**	**26.5**	**0.6**	**70.1**	**(7,665.4)**

15. Post balance sheet events

There have been no significant post balance sheet events.

16. Contingent liabilities

Details of the Group's contingent liabilities were disclosed in the financial statements for the year ended 31 March 2024 which were approved on 21 May 2024. There have been no significant developments relating to the contingent liabilities disclosed in those financial statements other than what is set out below.

a) Environmental Information Regulations
The 31 March 2024 financial statements contained a contingent liability with respect to claims under Environmental Information Regulations 2004 regarding property searches. The case was dismissed on 28 June 2024, with all costs recovered by the Group. As such, the Group no longer recognises a contingent liability in respect of this matter.

b) Ongoing combined sewer overflow investigations
Ofwat and the Environment Agency are each conducting their own investigations into the wastewater industry. The Environment Agency is investigating all English wastewater companies in respect to compliance with conditions of permits (therefore excluding HD). Ofwat is investigating all English and Welsh wastewater companies' compliance with licence conditions, section 94 of the Water Industry Act 1991 and the Urban Wastewater Treatment Regulations.

In summer 2024, Ofwat served notices upon STW and HD, along with the other companies that had previously been excluded from the original list of enforcement cases, to enable Ofwat to request information to ascertain whether or not there has in-fact been any non-compliance in relation to their wastewater treatment processes as part of Ofwat's sector wide investigation. Both the Ofwat and EA investigations are ongoing, and it is not yet clear what the outcomes will be. We have responded quickly and comprehensively to all questions from the regulators and have had open conversations with them on the issues under investigation.

c) Collective Action Claim
In December 2023, STW and Severn Trent Plc were served with the collective proceedings order ('CPO') application, alongside five other water and sewerage companies for separate (but equivalent) claims, in respect of potential collective proceedings to be brought before the Competition Appeal Tribunal ('CAT') (formerly referred to as the "Leigh Day Claim"). The Group has received a claim for £239 million (excluding interest) on behalf of a class comprising certain consumers of STW (on an opt-out basis) who have allegedly been overcharged for sewerage services as a result of an alleged abuse of a dominant position.

The Certification Hearing was heard by the CAT on 23 September 2024. We presented robust arguments at the hearing as to why the claim should not be certified and that there are legal barriers to the claim proceeding. It should be noted that the CAT, at this stage, has not considered the merits of the proposed claim itself, nor considered any evidence against Severn Trent or other defendants – this will only take place at a full trial if the claim is certified. We expect a judgment to be handed down on whether or not the claim can be certified in or around the beginning of 2025. We consider this claim to be speculative and we reject the alleged basis of the sums claimed. Accordingly, we shall continue to robustly defend the claim in its entirety.

17. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Trading transactions between the Group and its joint venture, Water Plus, are disclosed below.

Six months ended 30 September	**2024** **£m**	2023 £m
Sale of services	**118.7**	138.9
Net interest income	**2.7**	2.8

Outstanding balances between the Group and the joint venture were as follows:

	30 September 2024 **£m**	31 March 2024 £m
Loans receivable from joint venture	**70.1**	72.6
Amounts due to related parties	**(3.7)**	(2.3)
	66.4	70.3

The retirement benefit schemes operated by the Group are considered to be related parties. Details of transactions and balances with the retirement benefit schemes are disclosed in note 11.

18. Alternative performance measures ('APMs')

Financial measures or metrics used in this report that are not defined by IFRS are alternative performance measures. The Group uses such measures for performance analysis because they provide additional useful information on the performance and position of the Group. Since the Group defines its own APMs, these might not be directly comparable with other companies' APMs. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

a) Adjusted earnings per share
Adjusted earnings per share figures exclude the effects of net gains/losses on financial instruments, current tax on net gains/losses on financial instruments and deferred tax. The Directors consider that the adjusted figures provide a useful additional indicator of performance and remove non-performance related distortions. See note 8.

b) Adjusted net debt
Adjusted net debt comprises borrowings excluding fair value accounting adjustments on debt, net cash and cash equivalents, and loans to joint ventures. Foreign currency borrowings that are hedged by cross currency swaps are included at the notional principal of the sterling payable leg of the swap.

c) Effective interest cost
The effective interest cost is calculated as net finance costs, excluding net finance costs from pensions, plus capitalised finance costs divided by the monthly average net debt during the period.

	2024	2023
	£m	£m
Net finance costs	**124.6**	179.2
Net finance costs from pensions	**(5.0)**	(6.6)
Capitalised finance costs	**43.0**	31.1
	162.6	203.7
Annualised*	**325.2**	407.4
Average net debt	**7,469.1**	7,235.5
Effective interest cost	**4.4%**	5.6%

** the rate is the annualised equivalent interest rate based on that calculated for the six-month period.*

This APM is used to show the average interest rate that is attributable to the net debt of the business.

d) Effective cash cost of interest
The effective cash cost of interest is calculated on the same basis as the effective interest cost except that it excludes finance costs that are not paid in cash but are accreted to the carrying value of the debt (principally inflation adjustments on index-linked debt).

	2024	2023
	£m	£m
Net finance costs	**124.6**	179.2
Net finance costs from pensions	**(5.0)**	(6.6)
Indexation adjustments	**(39.7)**	(82.3)
Capitalised finance costs	**43.0**	31.1
	122.9	121.4
Annualised*	**245.8**	242.8
Average net debt	**7,469.1**	7,235.5
Effective cash cost of interest	**3.3%**	3.4%

** the rate is the annualised equivalent interest rate based on that calculated for the six-month period.*

This APM is used to show the average finance cost that is paid in cash.

18. Alternative performance measures ('APMs') (continued)

e) PBIT interest cover

The ratio of PBIT to net finance costs excluding finance costs from pensions.

	2024 £m	2023 £m
PBIT	**297.8**	255.1
Net finance costs	**124.6**	179.2
Net finance costs from pensions	**(5.0)**	(6.6)
Net finance costs excluding net finance costs from pensions	**119.6**	172.6

	Ratio	Ratio
PBIT interest cover ratio	**2.5**	1.5

This APM is used to show how the PBIT of the business covers the financing costs associated only with net debt on a consistent basis.

f) EBITDA and EBITDA interest cover

The ratio of profit before interest, tax, depreciation and amortisation to net finance costs excluding net finance costs from pensions.

	2024 £m	2023 £m
PBIT	**297.8**	255.1
Depreciation (including right-of-use assets)	**207.0**	198.9
Amortisation	**18.8**	17.0
EBTIDA	**523.6**	471.0
Net finance costs	**124.6**	179.2
Net finance costs from pensions	**(5.0)**	(6.6)
Net finance costs excluding finance costs from pensions	**119.6**	172.6

	Ratio	Ratio
EBITDA interest cover ratio	**4.4**	2.7

This APM is used to show how the EBITDA of the business covers the financing costs associated only with net debt on a consistent basis.

g) Adjusted effective current tax rate

The current tax charge for the year, excluding prior year charges and current tax on financial instruments, divided by profit before tax, net gains/losses on financial instruments and share of net profit/loss of our joint venture accounted for using the equity method.

	2024 £m	2024 Current tax thereon £m	2023 £m	2023 Current tax thereon £m
Profit before tax	**192.3**	**(0.1)**	70.7	–
Adjustments				
Share of (profit)/loss of joint venture	**(0.6)**	**–**	1.1	–
Net (gains)/losses on financial instruments	**(18.5)**	**–**	4.1	–
	173.2	**(0.1)**	75.9	–
Adjusted effective current tax rate		**0.1%**		0.0%

This APM is used to remove distortions in the tax charge and create a metric consistent with the calculation of adjusted earnings per share in note 8. Share of net profit/loss of joint venture is excluded from the calculation because the gain/loss is included after tax and so the tax on joint venture profit/loss is not included in the current tax charge.

18. Alternative performance measures ('APMs') (continued)

h) Operational cash flow

Cash generated from operations less contributions and grants received.

	2024	2023
	£m	£m
Cash generated from operations	**555.6**	506.9
Contributions and grants received	**(13.7)**	(24.6)
Operational cash flow	**541.9**	482.3

This APM is used to show operational cash excluding the effect of contributions and grants received as part of capital programmes.

i) Cash capex

Cash paid to acquire property, plant and equipment and intangible fixed assets less contributions and grants received and proceeds on disposal of property, plant and equipment and intangible fixed assets.

	2024	2023
	£m	£m
Purchase of property, plant and equipment	**663.5**	488.2
Purchase of intangible assets	**18.7**	23.6
Contributions received	**(13.7)**	(24.6)
Proceeds on disposal of property, plant and equipment	**(6.5)**	(10.2)
Cash capex	**662.0**	477.0

This APM is used to show the cash impact of the Group's capital programmes.

j) Capital investment

Additions to property, plant and equipment and intangible fixed assets less contributions and grants received, assets contributed at no cost and capitalised finance costs.

	2024	2023
	£m	£m
Additions to property, plant and equipment	**802.5**	577.6
Additions to intangible assets	**18.7**	23.6
Contributions and grants received	**(13.7)**	(24.6)
Assets contributed at no cost	**(98.6)**	(68.6)
Capitalised finance costs	**(43.0)**	(31.1)
Capital investment	**665.9**	476.9

Includes £26.8 million (2023: £12.9 million) of additions to provisions for future capital expenditure arising from regulatory obligations.

Responsibility statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”; and

(b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R of the United Kingdom Financial Conduct Authority.

Signed on behalf of the Board who approved the half yearly financial report on 19 November 2024.

Christine Hodgson
Chair

Helen Miles
Chief Financial Officer

Independent review report to Severn Trent Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
19 November 2024

Glossary

Asset Management Plan (AMP)
Price limit periods are sometimes known as AMP (Asset Management Plan) periods. The current period is known as AMP7 (2020-2025) because it is the seventh cycle since the water industry was privatised in 1989.

C-MeX (Customer Measure of Experience)
C-MeX is the incentive mechanism for companies to improve the experience of residential customers. C-MeX comprises two surveys – the customer service survey of residential customers who have recently contacted their water company and the customer experience survey of random members of the public in relation to their experience of their water company.

CRI (Compliance Risk Index)
CRI (Compliance Risk Index) is a risk-based monitoring methodology designed to illustrate the risk arising from treated water compliance failures.

D-MeX (Developer Services Measure of Experience)
D-MeX is the incentive mechanism for companies to improve the experience of developer services customers. D-MeX comprises a qualitative element which is a survey of developer services customers who have recently completed a transaction with their water company and a quantitative element which measures performance against a set of Water UK developer services level of service metrics.

Draft Determination (DD)
The draft outcome of the price review process that sets price, investment and services packages that customers receive.

Final Determination (FD)
The final outcome of the price review process that sets price, investment and services packages that customers receive.

Green Recovery
In May 2021 Ofwat approved additional expenditure over and above the Final Determination for AMP7 to fund a number of programmes aimed at boosting recovery after the Covid-19 pandemic and providing environmental benefits.

Midnight adjustments
The closing RCV (see below) at the end of the AMP is adjusted for items that are not reflected during the AMP but are included in the RCV for the following AMP. Therefore the opening RCV on 1 April is different from the closing RCV on 31 March. These differences are referred to as end-of-AMP or midnight adjustments and include: adjustments arising from the reconciliation process at the end of the AMP, Green Recovery expenditure, transition expenditure and real options.

Notional Net Debt
For each price review Ofwat sets a nominal capital structure for companies in determining prices limits. This includes a notional (assumed) regulatory gearing level. Notional net debt is the RCV multiplied by the notional regulatory gearing level.

Ofwat
The water industry's economic regulator in England & Wales.

Outcome Delivery Incentive (ODI)
A framework made up of outcomes, measures, targets and incentives which provides companies with rewards for achieving stretching performance targets and compensates customers if performance is below performance targets.

PR19 and PR24
The price review (PR) is a financial review process led by Ofwat where wholesale price controls for water and sewerage companies are set every five years. PR19 (Price Review 2019) set wholesale price controls for water and sewerage companies for 2020 to 2025. PR24 (Price Review 2024) will set wholesale price controls for water and sewerage companies for 2025 to 2030.

Price limits
The price limits are set to enable water companies to deliver the services required of them over the AMP period. These include allowing for capital maintenance of assets, ensuring security of supply and meeting drinking water and environmental quality requirements.

Real options
Real options are commitments that were agreed with Ofwat at PR19 to be adjusted to the RCV (see below) at the end of the AMP contingent on the delivery of environmental benefits, which are either delivered or on track.

Reasons for Not Achieving Good Status (RNAGS)
The EA's analysis of Reasons for Not Achieving Good Status (RNAGS) records the source, activity and sector involved in causing waters to be at less than 'good' status.

Glossary

Regulatory Capital Value (RCV)
The regulatory capital value is used to measure the capital base of a company when setting price limits. The RCV increases each year by a proportion of totex that is set at each price review and by an adjustment for inflation. The RCV is reduced each year through the run-off mechanism (which is similar to depreciation of fixed assets). The run-off amount is recovered through revenue in the year.

Return on Regulated Equity (RoRE)
Return on Regulated Equity (RoRE) measures the returns (after tax and interest) that companies have earned by reference to the notional regulated equity, where regulated equity is calculated from the RCV and notional net debt.

Revenue Forecasting Incentive (RFI)
A mechanism to reduce the impact of deviations on customer bills arising from revenue forecasting deviations by adjusting companies' allowed revenues for each year to take account of differences between actual and projected revenues, and incentivising companies to avoid revenue forecasting errors through applying a penalty to variations that fall outside a set uncertainty band (or 'revenue flexibility threshold').

Totex
Totex (shortened form of total expenditure) includes operating expenditure (opex), infrastructure renewals expenditure (IRE) and capital expenditure (capex).

Transition Expenditure
This represents amounts spent during AMP7 that relates to programmes that will be included in the AMP8 plan.

Cautionary statement regarding forward-looking statements

This document contains statements that are, or may be deemed to be, ‘forward-looking statements’ with respect to Severn Trent’s financial condition, results of operations and business and certain of Severn Trent’s plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as ‘anticipates’, ‘aims’, ‘due’, ‘could’, ‘may’, 'will', 'would', ‘should’, ‘expects’, ‘believes’, ‘intends’, ‘plans’, 'projects', ‘potential’, ‘reasonably possible’, ‘targets’, ‘goal’, ‘estimates’ or words with a similar meaning, and, in each case, their negative or other variations or comparable terminology. Any forward-looking statements in this document are based on Severn Trent's current expectations and, by their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurances can be given that the forward-looking statements in this document will be realised. There are a number of factors, many of which are beyond Severn Trent's control, that could cause actual results, performance and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: the Principal Risks disclosed in our latest Annual Report and Accounts (which have not been updated since the date of its publication); changes in the economies and markets in which the Group operates; changes in the regulatory and competition frameworks in which the Group operates; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. The final PR24 Business Plan is subject to approval by Ofwat and there can be no assurance that the PR24 Business Plan will be approved, in whole or in part, and, as a result, no assurances can be given that the forward-looking statements in this document will be realised. This statement extends to and includes the draft determination for the PR24 Business Plan which remains subject to final approval and publication of the final determination by Ofwat. This document speaks as at the date of publication. Save as required by applicable laws and regulations, Severn Trent does not intend to update any forward-looking statements and does not undertake any obligation to do so. Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

Nothing in this document should be regarded as a profits forecast.

Certain information contained herein is based on management estimates and Severn Trent's own internal research. Management estimates have been made in good faith and represent the current beliefs of applicable members of Severn Trent's management. While those management members believe that such estimates and research are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice, and, by their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given to any recipient of this document that such estimates are correct or complete.

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