Half Yearly Financial Report
24 November 2009
Interim Results for the six months to 30 September 2009

SEVERN TRENT

CONTINUOUS IMPROVEMENT

Highlights

- Underlying PBIT[1] up 9.8% to £287.1 million
- Interim DPS up 1.6% to 26.71p in line with commitments (3% above RPI inflation)
- Adjusted basic EPS up 21.6% to 60.8 pence/share
- Further improvements in customer services, sewer flooding, water quality
- On track to deliver planned cost savings for the full year
- Strong liquidity position

Group results

	30 Sept 2009 £m	30 Sept 2008 £m	Increase/ (Decrease) %
Group turnover	**852.1**	814.3	4.6%
Underlying group PBIT[1]	**287.1**	261.5	9.8%
Underlying profit before tax[2]	**188.0**	154.5	21.7%
Profit before tax	**208.2**	137.9	51.0%
	pence/ share	pence/ share	
Adjusted basic EPS[3]	**60.8**	50.0	21.6%
Basic earnings/(loss) per share[4]	**63.4**	(35.8)	(277.1%)
Interim dividend declared	**26.71**	26.29	1.6%

1 before exceptional items (see note 3)
2 before exceptional items and gains/(losses) on financial instruments
3 before exceptional items, gains/(losses) on financial instruments and deferred tax (see note 6)
4 2008: after exceptional deferred tax charge of 79.2 pence/share

Sir John Egan, Chairman Severn Trent Plc, said:
"Severn Trent continues to build on the progress we have made to date and has remained focused on delivering further improvements in efficiency, processes and standards, as well as successfully managing impacts from the economic environment such as bad debts and consumption levels, all of which is reflected in the 9.8% year on year increase in underlying PBIT for the first half. In line with our policy, I am also pleased to announce an increase in the interim dividend to 26.71 pence."

Tony Wray, Chief Executive Severn Trent Plc, said:
"Our objective is to continue to enhance the value of the group through the creation of a culture of continuous improvement. These results represent another successful step in that process. We continue to raise our customer service standards, reduce incidents of sewer flooding and improve our health and safety record. While continuing to raise standards and drive efficiencies, we still have further to go as we strive for upper quartile performance across our 20 Key Performance Indicators.

We remain on track to deliver our investment programme for the final year of AMP4, as well as the additional cost savings announced in May. We remain committed to raising standards, driving operational efficiency and investing in areas of the business where customers see real benefit, to deliver the lowest possible bills along with appropriate returns to our shareholders.

Looking forward to PR09, we have fully engaged with Ofwat since publication of the draft determination. We will take the time necessary to analyse the Final Determination document, which will be detailed and complex, once it is published on 26 November."

Enquiries:

Tony Wray *Chief Executive*	Severn Trent Plc	0207 353 4200 (on the day) 0121 722 4938
Mike McKeon *Finance Director*	Severn Trent Plc	0207 353 4200 (on the day) 0121 722 4319
Peter Gavan *Director of External Affairs*	Severn Trent Plc	0207 353 4200 (on the day) 0121 722 4555
John Crosse *Head of Investor Relations*	Severn Trent Plc	0207 353 4200 (on the day) 0121 722 4523
Peter Hewer/Mal Patel	Tulchan Communications	0207 353 4200

Interim Results Presentation and Webcast
There will be an interim results presentation at 9:30am on Tuesday 24 November 2009. This presentation, together with the presentation slides, will be available as a simultaneous webcast on the Severn Trent web site (www.severntrent.com) and will remain on the web site for subsequent viewing.

Interim Management Report

Operating Review

Severn Trent Water

We continue to execute on our plans to raise standards and drive greater efficiency across the business. The 20 Key Performance Indicators (KPIs) remain the primary basis on which we demonstrate and measure raised standards.

In absolute terms, we have continued to make good progress across the KPIs since the end of March, with further improvements in reducing customer written complaints, sewer flooding and health and safety, which saw a 16% reduction in lost time incidents over the year end position. Water quality showed a 23% improvement.

Debtor days have remained stable across the first half and our leakage performance is currently commensurate with meeting the annual target.

Another indicator of the progress we have made is the achievement of the Carbon Trust Standard, an independent assessment and endorsement of our carbon emissions reductions over the past 3 years and our carbon management programs for the future. The Standard was started in 2008, and to date some 150 companies and public sector organisations have achieved it.

We have recently completed our annual update of the benchmarks we use to assess our relative performance. It is worth noting that we had 11 KPIs in the upper quartile at the end of 2008/09 compared to 9 at the end of 2007/08, and only 1 in the lower quartile, compared to 4 in 2007/08. Compared to the position we reported in May 2009, the analysis shows 3 KPIs where sector benchmarks have moved forward, resulting in our previously reported upper quartile performance being restated as median. These 3 KPIs are:

- First time call resolution for billing;
- Capex vs. Final Determination;
- Pollution incidents.

As companies in our sector or elsewhere redefine what upper quartile means, so we expect our objectives to move with them and we will continue to update our benchmarks on an annual basis.

While we are making good progress, we recognise the need to continue to drive further improvements to achieve our ambition of upper quartile performance across our 20 KPIs. These plans remain focused on three broad areas; process improvements (for example, streamlining and standardisation); technology and systems (the first phase of a new common ERP platform goes live in early December); and location, training and development of our people (construction of the new Severn Trent Centre is on target).

Subject to a change in the level of bad debt provision, where we have worked hard on our collections performance to maintain the level of charge at 2.3% of turnover, we are on track to deliver the absolute level of operating costs we committed to for this year. The capital programme is also proceeding according to plan and we continue to expect to deliver on our regulatory commitments in this final year of AMP4.

Ofwat Draft Determination
The Draft Determination was published in July 2009 and proposed the following for Severn Trent Water:

- AMP5 capital investment programme of £2.2 billion (net of efficiencies, grants and contributions at 2007/08 prices).
- A cost of capital of 4.5% real, post tax. The component parts of the assumed cost of capital are; real post tax cost of equity of 7.1% (AMP4 7.7%), real post tax cost of debt of 2.6% (AMP4 3.0%) and 57.5% gearing (AMP4 55%).
- A fall in average household bills of 8% in real terms (annual average of 1.5%) by 2015.

We have fully engaged with Ofwat in responding to the draft determination and have now completed our formal representations. We expect that the Final Determination will be published on 26 November. This will contain new price limits for the 2010 to 2015 period, which take effect in April 2010, and will be a complex document with much detail to consider. We will take the time necessary to thoroughly review its entire content before making our own conclusions and responding to our stakeholders.

Severn Trent Services
Severn Trent Services is one of the world's leading suppliers of water and waste water treatment solutions. There are three main business areas: Water Purification (developing technologies and products focused on disinfection, filtration, arsenic removal and ballast water treatment), Operating Services (running and maintaining water and waste water treatment plants around the world) and Analytical Services (the leader in UK environmental water testing services).

Despite challenging economic conditions in the first half, the long term fundamental drivers of the business remain strong – water scarcity, increased demand (e.g. population growth), the effects of climate change and regulatory requirements. Operating Services performed well, focusing on execution and cost control. Water Purification suffered from delays in expenditure but has a good order book and is expected to deliver a strong second half performance, while Analytical Services has been impacted by lower volumes, a trend which will continue in the second half.

Group Financial Performance
In this Interim Results Announcement PBIT is profit before interest and tax; underlying PBIT is PBIT excluding exceptional items as set out in note 3.

Group turnover was £852.1 million (£814.3 million), an increase of 4.6% over the same period last year. The growth in reported turnover was mainly due to the price increases in Severn Trent Water.

Underlying group PBIT increased by 9.8% to £287.1 million (£261.5 million). The primary factors affecting underlying PBIT are described in the commentary on Severn Trent Water and Severn Trent Services below. There were net exceptional charges of £11.5 million (£4.4 million). Group PBIT increased 7.2% to £275.6 million (£257.1 million).

Severn Trent Water

Turnover in Severn Trent Water increased by 4.0% in 2009/10, to £695.3 million. Sales prices increased by 5.3% (including inflation) from 1 April 2009. The decline in consumption across our measured income base has continued at similar levels to 2008/09 and turnover in the first half of 2009/10 was £8.8 million lower than the same period last year as a consequence. This trend has now stabilised, although we continue to monitor developments.

Underlying PBIT was up by 9.4% on the same period last year, to £279.3 million. Beyond the increase in turnover, a number of factors impacted underlying PBIT. There was an increase in depreciation of £9.5 million arising from the increased asset base. Energy and commodity costs increased by £2.1 million. The turnover growth led to an increase in the bad debt charge of £1.7 million although the incidence of bad debts as a proportion of turnover has not increased over that seen for the full year to March 2009. There was a reduction in infrastructure renewals expenditure of £10.3 million and we expect the ratio of infrastructure renewals expenditure in the first half to the full year to be similar to 2008/09.

During the period, Severn Trent Water invested £271.4 million (UK GAAP, gross) in fixed assets and maintaining and improving its infrastructure network. Included in this total was net infrastructure maintenance expenditure of £47.2 million, charged to the income statement under IFRS.

Severn Trent Services

Six months ended 30 September	2009 £m	2008 £m	Increase/ (decrease) %
Turnover			
Services as reported	**165.5**	157.1	5.3%
Apliclor SA - acquired May 2009	**(4.0)**	-	
Meters business and CCM - sold May 2009	**(1.1)**	(5.8)	
	160.4	151.3	6.0%
Impact of exchange rate fluctuations	**-**	19.0	
Like for like businesses in constant currency	**160.4**	170.3	(5.8%)

Six months ended 30 September	2009 £m	2008 £m	Increase/ (decrease) %
Underlying PBIT			
Services as reported	**12.2**	13.3	(8.3%)
Apliclor SA - acquired May 2009	**(0.7)**	-	
Meters business and CCM - sold May 2009	**0.3**	(1.8)	
	11.8	11.5	2.6%
Impact of exchange rate fluctuations	**-**	1.7	
Like for like businesses in constant currency	**11.8**	13.2	(10.6%)

Reported turnover in Severn Trent Services at £165.5 million in the period was up 5.3% on the same period last year and reported underlying PBIT decreased by 8.3% to £12.2 million.

After adjusting for the impact of exchange rate fluctuations and the effects of small acquisitions and disposals, turnover on a like for like constant currency basis was down 5.8% and underlying PBIT measured on the same basis was down 10.6%.

During the period Severn Trent Services has incurred exceptional restructuring costs amounting to £4.3 million from actions taken to address the difficult market conditions. These actions include exiting the UK soils testing market with the resulting closure of a laboratory and the disposal of the meters business, which was announced in the previous year.

Corporate and Other

Corporate and Other incurred a net charge before interest, tax and exceptional items of £5.4 million (net charge of £6.5 million). This segment includes the activities of the group's captive insurance company which insures Severn Trent group risks only and does not write any external business.

Exceptional items

There was a net exceptional operating charge in the six months to 30 September 2009 of £11.5 million (£4.4 million) comprising:

- a charge of £7.2 million in Severn Trent Water arising from the programme to restructure and realign the business; and
- a charge of £4.3 million in Severn Trent Services of which £2.8 million arose from the programmes to restructure the Water Purification and Analytical Services businesses and £1.5 million arose from the disposal of Complete Credit Management Limited and the group's meters business.

Net finance costs

The group's net finance costs were £99.1 million, compared to £107.1 million in the prior period. The decrease was largely due to lower borrowing costs on index linked debt due to lower inflation. Net finance costs on pension obligations increased because the expected return on pension assets was lower as a result of a lower value of investments in the opening balance sheet in the current period than the prior year.

Gains/(losses) on financial instruments

The group issues notes in foreign currency under its EMTN programme and uses cross currency swaps to convert the proceeds to sterling. The effect of these swaps is that interest and principal payments on the borrowings are denominated in sterling and hence the currency risk is eliminated. The foreign currency notes and the cross currency swaps are recorded in the balance sheet at their fair values and the changes in fair values are taken to gains/(losses) on financial instruments in the profit and loss account. Since the terms of the swaps closely match those of the underlying notes, such changes tend to be broadly equal and opposite. The changes in fair value of debt are shown in the reconciliation of movements in net debt in note 10.

The group holds interest rate swaps with a net notional principal amount of £820 million under which it pays fixed rate interest and receives floating rate interest. These swaps are carried in the balance sheet at fair value. The changes in fair value are taken to gains/(losses) on financial instruments in the profit and loss account. During the period there has been an increase of £27 million in the fair value of these instruments because market interest rates were higher at 30 September 2009 than at 31 March and hence the difference between market rates and the rates payable in the fixed legs of the swaps has decreased. This gain has been credited to gains/(losses) on financial instruments.

It is important to note that we intend to, and typically do hold these swaps to maturity. Further, this is not a cash movement and, over the life of the swaps, these changes in fair value will net out because the swaps will have a zero fair value when they mature.

Profit before tax
Underlying group profit before tax increased by 21.7% to £188.0 million (£154.5 million). Group profit before tax was £208.2 million (£137.9 million).

Taxation
The total tax charge for the period was £58.2 million (£221.1 million), of which current tax represented a charge of £43.0 million (£37.7 million) and deferred tax (see note 4) was a charge of £15.2 million (£183.4 million including an exceptional charge of £185.6 million in relation to the phased withdrawal of Industrial Buildings Allowances).

The effective rate of current tax, excluding prior year charges and exceptional items, calculated on profit before tax, exceptional items and gains/(losses) on financial instruments was 24.3% (24.1%).

Going forward, we expect the effective current tax rate for the full year 2009/10 to be in the range of 24% to 26%.

Profit for the period and earnings per share
Profit for the period was £150.0 million (loss of £83.2 million)

Basic earnings/(loss) per share were 63.4 pence (loss of 35.8 pence). Adjusted basic earnings per share (before exceptional items, gains/(losses) on financial instruments and deferred tax) were 60.8 pence (50.0 pence), see note 6.

Cash flow

Six months ended 30 September	2009 £m	2008 £m
Cash generated from operations	**435.6**	369.6
Net capital expenditure	**(238.3)**	(226.4)
Net interest paid	**(81.5)**	(82.6)
Tax (paid)/received	**(14.5)**	26.6
Other cash flows	**(9.9)**	(0.7)
Free cash flow	**91.4**	86.5
Dividends	**(96.8)**	(97.0)
Issue of shares	**4.4**	6.3
Purchase of own shares	**(2.2)**	(2.4)
Change in net debt from cash flows	**(3.2)**	(6.6)
Non cash movements	**12.3**	(23.3)
Change in net debt	**9.1**	(29.9)
Net debt as at 1 April	**(3,559.9)**	(3,393.2)
Net debt as at 30 September	**(3,550.8)**	(3,423.1)

Net debt comprises:

	30 September 2009	31 March 2009	30 September 2008
Cash and cash equivalents	**589.1**	648.1	576.3
Borrowings - current liabilities	**(490.6)**	(256.2)	(280.0)
Borrowings - non-current liabilities	**(3,875.9)**	(4,188.9)	(3,772.0)
Net debt as previously stated	**(3,777.4)**	(3,797.0)	(3,475.7)
Cross currency swaps hedging debt	**226.6**	237.1	52.7
Net debt	**(3,550.8)**	(3,559.9)	(3,423.0)

The group's definition of net debt has been amended to include cross currency swaps that are used to convert to sterling the proceeds of debt raised in foreign currency where the swap is the hedging instrument in a fair value hedge. This broadly eliminates the impact of the revaluation of the debt which results from hedge accounting and consequently the restated net debt figure is a better representation of the group's debt obligations.

Cash generated from operations was £435.6 million (£369.6 million). Capital expenditure net of grants and proceeds of sales of fixed assets was £238.3 million (£226.4 million). Net interest paid decreased to £81.5 million (£82.6 million).

Net debt at 30 September 2009 was £3,550.8 million (March 2009 £3,559.9 million). Balance sheet gearing (net debt/net debt plus equity) at the half year was 79.1% (31 March 2009 78.2%). Net debt, expressed as a percentage of forecast Regulatory Capital Value at 31 March 2010 was 56.2% (55.2%). The group's net interest charge, excluding gains/(losses) on financial instruments and net finance costs from pensions, was covered 4.5 times (3.6 times) by profit before interest, tax, depreciation and exceptional items, and 3.1 times (2.5 times) by underlying PBIT.

The fair value of the group's net debt at 30 September 2009 is estimated to be £4,431.0 million (31 March 2009 £4,246.2 million). The group's debt instruments are not traded in an active market and hence the fair value disclosed above is based on a theoretical discounted cash flow calculation and does not represent an estimate of the amount for which the debt could be settled. The comparative figure has been restated to reflect a change in methodology of estimating the fair value to include an adjustment for the pricing of the group's credit risk (see note 7).

Pensions

The group operates two defined benefit pension schemes, of which the Severn Trent Pension Scheme (STPS) is by far the largest. Formal triennial actuarial valuations and funding agreements were last undertaken for the STPS as at 31 March 2007. The key actuarial assumptions from this valuation have been updated for the accounts as at 30 September 2009 though overall contribution levels remain unchanged.

On an IAS 19 basis, the estimated net position (before deferred tax) of all of the group's defined benefit pension schemes was a deficit of £317 million as at 30 September 2009. This compares to a deficit of £233 million as at 31 March 2009. The movements in the net deficit were:

	Defined benefit obligations £m	Fair value of plan assets £m	Net deficit £m
At 1 April 2009	(1,308.0)	1,075.0	(233.0)
Employer contributions	-	14.7	14.7
Employee contributions	(4.2)	4.2	-
Benefits paid	34.8	(34.8)	-
Current service cost	(7.7)	-	(7.7)
Past service cost	(0.8)	-	(0.8)
Net finance cost	(43.4)	35.7	(7.7)
Actuarial gains and losses	(272.7)	190.2	(82.5)
At 30 September 2009	**(1,602.0)**	**1,285.0**	**(317.0)**

On an IAS 19 basis, the funding level has reduced from around 82% at 31 March 2009 to around 80% at 30 September 2009.

Treasury management

The group continues to maintain a strong liquidity position. At 30 September 2009 the group had £589.1 million in cash and cash equivalents. During the period the group signed a European Investment Bank facility of £150 million which is available for the group to draw down until April 2011. The group also has an undrawn £500 million committed bank facility that matures in 2013. Average debt maturity is around 19 years. The group is funded for its investment and cash flow needs up to the end of the first year of AMP 5.

Cash is invested in deposits with highly rated (A+) banks and liquidity funds and the list of counterparties is regularly reviewed and reported to the Board.

The group's policy for the management of interest rate risk requires that no less than 45% of the group's borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 30 September 2009, interest rates for some 84% of the group's net debt of £3,550.8 million were so fixed. The effective interest rate for the period to September 2009 was 5.2%.

Exchange rates
The trading results of overseas subsidiaries are translated to sterling at the average rate of exchange ruling during the period and their net assets are translated at the closing rate on the balance sheet date. The impact of changing exchange rates on net assets was immaterial. Details of the impact of changing exchange rates on turnover and underlying PBIT are set out in the commentary on Severn Trent Services above.

Dividend
In line with its policy for growing dividends by 3% above the rate of RPI inflation until March 2010, the end of the current regulatory period, the Board has declared an interim ordinary dividend of 26.71p (2008/09 26.29p), an increase of 1.6% (being September 2009 RPI inflation of negative 1.4% plus 3%) over the 2008/09 interim ordinary dividend. The interim ordinary dividend is payable on 15 January 2010 to shareholders on the register at 4 December 2009.

Principal risks and uncertainties
With regard to the remaining six months of the year, the Board consider the principal risks and uncertainties affecting the business activities of the group to be those detailed below:

- External financial market factors could adversely impact on our financial position.
- Compliance requirements, particularly changes in law or regulation in the countries and types of business in which we operate could have an adverse effect on our business and operations.
- The results of our operations depend on a number of factors relating to business performance, including achieving an acceptable Final Determination from Ofwat for Severn Trent Water.
- The failure of our assets, systems or our ability to carry out critical operations could have a significant impact on the health and safety of our people or customers, or on our financial position and our reputation.
- Our ability to influence customer behaviour or to operate in an environmentally responsible way could affect our financial position and our reputation.

Outlook
We continue to focus on delivering the final year of AMP4. In Severn Trent Water, we are continuing with our programs to raise standards and drive efficiency improvements. We are on target to deliver the additional cost savings for this year, which we highlighted back in May and capex is in line with expectations for the AMP4 period. We are also continuing to mobilise our contractors and supply chain to deliver the program for the first year of AMP5, the full content of which will become clear after publication of the Final Determination.

In Severn Trent Services, Water Purification has a strong order book, and we expect an improved performance in the second half of the year. Operating Services will continue to focus on cost control and delivery, while the environment for Analytical Services remains challenging.

Regarding PR09, we await publication of the Final Determination on 26 November. This will be a complex document, and we will take the time necessary to analyse it in full. Only once this is complete will we make our responses to Ofwat and our other stakeholders.

Further information

For further information, including the group's interim results presentation, see the Severn Trent website (www.severntrent.com).

Condensed consolidated income statement
Six months ended 30 September 2009

Six months ended 30 September	Notes	2009 £m	2008 £m
Turnover	2	**852.1**	814.3
Operating costs before exceptional items		**(565.0)**	(552.8)
Exceptional restructuring costs	3	**(11.5)**	(5.4)
Exceptional flood income	3	**-**	7.2
Exceptional charge relating to regulatory matters	3	**-**	(7.2)
Exceptional provision for third party legal costs	3	**-**	1.0
Total operating costs		**(576.5)**	(557.2)
Profit before interest, tax and exceptional items	2	**287.1**	261.5
Exceptional items	3	**(11.5)**	(4.4)
Profit before interest and tax	2	**275.6**	257.1
Finance income		**40.4**	64.2
Finance costs		**(139.5)**	(171.3)
Net finance costs		**(99.1)**	(107.1)
Gains/(losses) on financial instruments		**31.7**	(12.2)
Share of results of associates and joint ventures		**-**	0.1
Profit before tax, gains/(losses) on financial instruments and exceptional items		**188.0**	154.5
Exceptional Items		**(11.5)**	(4.4)
Gains/(losses) on financial instruments		**31.7**	(12.2)
Profit on ordinary activities before taxation		**208.2**	137.9
Taxation on profit on ordinary activities			
Current tax	4	**(43.0)**	(37.7)
Deferred tax	4	**(15.2)**	2.2
Tax charge before exceptional tax	4	**(58.2)**	(35.5)
Exceptional deferred tax charge	4	**-**	(185.6)
Total taxation		**(58.2)**	(221.1)
Profit/(loss) for the period		**150.0**	(83.2)
Attributable to:			
Equity holders of the company		**149.7**	(83.8)
Equity minority interests		**0.3**	0.6
		150.0	(83.2)
Earnings/(loss) per share (pence)			
Basic	6	**63.4**	(35.8)
Diluted	6	**63.4**	(35.8)

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2009

Six months ended 30 September	2009 £m	2008 £m
Profit/(loss) for the period	**150.0**	(83.2)
Gains on cash flow hedges taken to equity	**1.0**	0.4
Deferred tax on gains on cash flow hedges taken to equity	**(0.3)**	(0.1)
Amounts on cash flow hedges transferred to the income statement in the period	**3.6**	2.4
Deferred tax on transfers to income statement	**(1.0)**	(0.7)
	153.3	(81.2)
Exchange movement on translation of overseas results and net assets	**(13.9)**	11.1
Actuarial losses on defined benefit pension schemes	**(82.5)**	(102.6)
Tax on actuarial losses	**23.1**	28.7
Other comprehensive income for the period	**(73.3)**	(62.8)
Total comprehensive income/(loss) for the period	**80.0**	(144.0)
Attributable to:		
Equity shareholders of the company	**80.1**	(145.0)
Minority interests	**(0.1)**	1.0
	80.0	(144.0)

Condensed consolidated statement of changes in equity
Six months ended 30 September 2009

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity attributable to equity holders of Severn Trent Plc £m	Minority interests £m	Total equity £m
At 1 April 2009	231.0	71.9	468.7	174.5	946.1	6.0	952.1
Profit for the period	-	-	-	149.7	149.7	0.3	150.0
Gains on cashflow hedges taken to equity	-	-	1.0	-	1.0	-	1.0
Deferred tax on gains on cashflow hedges taken to equity	-	-	(0.3)	-	(0.3)	-	(0.3)
Amounts on cash flow hedges transferred to the income statement	-	-	3.6	-	3.6	-	3.6
Deferred tax on transfers to the income statement	-	-	(1.0)	-	(1.0)	-	(1.0)
Exchange movement on translation of overseas results and net assets	-	-	(13.5)	-	(13.5)	(0.4)	(13.9)
Actuarial losses on defined benefit pensions schemes	-	-	-	(82.5)	(82.5)	-	(82.5)
Tax on actuarial losses	-	-	-	23.1	23.1	-	23.1
Total comprehensive income for the period	-	-	(10.2)	90.3	80.1	(0.1)	80.0
Shares issued	0.6	3.8	-	-	4.4	-	4.4
Share based payments	-	-	-	0.7	0.7	-	0.7
Tax on share based payments	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends paid	-	-	-	(96.8)	(96.8)	(1.3)	(98.1)
At 30 September 2009	**231.6**	**75.7**	**458.5**	**168.6**	**934.4**	**4.6**	**939.0**

Condensed consolidated statement of changes in equity (continued)
Six months ended 30 September 2008

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity attributable to equity holders of Severn Trent Plc £m	Minority interests £m	Total equity £m
At 1 April 2008	229.7	64.3	427.4	479.6	1,201.0	4.2	1,205.2
Loss for the period	-	-	-	(83.8)	(83.8)	0.6	(83.2)
Gains on cashflow hedges taken to equity	-	-	0.4	-	0.4	-	0.4
Deferred tax on gains on cashflow hedges taken to equity	-	-	(0.1)	-	(0.1)	-	(0.1)
Amounts on cash flow hedges transferred to the income statement	-	-	2.4	-	2.4	-	2.4
Deferred tax on transfers to the income statement	-	-	(0.7)	-	(0.7)	-	(0.7)
Exchange movement on translation of overseas results and net assets	-	-	10.7	-	10.7	0.4	11.1
Actuarial losses on defined benefit pensions schemes	-	-	-	(102.6)	(102.6)	-	(102.6)
Tax on actuarial losses	-	-	-	28.7	28.7	-	28.7
Total comprehensive income for the period	-	-	12.7	(157.7)	(145.0)	1.0	(144.0)
Shares issued	0.9	5.3	-	-	6.2	-	6.2
Share based payments	-	-	-	0.5	0.5	-	0.5
Tax on share based payments	-	-	-	(0.7)	(0.7)	-	(0.7)
Dividends paid	-	-	-	(97.0)	(97.0)	(0.8)	(97.8)
At 30 September 2008	230.6	69.6	440.1	224.7	965.0	4.4	969.4

Condensed consolidated balance sheet
At 30 September 2009

	Notes	30 September 2009 £m	31 March 2009 £m
Non current assets			
Goodwill		**69.8**	63.3
Other intangible assets		**130.3**	121.3
Property, plant and equipment		**6,069.3**	5,980.1
Interests in joint ventures		**0.1**	0.3
Interests in associates		**4.7**	4.8
Derivative financial instruments		**222.6**	225.4
Available for sale financial assets		**0.1**	0.1
		6,496.9	6,395.3
Current assets			
Inventory		**29.4**	30.6
Trade and other receivables		**461.4**	447.1
Derivative financial instruments		**20.3**	29.8
Cash and cash equivalents		**589.1**	648.1
		1,100.2	1,155.6
Assets held for sale		**-**	4.6
Total assets		**7,597.1**	7,555.5
Current liabilities			
Borrowings	7	**(490.6)**	(256.2)
Derivative financial instruments		**(75.4)**	(0.4)
Trade and other payables		**(491.0)**	(442.7)
Current income tax liabilities		**(109.0)**	(81.1)
Provisions for liabilities and charges		**(16.5)**	(9.2)
Liabilities associated with assets held for sale		**-**	(0.4)
		(1,182.5)	(790.0)
Non current liabilities			
Borrowings	7	**(3,875.9)**	(4,188.9)
Derivative financial instruments		**(67.0)**	(171.6)
Trade and other payables		**(249.6)**	(241.1)
Deferred tax		**(943.9)**	(948.4)
Retirement benefit obligations	8	**(317.0)**	(233.0)
Provisions for liabilities and charges		**(22.2)**	(30.4)
		(5,475.6)	(5,813.4)
Total liabilities		**(6,658.1)**	(6,603.4)
Net assets		**939.0**	952.1
Capital and reserves attributable to the company's equity shareholders			
Called up share capital	9	**231.6**	231.0
Share premium account		**75.7**	71.9
Other reserves		**458.5**	468.7
Retained earnings		**168.6**	174.5
Equity attributable to the company's equity shareholders		**934.4**	946.1
Minority interests		**4.6**	6.0
Total equity		**939.0**	952.1

Condensed consolidated cash flow statement
Six months ended 30 September 2009

Six months ended 30 September	Note	2009 £m	2008 £m
Cash generated from operations	10	**435.6**	369.6
Tax paid		**(14.5)**	26.6
Net cash generated from operating activities		**421.1**	396.2
Investing activities			
Interest received		**4.9**	20.6
Dividends received from associates and joint ventures		**0.1**	-
Net cash inflow from sale of investments		**3.8**	-
Acquisition of subsidaries		**(12.5)**	-
Proceeds on disposal of property, plant and equipment		**2.0**	2.9
Purchases of intangible assets		**(24.1)**	(10.0)
Purchases of property, plant and equipment		**(226.1)**	(235.2)
Contributions and grants received		**9.9**	15.9
Net cash used in investing activities		**(242.0)**	(205.8)
Financing activities			
Interest paid		**(80.2)**	(94.2)
Interest element of finance lease payments		**(6.2)**	(8.9)
Dividends paid to shareholders of the parent		**(96.8)**	(97.0)
Dividends paid to minority interests		**(1.3)**	(0.8)
Repayments of borrowings		**(44.4)**	(78.8)
Repayments of obligations under finance leases		**(9.3)**	(5.1)
New loans raised		**-**	4.5
Issues of shares		**4.4**	6.3
Purchase of own shares		**(2.2)**	(2.4)
Net cash used in financing activities		**(236.0)**	(276.4)
Decrease in cash and cash equivalents		**(56.9)**	(86.0)
Net cash and cash equivalents at beginning of period		**648.1**	653.4
Effect of foreign exchange rates		**(2.1)**	2.4
Net cash and cash equivalents at end of period		**589.1**	569.8
Net cash and cash equivalents comprise:			
Total cash and cash equivalents		**589.1**	576.3
Bank overdrafts		**-**	(6.5)
Net cash and cash equivalents at end of period		**589.1**	569.8

Notes to the condensed interim financial information

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 year ended 31 March 2009 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year prepared under IFRS has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

Accounting policies

The interim financial information has been prepared on the going concern basis using accounting policies consistent with International Financial Reporting Standards and in accordance with IAS 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 2009 except that during the period the group has adopted:

- IAS 1 (revised): Presentation of Financial Statements. As a result, the information which was previously presented in the Statement of Recognised Income and Expense is now presented in the Statement of Comprehensive income and changes in shareholders' equity are now presented in a primary statement rather than the notes to the financial statements;
- IFRS 8: Operating Segments. However, this has not changed the segmental analysis presented by the group; and
- IAS 23 (revised) Borrowing Costs. This standard requires that borrowing costs which are directly attributable to the construction or production of an asset that takes a substantial period of time to get ready for use or sale are capitalised as part of the cost of the asset. The revised standard applies to borrowing costs relating to qualifying assets where capitalisation commenced after 1 April 2009. This change in accounting policy has resulted in borrowing costs amounting to £0.3 million being capitalised in the period which would have been charged to the income statement under the previous policy.

IFRIC 18: Transfers of Assets from Customers is effective for transfers of assets after 1 July 2009. However, this Interpretation has not been endorsed by the European Union and consequently the group has not adopted it in this interim financial information.

Going concern

The group is funded for its investment and cash flow needs up to March 2011 (see Treasury Management). 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.

Seasonality

The group's businesses are not seasonal in nature.

2 Segmental analysis

The group is organised into two main business segments:

Severn Trent Water: Provides water and waste water services to domestic and commercial customers in England and Wales.

Severn Trent Services: Provides services and products associated with water, waste water and contaminated land principally in the US, UK and Europe. On 13 May 2009 the group acquired PS Apliclor, a small distribution operation in Spain. The impact of the acquisition is not material and details of the net assets acquired and consideration payable will be disclosed in the annual financial statements for the year ending 31 March 2010.

Six months ended 30 September 2009

	Severn Trent Water £m	Severn Trent Services £m	Corporate and Other £m	Eliminations £m	Consolidated £m
External sales	694.9	157.2	-	-	852.1
Inter-segment sales	0.4	8.3	2.5	(11.2)	-
Total sales	695.3	165.5	2.5	(11.2)	852.1
Profit before interest, tax and exceptional items	279.3	12.2	(5.4)	1.0	287.1
Exceptional items (note 3)	(7.2)	(4.3)	-	-	(11.5)
Profit before interest and tax	272.1	7.9	(5.4)	1.0	275.6
Share of results of associates and joint ventures	-	-	-	-	-
Segment result	272.1	7.9	(5.4)	1.0	275.6
Total net finance costs and gains/(losses) on financial instruments					(67.4)
Profit before tax					208.2
Tax					(58.2)
Profit for the period					**150.0**

2 Segmental analysis (continued)

Six months ended 30 September 2008

	Severn Trent Water £m	Severn Trent Services £m	Corporate and Other £m	Eliminations £m	Consolidated £m
External sales	668.4	145.9	-	-	814.3
Inter-segment sales	-	11.2	2.1	(13.3)	-
Total sales	668.4	157.1	2.1	(13.3)	814.3
Profit before interest, tax and exceptional items	255.3	13.3	(6.5)	(0.6)	261.5
Exceptional items (note 3)	(5.4)	1.0	-	-	(4.4)
Profit before interest and tax	249.9	14.3	(6.5)	(0.6)	257.1
Share of results of associates and joint ventures	-	0.1	-	-	0.1
Segment result	249.9	14.4	(6.5)	(0.6)	257.2
Total net finance costs and gains/(losses) on financial instruments					(119.3)
Profit before tax					137.9
Tax					(221.1)
Loss for the period					(83.2)

3 Exceptional items

The group classifies items of income or expenditure as exceptional if individually or, if of a similar type, in aggregate should, in the opinion of the directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view. In this context materiality is assessed at the segment level.

Six months ended 30 September	**2009 £m**	2008 £m
Severn Trent restructuring programmes:		
Severn Trent Water	**7.2**	5.4
Severn Trent Services	**4.3**	-
Exceptional restructuring costs	**11.5**	5.4
Flood costs	**-**	2.1
Insurance recoverable	**-**	(9.3)
Severn Trent Water exceptional flood income	**-**	(7.2)
Fine costs relating to leakage reporting	**-**	2.2
Contribution to charitable trust	**-**	5.0
Severn Trent Water exceptional charge relating to regulatory matters	**-**	7.2
Severn Trent Services exceptional release of provision for third party legal costs	**-**	(1.0)
Total exceptional items	**11.5**	4.4

4 Tax

Income tax for the period is charged in the income statement at 27.9% (six months ended 30 September 2008: charged at 25.7%), representing the best estimate of the average annual effective income tax rate expected for the full year applied to the pre tax income of the six month period.

The effective rate of current tax, excluding prior year charges and exceptional items, calculated on profit before tax, exceptional items and gains/losses on financial instruments was 24.3% (2008: 24.1%).

Current tax of £0.3 million and deferred tax of £21.4 million has been credited directly to reserves in the period.

The exceptional deferred tax charge last year reflected the impact of the removal of the entitlement to industrial buildings allowances following the passing of the Finance Act 2008. For corporation tax purposes allowances continue at reducing rates until 2011.

5 Dividends

Amounts recognised as distributions to equity holders in the period:

Six months ended 30 September	**2009**		2008	
	Pence per share	£m	Pence per share	£m
Final dividend for the year ended 31 March	41.05	96.8	41.29	97.0

The proposed interim dividend of 26.71p per share (2008: 26.29p per share) was approved by the board on 23 November 2009 and has not been included as a liability as at 30 September 2009.

6 Earnings per share

Basic earnings per share are 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 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 and LTIP awards where the vesting conditions have been satisfied at the balance sheet date. Potential ordinary shares which would reduce a loss per share are not considered to be dilutive and hence in these circumstances diluted loss per share is equal to basic loss per share.

6 Earnings per share (continued)

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

Earnings

Six months ended 30 September	2009 £m	2008 £m
Earnings for the purpose of basic and diluted earnings per share from continuing and discontinuing operations being:		
Profit/(loss) for the period attributable to the equity holders of the company	149.7	(83.8)

Number of shares

Six months ended 30 September	2009 m	2008 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**236.0**	234.4
Effect of dilutive potential ordinary shares:		
Share options and LTIPs	**0.3**	1.1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**236.3**	235.5

Adjusted earnings per share

Six months ended 30 September	2009 Pence	2008 Pence
Adjusted basic earnings per share	**60.8**	50.0
Adjusted diluted earnings per share	**60.7**	49.8

Adjusted earnings per share figures exclude the effects of deferred tax, gains/(losses) on financial instruments and exceptional items in both 2009 and 2008. 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.

6 Earnings per share (continued)

The adjustments to earnings are as follows:

Adjustments to earnings

Six months ended 30 September	**2009** **£m**	2008 £m
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**149.7**	(83.8)
Adjustments for:		
Exceptional restructuring costs	**11.5**	5.4
Exceptional flood costs/(income)	**-**	(7.2)
Exceptional charge relating to regulatory matters	**-**	7.2
Exceptional release of provision for third party legal costs	**-**	(1.0)
Current tax related to exceptional items	**(1.3)**	1.0
(Gains)/losses on financial instruments	**(31.7)**	12.2
Deferred tax	**15.2**	183.4
Earnings for the purpose of adjusted basic and diluted earnings per share	**143.4**	117.2

7 Borrowings

	30 September **2009** **£m**	31 March 2009 £m
Bank loans	**785.4**	789.8
Other loans	**3,246.3**	3,310.9
Obligations under finance leases	**334.8**	344.4
Borrowings	**4,366.5**	4,445.1

	30 September **2009** **£m**	31 March 2009 £m
The borrowings are repayable as follows:		
On demand or within one year (included in current liabilities)	**490.6**	256.2
In the second year	**58.8**	56.4
In the third to fifth years	**191.1**	487.7
After five years	**3,626.0**	3,644.8
Included in non current liabilities	**3,875.9**	4,188.9
	4,366.5	4,445.1

7 Borrowings (continued)

The fair values of the group's borrowings were:

	30 September 2009	31 March 2009 (restated)
	£m	£m
Bank loans	**767.7**	754.8
Other loans	**3,345.6**	3,119.8
Obligations under finance leases	**317.7**	371.7
	4,431.0	4,246.3

The fair value of group borrowings disclosed at 31 March 2009 has been restated to reflect a change in methodology of estimating the fair value to include an adjustment for the pricing of the group's credit risk. The impact of this change was to reduce the estimated fair value of borrowings at 31 March 2009 by £1,004.4 million.

8 Retirement benefit schemes

The group operates two defined benefit schemes being the Severn Trent Pension Scheme and the Severn Trent Mirror Image Scheme. 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 retirement benefit obligation as at 30 September 2009 has been calculated on a year to date basis, using the actuarial valuation update as at 31 March 2009. There have not been any significant fluctuations or one time events since that date that would require adjustment to the actuarial assumptions made at 31 March 2009. However, the market based assumptions have been updated for conditions prevailing at the balance sheet date as follows:

	30 September 2009	31 March 2009
Discount rate	**5.7%**	6.7%
Inflation rate	**3.0%**	2.9%

The defined benefit assets have been updated to reflect their market value as at 30 September 2009. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial loss in the statement of comprehensive income in accordance with the group's accounting policy.

8 Retirement benefit schemes (continued)

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

Six months ended September	**2009**	2008
	£m	£m
Amounts charged to operating costs:		
Current service cost	**(7.7)**	(13.9)
Past service cost	**(0.8)**	-
Amounts charged to net finance costs:		
Interest cost	**(43.4)**	(46.3)
Expected return on scheme assets	**35.7**	44.2
	(7.7)	(2.1)
Total amount charged to the income statement	**(16.2)**	(16.0)

Actuarial gains and losses have been reported in the statement of comprehensive income.

The amount included in the balance sheet arising from the group's obligations under defined benefit schemes is as follows:

	30 September 2009	31 March 2009
	£m	£m
Present value of the defined benefit obligations - funded schemes	**(1,595.0)**	(1,301.8)
Total fair value of assets	**1,285.0**	1,075.0
Present value of the defined benefit obligations - unfunded schemes	**(7.0)**	(6.2)
Liability recognised in the balance sheet	**(317.0)**	(233.0)

Movements in the liability recognised in the balance sheet were as follows:

Six months ended 30 September	**2009**	2008
	£m	£m
At 1st April	**(233.0)**	(126.0)
Current service cost	**(7.7)**	(13.9)
Past service cost	**(0.8)**	-
Interest cost	**(43.4)**	(46.3)
Expected return on scheme assets	**35.7**	44.2
Contributions from the sponsoring companies	**14.7**	18.3
Actuarial losses recognised in the statement of comprehensive income	**(82.5)**	(102.6)
At 30 September	**(317.0)**	(226.3)

9 Share capital

At 30 September 2009 the issued and fully paid share capital was 236.6 million shares of $97^{17}/_{19}$p amounting to £231.6 million (31 March 2009: 235.9 million shares of $97^{17}/_{19}$p amounting to £231.0 million).

During the period the company issued 614,269 shares as a result of the exercise of employee share options.

10 Cash flow

a) Reconciliation of operating profit to operating cash flows

Six months ended 30 September	2009 £m	2008 £m
Profit before interest and tax	**275.6**	257.1
Depreciation of property, plant and equipment	**112.7**	104.5
Amortisation of intangible assets	**12.4**	12.0
Exceptional impairment and depreciation	**3.6**	-
Pension service cost	**8.5**	13.9
Pension contributions	**(14.7)**	(18.3)
Share based payments charge	**3.0**	2.7
Profit on sale of property, plant and equipment	**(0.7)**	(2.0)
Deferred income movement	**(2.6)**	(2.4)
Provisions for liabilities and charges	**4.6**	4.0
Utilisation of provisions for liabilities and charges	**(5.9)**	(43.6)
Decrease in working capital	**39.1**	41.7
Cash generated from operations	**435.6**	369.6
Tax (paid)/received	**(14.5)**	26.6
Net cash inflow from operating activities	**421.1**	396.2

b) Non cash transactions

No additions to property, plant and equipment during the six months to September 2009 were financed by new finance leases (2008: nil).

c) Exceptional cash flows

The following cash flows arose from items classified as exceptional in the income statement:

Six months ended 30 September	2009 £m	2008 £m
Restructuring costs	**(4.4)**	(13.4)
Flood income/(costs)	**-**	7.0
Fines and penalties	**-**	(38.0)
Third party legal costs	**(1.8)**	(1.3)
	(6.2)	(45.7)

10 Cash flow (continued)

d) Reconciliation of movements in net debt

	As at 1 April 2009 £m	Cash Flow £m	Fair value adjustments £m	RPI uplift on index linked debt £m	Foreign exchange £m	Other non cash movements £m	**As at 30 September 2009 £m**
Cash and cash equivalents	648.1	(56.9)	-	-	(2.1)	-	**589.1**
Net cash and cash equivalents	648.1	(56.9)	-	-	(2.1)	-	**589.1**
Bank loans	(789.8)	0.1	-	4.4	-	(0.1)	**(785.4)**
Other loans	(3,310.9)	44.3	6.6	1.4	-	12.3	**(3,246.3)**
Finance leases	(344.4)	9.3	-	-	-	0.3	**(334.8)**
Net debt as previously stated	(3,797.0)	(3.2)	6.6	5.8	(2.1)	12.5	**(3,777.4)**
Cross currency swaps hedging debt	237.1	-	1.8	-	-	(12.3)	**226.6**
Net debt	(3,559.9)	(3.2)	8.4	5.8	(2.1)	0.2	**(3,550.8)**

The group's definition of net debt has been amended to include cross currency swaps that are used to convert to sterling the proceeds of debt raised in foreign currency where the swap is the hedging instrument in a fair value hedge. This broadly eliminates the impact of the revaluation of the debt which results from hedge accounting and consequently the restated net debt figure is a better representation of the group's debt obligations.

11 Post balance sheet events

There were no significant post balance sheet events.

12 Contingent liabilities

Details of the Group's contingent liabilities were disclosed in the financial statements for the year ended 31 March 2009 which were approved on 28 May 2009. No further contingent liabilities have been identified since that date and there have been no significant developments relating to the contingent liabilities disclosed in those financial statements.

13 Related party transactions

There have been no related party transactions that materially affected the financial position of performance of the group during the period.

14 Forward-looking statements

This document contains certain "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", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates". 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 will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; changes in the markets from which the group raises finance; 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. Severn Trent does not intend to update these forward-looking statements.

15 Cautionary statement

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).

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; 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 Services Authority.

Signed on behalf of the Board who approved the half yearly financial report on 23 November 2009.

Sir John Egan Chairman	Michael McKeon Finance Director

Further copies of this half yearly financial report may be obtained from the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham B26 3PU.

INDEPENDENT REVIEW REPORT TO SEVERN TRENT PLC

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 2009 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 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

Conclusion

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 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
23 November 2009