Half Yearly Financial Report

25 November 2011

Interim Results for the six months to 30 September 2011

Highlights

- Severn Trent Water operating expenditure below level allowed in Ofwat's Final Determination
- Delivering capital programme and long term productivity improvements
- Interim dividend 28.04 pence per share, up 7.7% in line with dividend policy of RPI +3%
- Strong balance sheet, business fully funded for next 2 years
- Transfer of private drains and sewers (PDaS) successfully completed on 1st October
- Encouraged by direction of regulatory reform

Group results

	30-Sep 2011 £m	30-Sep 2010 £m	Increase/ (Decrease) %
Group turnover	**886.0**	867.9	2.1%
Underlying group PBIT[1]	**274.3**	277.0	(1.0%)
Underlying group profit before tax[2]	**155.0**	158.0	(1.9%)
Profit before tax	**65.3**	101.1	(35.4%)
	pence/ share	pence/ share	
Adjusted basic EPS[3]	**46.4**	47.4	(2.1%)
Basic earnings per share	**30.5**	43.9	(30.5%)
Interim dividend declared	**28.04**	26.04	7.7%

1 before exceptional items (see note 3)
2 before exceptional items and losses on financial instruments
3 before exceptional items, losses on financial instruments and deferred tax (see note 7)

Tony Wray, Chief Executive Severn Trent Plc, said:

"We have delivered a solid set of results for the half year. Group revenue was up 2% period on period with underlying group PBIT down slightly, reflecting increased investment in our networks in Severn Trent Water.

We remain focused on improving the services from our networks. We have increased our network replacement activity underpinning our plans to improve network serviceability, supply availability and unplanned interruptions. We are maintaining our leakage activity levels following the severity of the last three winters.

The transfer of private drains and sewers has gone smoothly and we will provide an overview of activity and expenditure levels at our year end.

We remain committed to our dividend policy of RPI +3% growth per annum for the remainder of AMP5.

We welcome Ofwat's latest publication for a risk based approach to regulation which aligns to the ideas we have previously published in our Changing Course document."

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Interim Results Presentation and Webcast

There will be a presentation of these results at 9:30am on Friday 25 November 2011 at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS. This presentation will be available as a simultaneous webcast on the Severn Trent website (www.severntrent.com) and will remain on the website for subsequent viewing.

Interim Management Report

Operating Review

Severn Trent Water
Our focus remains on operational excellence and continuous improvement, delivering the highest service and environmental standards, value for customers and sustainable, progressive returns for our shareholders.

Customer consumption was broadly flat in the first six months of the year and with the allowed price increase of 4.7%, turnover was up by 4.7%. PBIT was broadly flat due to a higher level of planned infrastructure renewals and contractor expenditure, reflecting our increased capital investment and maintenance programmes.

Operational expenditure for the first half was in line with expectations and below the level allowed in the Final Determination, with total employment costs marginally ahead and a reduction in bad debts. Included in these costs was an 11% increase in quasi taxes, including the government's new Carbon Reduction Commitment (CRC) energy efficiency levy.

We successfully completed the transfer of some 37,000 km of private drains and sewers on 1st October, thanks to the hard work of our employees and contractors. We will provide an updated view of capital and operating expenditure impacts in May next year, as it is too early to draw any conclusions as initial job volumes have been at the low end of our assumptions.

Ofwat's new performance report for 2010-11, replacing the OPA (Operational Performance Assessment) revealed a number of areas for improvement that we had previously highlighted in our 2010/11 full year results. Since the end of March we have made good progress in a number of these areas, with improvements in unplanned interruptions and supply availability. Leakage reduction is on target year to date. However, as the winter approaches we will need to maintain our focus and already have additional resources in place to deal with the challenges the colder weather will present.

We were disappointed to see customer complaints rise by 16% last year, as the Consumer Council for Water (CCW) report in September confirmed. Within this number about 40% of the complaints we received came during the colder winter months (with December 2010 being the coldest on record), and a large number related to leaks, burst water mains and low pressure.   All are of course frustrating for customers. CCW recognises that last year's extremely cold winter contributed to the rise in complaints and on a complaints per 1,000 customers basis, Severn Trent ranks fifth out of all Water and Sewerage Companies. We are however, not standing still and will continue to work to improve our customer service levels.

We recently completed our annual update of the benchmarks we use to assess our relative performance. Every year we expect to see and did see the benchmark comparators continue to make progress. This drives us continually to seek improvements to our operations, avoiding complacency. Compared to the position we reported for the end of March, there are three KPI's that have improved their ranking, first time call resolution for billing moves from median to upper quartile and employee motivation and sewage treatment consents move from lower quartile to median performance. Sector benchmarks for two KPIs have moved forward: customer written complaints and sewer flooding, resulting in our previously reported upper quartile performance now being restated as median. As last year was the first of AMP5, capex and opex KPIs could not be updated in May. These benchmarks are now available and our relative performance is median for opex and upper quartile for capex. Our updated performance is therefore 8 KPIs in the upper quartile, 8 in median and 2 KPIs in the lower quartile.

Our proactive approach to debt management and collections is reflected in the continuing reduction of the bad debt charge in the period to 2.2% of turnover, from 2.3% for the previous full year.

We continue to generate more of our power needs from our own renewable resources with 23.8% of our gross power coming from renewables in the first six months of this year compared with 22.3% in the prior period.

Depreciation was higher period on period due to £3.7million of accelerated depreciation related to an experimental sludge dryer.

Our capital programme remains on track at £450 million – £470 million for the full year and we are continuing to deliver planned efficiencies.

Severn Trent Services

While the fundamental long term drivers in our markets remain strong, the first six months were a continuation of the challenging economic and operating environments we saw in the second half of last year, with both turnover and underlying PBIT lower period on period. Underlying PBIT was also impacted by £0.8 million as part of our previously announced investment expenditure in new products and longer term growth initiatives.

Challenging economic conditions were most clearly present in our Operating Services business in Italy. Here we have taken a provision of £21.9 million in exceptional charges, for the potential non recovery of our economic interest in an ATO service business outside Rome (Servizio Idrico Integrato S.c.p.a. or "SII"). This business has been seeking to refinance loans and shareholder advances in the banking market and was close to concluding an arrangement before the end of September. However, this arrangement has now been taken over by events in the wider Italian economy. We have therefore taken the prudent decision to provide against our economic exposure in this case. The underlying ATO business remains sound, but longer term financing remains elusive at this time. We continue to support the ATO in seeking a longer term solution which we believe will be possible when economic conditions in Italy improve. In these circumstances we have not currently invested in further resources to support future market growth in Italy.

Operating services in the US experienced market conditions consistent with those seen in the second half of last year, which led to both revenues and underlying PBIT being lower period on period. The UK delivered a good first half performance, with growth in revenues and underlying PBIT period on period.

In Water Purification Products, the first half was challenging, with both revenues and underlying PBIT lower period on period, primarily driven by delays to shipments of deep bed and membrane filtration products. Shipments of disinfection products, in particular our ClorTec® on site hypochlorite units, were also impacted. However, and in part due to these delays, the order book in September was in excess of £65 million ($100 million), our highest level in over a year. At present >60% of the order book is scheduled to ship this financial year, supporting our current belief in a better second half in this area.

On future product and market development, with Type Approval now received for our BALPURE® product range, our investments and bid activity has increased. We have established sales representatives in the UK, Japan, Middle East and Korea and Singapore in progress. We currently have an order for four units totalling £3 million and the first commercial ship with our BALPURE® unit was completed in Japan and delivered to the ship owner in September.

Pensions

In May we announced to our employees that we would consult on changes to the Severn Trent pension schemes to develop a sustainable, better-balanced pension provision for all employees in the future. Following a 90 day constructive and transparent consultation with our employees, we anticipate closing the current Severn Trent defined benefit schemes to future benefit accrual in March 2015, the end of AMP5, while protecting existing benefits built up. We plan to introduce a new universal defined contribution scheme for all employees from April 2012. We believe this outcome strikes a balance between safeguarding what individuals have already earned to date and allowing Severn Trent to better manage pension scheme volatility, finance employees' pensions into the future and continue to build a sustainable business.

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 £886.0 million (£867.9 million), an increase of 2.1% over the same period last year. Underlying group PBIT remained broadly at the same level as last year. The primary factors affecting turnover and underlying PBIT are described in the commentary on Severn Trent Water and Severn Trent Services below.

There were net exceptional charges of £19.5 million (£6.2 million). Group PBIT decreased 5.9% to £254.8 million (£270.8 million).

Severn Trent Water

Turnover in Severn Trent Water increased by 4.7% in 2011/12, to £735.0 million. Sales prices increased by 4.7% (including inflation) from 1 April 2011 and consumption was broadly flat.

Underlying PBIT was up by 0.1% on the same period last year, to £272.9 million. Direct operating costs increased by £17.8 million (see below), there was an increase in infrastructure renewals expenditure of £13.8 million and depreciation increased by £1.3 million including £3.7 million in respect of the write off of an experimental sludge dryer.

Employment costs increased by 1.7% to £97.9 million as headcount was stable and the average employee cost increased by 1.6%. Hired and contracted costs increased by £3.6 million to £66.2 million. Raw materials and consumables at £23.6 million were 4.4% higher than the same period in the prior year. Bad debts were 7.2% lower at £15.5 million, representing 2.2% of turnover (2010/11: 2.3%). An increase of only £0.9 million in power costs to £23.9 million reflected the success of our strategy of fixing these costs through our supply contract and by using energy swaps. Quasi taxes, which comprise rates, service charges and the CRC, increased by £5.5 million to £53.0 million, mainly due to the introduction of the CRC. Other operating costs increased by £1.5 million to £20.8 million. Labour and related overheads capitalised were £4.5 million lower than in the first half of 2011/12.

During the period, Severn Trent Water invested £197.4 million (UK GAAP, gross) in fixed assets and maintaining and improving its infrastructure network. Included in this total was net infrastructure maintenance expenditure of £52.1 million, charged to the income statement under IFRS.

Severn Trent Services

Six months ended 30 September	2011 £m	2010 £m	Increase/ (decrease) %
Turnover			
Services as reported	**160.0**	172.0	(7.0%)
In constant currency	**160.0**	165.5	(3.3%)
PBIT before exceptional items			
Services as reported	**6.5**	13.0	(50.0%)
In constant currency	**6.5**	12.5	(48.0%)

Reported turnover in Severn Trent Services at £160.0 million in the period was down 7.0% on the same period last year and reported underlying PBIT decreased by 50.0% to £6.5 million.

After adjusting for the impact of exchange rate fluctuations, turnover on a constant currency basis was down 3.3% and underlying PBIT measured on the same basis was down 48.0%.

Corporate and Other

Corporate and Other incurred a net charge before interest, tax and exceptional items of £6.3 million (net charge of £6.6 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 2011 of £19.5 million (£6.2 million)

Severn Trent Water's ongoing programme to restructure and realign the business resulted in an exceptional charge of £3.6 million (2010: £6.2 million).

Severn Trent Services recorded an exceptional provision of £21.9 million against accounts receivable from SII, an associate company in Italy. The group had granted extended credit on the accounts receivable as a form of shareholder advance to provide part of SII's capital in anticipation of an external refinancing, which has not been successful to date.

Provisions amounting to £6.0 million, that had been established in Corporate in relation to risks arising from terminated operations, were released as they were no longer required.

Net finance costs
The group's net finance costs were £119.4 million, compared to £119.1 million in the prior period. Higher inflation has led to higher borrowing costs on index linked debt but this was largely offset by lower net finance costs on pension obligations.

Losses on financial instruments
The group uses financial derivatives solely to hedge risks associated with its normal business activities including:

- Exchange rate exposure on borrowings denominated in foreign currencies;
- Interest rate exposures on floating rate borrowings; and
- Exposures to increases in electricity prices.

Accounting rules generally require that these derivatives are revalued at each balance sheet date and, unless the strict criteria for cash flow hedge accounting are met, the changes in value are taken to the income statement. If the risk that is being hedged does not impact the income statement in the same period then an accounting mismatch arises from the hedging activities and there is a net charge or credit to the income statement.

Over the lives of the derivatives, these mismatches are expected to net out. Furthermore, the changes in value that are recorded during the lives of the derivatives do not represent cash flows.

Therefore the group presents adjusted earnings figures that exclude these non-cash items. An analysis of the amounts charged to the income statement in the period is presented in note 4 to the financial statements.

Profit before tax
Underlying group profit before tax decreased by 1.9% to £155.0 million (£158.0 million). Group profit before tax was £65.3 million (£101.1 million).

Taxation
The total tax credit for the period was £7.0 million (credit of £3.4 million), of which current tax represented a charge of £43.9 million (£44.0 million) and deferred tax was a credit of £16.4 million (credit of £13.6 million) excluding an exceptional credit of £34.5 million

arising from the reduction in corporation tax rate from 26% to 25% with effect from 1 April 2012.

The effective rate of current tax, excluding prior year charges and exceptional items, calculated on profit before tax, exceptional items and losses on financial instruments was 29.1% (27.8%).

Going forward, we expect the effective current tax rate for the full year 2011/12 to be in the range of 26% to 27%.

Profit for the period and earnings per share
Profit for the period was £72.3 million (£104.5 million)

Basic earnings per share were 30.5 pence (43.9 pence). Adjusted basic earnings per share (before exceptional items, losses on financial instruments and deferred tax) were 46.4 pence (47.4 pence), see note 7.

Cash flow

Six months ended 30 September	**2011 £m**	2010 £m
Cash generated from operations	**475.6**	478.2
Net capital expenditure	**(150.1)**	(198.5)
Net interest paid	**(83.2)**	(80.7)
Tax paid	**(35.5)**	(24.7)
Other cash flows	**(0.3)**	(1.3)
Free cash flow	**206.5**	173.0
Dividends	**(92.5)**	(107.8)
Issue of shares	**3.9**	4.0
Purchase of own shares	**(1.8)**	(2.0)
Change in net debt from cash flows	**116.1**	67.2
Non cash movements	**(6.1)**	(29.1)
Change in net debt	**110.0**	38.1
Net debt as at 1 April	**(3,868.8)**	(3,761.4)
Net debt as at 30 September	**(3,758.8)**	(3,723.3)

Net debt comprises:

	30 September 2011	31 March 2011	30 September 2010
Cash and cash equivalents	**412.6**	315.2	443.9
Borrowings - current liabilities	**(85.5)**	(23.9)	(58.8)
Borrowings - non-current liabilities	**(4,271.6)**	(4,320.5)	(4,268.8)
Cross currency swaps hedging debt	**185.7**	160.4	160.4
Net debt	**(3,758.8)**	(3,868.8)	(3,723.3)

Cash generated from operations was £475.6 million (£478.2 million). Capital expenditure net of grants and proceeds of sales of fixed assets was £150.1 million (£198.5 million). Net interest paid increased to £83.2 million (£80.7 million).

Net debt at 30 September 2011 was £3,758.8 million (31 March 2011 £3,868.8 million). Balance sheet gearing (net debt/net debt plus equity) at the half year was 79.5% (31 March 2011 77.1%). Net debt, expressed as a percentage of forecast Regulatory Capital Value at 31 March 2012 was 54% (56%). The group's net interest charge, excluding losses on financial instruments and net finance costs from pensions, was covered 3.4 times (3.6 times) by profit before interest, tax, depreciation and exceptional items, and 2.3 times (2.4 times) by underlying PBIT.

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 2010.

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 £388.1 million as at 30 September 2011. This compares to a deficit of £292.1 million as at 31 March 2011. The movements in the net deficit were:

	Defined benefit obligations £m	Fair value of plan assets £m	Net deficit £m
At 1 April 2011	(1,765.5)	1,473.4	(292.1)
Employer contributions	-	18.4	18.4
Employee contributions	(2.9)	2.9	-
Benefits paid	36.0	(36.0)	-
Current service cost	(12.1)	-	(12.1)
Net finance cost	(48.4)	50.3	1.9
Actuarial gains and losses	0.8	(105.0)	(104.2)
At 30 September 2011	**(1,792.1)**	**1,404.0**	**(388.1)**

On an IAS 19 basis, the funding level has decreased to 78% (2010: 83%).

Treasury management

At 30 September 2011 the group had £412.6 million in cash and cash equivalents. On 18 October 2011 the group signed a new five year £500 million credit facility with 11 banks. This facility may be extended by agreement with the banks for a further 2 years. Average debt maturity is around 15 years.

The group has interest rate swaps in place to manage the interest rate risk arising from its anticipated borrowing requirements for the remainder of AMP5.

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 not 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 2011, interest rates for some 73% of the group's net debt of £3,758.8 million were so fixed. The effective interest rate, including index linked debt, for the period to September 2011 was 6.3% (2010: 6.2%). The effective cash cost of interest excluding the RPI uplift on index linked debt was 5.0% (2010: 4.9%).

The group manages its electricity costs through a combination of forward price contracts and financial derivatives. All of our power requirements for the first four years of AMP5 and some of the remaining year have been hedged in this way, at prices below those allowed in the final determination.

The group continues to target a strong, flexible and sustainable balance sheet structure, which is reviewed on a regular basis, and believes that the planned investment programme for AMP5 and new dividend policy are commensurate with an investment grade credit rating.

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 the subsidiaries trading results was immaterial.

Dividends
We remain committed to our dividend policy of RPI +3% growth per annum for the remainder of AMP5. Therefore the Board has declared an interim ordinary dividend of 28.04p per share (2010: 26.04p per share), which will be paid on 13th January 2012 to shareholders on the register at 2nd December 2011.

Regulatory Update
Our June publication "Changing Course through Water Trading" set out our views on how a trading regime could practicably be introduced, and we have been very pleased with the response received and the engagement we have had with many stakeholders. We look forward to the Government White Paper planned for next month, and to engage further with stakeholders to help shape these ideas.

We welcome Ofwat's most recent consultation "Regulatory compliance – a proportionate and targeted approach", proposing a risk based approach where companies are more accountable for managing their own risks and legal and regulatory obligations, and more responsive to customers expectations.

Ofwat's stated intention is for a more targeted and proportionate regulatory approach, with a 'lighter touch' approach for compliant companies and a 'full force' approach for consistently non compliant companies. We believe this will lead to better decision making, a greater focus on high level outcomes that customers want, and greater innovation from companies, although we need to guard against the possibility of excessive investigations.

Reducing the regulatory burden of regular reporting and holding companies to account for results and not the processes adopted to ensure regulatory compliance, are also aims we support. Ofwat also suggests a move to a set of performance indicators covering customer experience, reliability and availability, environmental impact and finance, to help stakeholders monitor company performance and hold them to account. Severn Trent has published a set of 20 such KPIs since June 2007 and this is a development we would encourage.

Of the six changes we suggested in "Changing Course, delivering a sustainable future for the water industry in England and Wales" in April 2010, we are encouraged to see developments in a number of areas – improvements in the price setting process, companies driving innovation, the recognition of the need for water trading and greater involvement of customers in determining future outcomes - reflected in Ofwat's consultations.

Principal risks and uncertainties

As set out in the group's annual report for the year ended 31 March 2011, the board considers the principal risks and uncertainties affecting the business activities of the group to be those detailed below.

Strategic

These are risks associated with our ability to influence the regulatory framework towards creating a sustainable Water Industry in England and Wales. Additionally, in the current economic climate, there are risks to our strategic growth objective for Severn Trent Services, including political situations and competitor challenge.

Stakeholder

Risks associated with meeting the needs and expectations of key stakeholders (investors, regulators, customers, staff and suppliers) in order to protect and enhance our financial position, brand, reputation and investor confidence.

Operational

These are risks associated with our daily operations, including asset failure, process compliance and key systems which may in turn impact our ability to serve our customers or to meet our regulatory targets.

Financial

Risks associated with our financial activities including our ability to effectively manage counterparty risk, attract funding at commercially attractive rates, fund pensions promises sustainably and meet the challenging targets we have set ourselves within our Severn Trent Water and Severn Trent Services businesses.

Legal, Regulatory

These are risks associated with potential non compliance with the numerous and increasingly demanding obligations reflecting the international spread of our operations. We pay particular attention to risks in areas subject to changing legal and regulatory requirements. These include the recent UK Bribery Act, introduction of private sewers and internal drains (PDaS) and the introduction of the Service Incentive Mechanism (SIM) by Ofwat.

The principal risks and uncertainties for the remaining six months of the year are described in the Outlook statement below.

Outlook

In Severn Trent Water, we are continuing to execute on our programmes to raise standards and drive efficiency improvements.

Consumption in the second half of the year is expected to be consistent with the trend seen in the first half.

Operating expenditure will show an increase year on year, driven by inflation, prudent investment in our networks to maintain serviceability and quasi taxes (including the CRC energy efficiency levy), offset by efficiency savings derived from our ongoing improvement programmes. However, the expectation is that opex for the full year will be below the level allowed in the Final Determination. Going forward, our objective is to continue to manage our operational expenditure within the limits of the final determination.

Assuming no significant deterioration in the economy, especially in relation to unemployment levels, bad debts are expected to remain stable.

Our net capital expenditure programme (UK GAAP after deducting grants and contributions) remains at £450 - £470 million. The level of net infrastructure renewals expenditure included in this figure is anticipated to be £120 - £130 million. Both figures exclude the impact of PDaS.

In Severn Trent Services, market environments remain challenging, and we do not currently expect to see any upturn in these markets before the start of the next financial year. We expect full year performance to be second half weighted.

It is expected the group interest charge for 2011/12, including index linked debt, will be broadly in line with the prior year, before adjustments related to pension accounting.

The expected effective current tax rate for 2011/12 is expected to be 26% to 27%.

The group maintains a strong, flexible and sustainable balance sheet, the structure of which is kept under regular review. The management team of Severn Trent has a clear and focused strategy by delivering continuous improvement and higher standards we aim to achieve higher levels of operational excellence and sustainable, attractive returns to shareholders.

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 2011

	Notes	**2011 £m**	2010 £m
Turnover	2	**886.0**	867.9
Operating costs before exceptional items		**(611.7)**	(590.9)
Exceptional bad debt provision	3	**(21.9)**	-
Exceptional restructuring costs	3	**(3.6)**	(6.2)
Exceptional provision release	3	**6.0**	-
Total operating costs		**(631.2)**	(597.1)
Profit before interest, tax and exceptional items	2	**274.3**	277.0
Exceptional items	3	**(19.5)**	(6.2)
Profit before interest and tax		**254.8**	270.8
Finance income		**52.6**	47.9
Finance costs		**(172.0)**	(167.0)
Net finance costs		**(119.4)**	(119.1)
Losses on financial instruments	4	**(70.2)**	(50.7)
Share of results of associates and joint ventures		**0.1**	0.1
Profit before tax, losses on financial instruments and exceptional items		**155.0**	158.0
Exceptional Items		**(19.5)**	(6.2)
Losses on financial instruments	4	**(70.2)**	(50.7)
Profit on ordinary activities before taxation		**65.3**	101.1
Taxation on profit on ordinary activities			
Current tax	5	**(43.9)**	(44.0)
Deferred tax	5	**16.4**	13.6
Exceptional deferred tax	5	**34.5**	33.8
Total taxation		**7.0**	**3.4**
Profit for the period		**72.3**	104.5
Attributable to:			
Equity holders of the company		**72.3**	103.8
Equity non-controlling interests		**-**	0.7
		72.3	104.5
Earnings per share (pence)			
Basic	7	**30.5**	43.9
Diluted	7	**30.4**	43.8

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2011

	2011 **£m**	2010 £m
Profit for the period	**72.3**	104.5
Losses on cash flow hedges	**(66.5)**	(23.2)
Deferred tax on losses on cash flow hedges	**16.6**	6.3
Amounts on cash flow hedges transferred to the income statement in the period	**1.9**	2.6
Deferred tax on transfers to income statement	**(0.5)**	(0.6)
Exchange movement on translation of overseas results and net assets	**1.7**	(5.3)
Tax on exchange differences	**-**	(1.2)
Actuarial losses on defined benefit pension schemes	**(104.2)**	(5.3)
Tax on actuarial losses	**26.1**	1.5
Deferred tax arising on change of rate	**0.8**	0.4
Other comprehensive income for the period	**(124.1)**	(24.8)
Total comprehensive loss for the period	**(51.8)**	79.7
Attributable to:		
Equity shareholders of the company	**(51.9)**	79.2
Equity non-controlling interests	**0.1**	0.5
	(51.8)	79.7

Condensed consolidated statement of changes in equity
Six months ended 30 September 2011

	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to equity holders of Severn Trent Plc	Non controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2010	231.6	75.9	455.6	177.6	940.7	6.3	947.0
Profit for the period	-	-	-	103.8	103.8	0.7	104.5
Losses on cash flow hedges	-	-	(23.2)	-	(23.2)	-	(23.2)
Deferred tax on losses on cash flow hedges	-	-	6.3	-	6.3	-	6.3
Amounts on cash flow hedges transferred to the income statement	-	-	2.6	-	2.6	-	2.6
Deferred tax on transfers to the income statement	-	-	(0.6)	-	(0.6)	-	(0.6)
Exchange movement on translation of overseas results and net assets	-	-	(5.1)	-	(5.1)	(0.2)	(5.3)
Tax on exchange differences	-	-	(1.2)	-	(1.2)	-	(1.2)
Actuarial losses on defined benefit pensions schemes	-	-	-	(5.3)	(5.3)	-	(5.3)
Tax on actuarial losses	-	-	-	1.5	1.5	-	1.5
Deferred tax arising on change of rate	-	-	-	0.4	0.4	-	0.4
Total comprehensive income for the period	-	-	(21.2)	100.4	79.2	0.5	79.7
Shares issued	0.5	3.5	-	-	4.0	-	4.0
Share based payments	-	-	-	0.2	0.2	-	0.2
Tax on share based payments	-	-	-	0.8	0.8	-	0.8
Dividends paid	-	-	-	(107.8)	(107.8)	(1.3)	(109.1)
At 30 September 2010	232.1	79.4	434.4	171.2	917.1	5.5	922.6
At 1 April 2011	232.2	80.0	464.5	323.1	1,099.8	6.3	1,106.1
Profit for the period	-	-	-	72.3	72.3	-	72.3
Losses on cash flow hedges	-	-	(66.5)	-	(66.5)	-	(66.5)
Deferred tax on losses on cash flow hedges	-	-	16.6	-	16.6	-	16.6
Amounts on cash flow hedges transferred to the income statement	-	-	1.9	-	1.9	-	1.9
Deferred tax on transfers to the income statement	-	-	(0.5)	-	(0.5)	-	(0.5)
Exchange movement on translation of overseas results and net assets	-	-	1.6	-	1.6	0.1	1.7
Actuarial losses on defined benefit pensions schemes	-	-	-	(104.2)	(104.2)	-	(104.2)
Tax on actuarial losses	-	-	-	26.1	26.1	-	26.1
Deferred tax arising on change of rate	-	-	-	0.8	0.8	-	0.8
Total comprehensive loss for the period	-	-	(46.9)	(5.0)	(51.9)	0.1	(51.8)
Shares issued	0.4	3.5	-	-	3.9	-	3.9
Share based payments	-	-	-	0.9	0.9	-	0.9
Tax on share based payments	-	-	-	0.3	0.3	-	0.3
Dividends paid	-	-	-	(92.5)	(92.5)	(0.3)	(92.8)
At 30 September 2011	**232.6**	**83.5**	**417.6**	**226.8**	**960.5**	**6.1**	**966.6**

Condensed consolidated balance sheet
At 30 September 2011

	Notes	**30 September 2011 £m**	31 March 2011 £m
Non-current assets			
Goodwill		**68.8**	68.3
Other intangible assets		**124.4**	134.9
Property, plant and equipment		**6,481.6**	6,427.0
Interests in joint ventures		**0.2**	0.2
Interests in associates		**4.7**	4.8
Derivative financial instruments		**172.1**	188.1
Available for sale financial assets		**0.1**	0.1
		6,851.9	6,823.4
Current assets			
Inventory		**30.5**	27.1
Trade and other receivables		**453.7**	478.5
Derivative financial instruments		**45.0**	4.3
Cash and cash equivalents		**412.6**	315.2
		941.8	825.1
Total assets		**7,793.7**	7,648.5
Current liabilities			
Borrowings	8	**(85.5)**	(23.9)
Derivative financial instruments		**(3.6)**	(0.1)
Trade and other payables		**(494.7)**	(391.2)
Current income tax liabilities		**(72.9)**	(67.0)
Provisions for liabilities and charges		**(9.4)**	(12.6)
		(666.1)	(494.8)
Non-current liabilities			
Borrowings	8	**(4,271.6)**	(4,320.5)
Derivative financial instruments		**(262.9)**	(122.4)
Trade and other payables		**(385.3)**	(367.8)
Deferred tax		**(827.5)**	(919.4)
Retirement benefit obligations	9	**(388.1)**	(292.1)
Provisions for liabilities and charges		**(25.6)**	(25.4)
		(6,161.0)	(6,047.6)
Total liabilities		**(6,827.1)**	(6,542.4)
Net assets		**966.6**	1,106.1
Capital and reserves attributable to the company's equity shareholders			
Called up share capital	10	**232.6**	232.2
Share premium account		**83.5**	80.0
Other reserves		**417.6**	464.5
Retained earnings		**226.8**	323.1
Equity attributable to the company's equity shareholders		**960.5**	1,099.8
Non-controlling interest		**6.1**	6.3
Total equity		**966.6**	1,106.1

Condensed consolidated cash flow statement
Six months ended 30 September 2011

Six months ended 30 September	Note	**2011** **£m**	2010 £m
Cash generated from operations	11	**475.6**	478.2
Tax paid		**(35.5)**	(24.7)
Net cash generated from operating activities		**440.1**	453.5
Investing activities			
Interest received		**1.9**	2.0
Proceeds on disposal of property, plant and equipment		**-**	2.6
Purchases of intangible assets		**(3.1)**	(13.6)
Purchases of property, plant and equipment		**(156.5)**	(196.0)
Contributions and grants received		**9.5**	8.5
Net cash used in investing activities		**(148.2)**	(196.5)
Financing activities			
Interest paid		**(80.0)**	(78.8)
Interest element of finance lease payments		**(5.1)**	(3.9)
Dividends paid to shareholders of the parent		**(92.5)**	(107.8)
Dividends paid to non-controlling interests		**(0.3)**	(1.3)
Repayments of borrowings		**(4.9)**	(28.8)
Repayments of obligations under finance leases		**(13.8)**	(13.2)
Closed out swap		**-**	20.5
New loans raised		**-**	171.0
Issues of shares		**3.9**	4.0
Purchase of own shares		**(1.8)**	(2.0)
Net cash used in financing activities		**(194.5)**	(40.3)
Increase in cash and cash equivalents		**97.4**	216.7
Net cash and cash equivalents at beginning of period		**315.2**	227.8
Effect of foreign exchange rates		**-**	(0.7)
Net cash and cash equivalents at end of period		**412.6**	443.8
Net cash and cash equivalents comprise:			
Total cash and cash equivalents		**412.6**	443.9
Bank overdrafts		**-**	(0.1)
Net cash and cash equivalents at end of period		**412.6**	443.8

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 2011 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 a statements under section 498 (2) or (3) of the Companies Act 2006.

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" as adopted by the European Union. 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 2011.

Going concern
The group is funded for its investment and cash flow needs for the next two years. 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.

Six months ended 30 September		**2011**		2010
	Severn Trent Water £m	**Severn Trent Services £m**	Severn Trent Water £m	Severn Trent Services £m
External sales	**734.3**	**151.0**	702.2	165.6
Inter-segment sales	**0.7**	**9.0**	0.1	6.4
Total sales	**735.0**	**160.0**	702.3	172.0
Profit before interest, tax and exceptional items	**272.9**	**6.5**	272.7	13.0
Exceptional items (note 3)	**(3.6)**	**(21.9)**	(6.2)	-
Profit before interest and tax	**269.3**	**(15.4)**	266.5	13.0

The reportable segments' external turnover is reconciled to group turnover as follows:

Six months ended 30 September	**2011 £m**	2010 £m
Severn Trent Water	**734.3**	702.2
Severn Trent Services	**151.0**	165.6
Corporate and other	**0.7**	0.1
	886.0	867.9

Notes to the condensed interim financial information

2 Segmental analysis (continued)

Segmental underlying PBIT is reconciled to the group's profit before tax and discontinued operations as follows:

Six months ended 30 September	2011 £m	2010 £m
Underlying PBIT:		
Severn Trent Water	**272.9**	272.7
Severn Trent Services	**6.5**	13.0
Corporate and other costs	**(6.3)**	(6.6)
Consolidation adjustments	**1.2**	(2.1)
Group underlying PBIT	**274.3**	277.0
Exceptional items:		
Severn Trent Water	**(3.6)**	(6.2)
Severn Trent Services	**(21.9)**	-
Corporate and other costs	**6.0**	-
Share of results of associates and joint ventures	**0.1**	0.1
Net finance costs	**(119.4)**	(119.1)
Losses on financial instruments	**(70.2)**	(50.7)
Profit before tax and discontinued operations	**65.3**	101.1

The segmental analysis of capital employed was as follows:

	30 September 2011		31 March 2011	
	Severn Trent Water £m	Severn Trent Services £m	Severn Trent Water £m	Severn Trent Services £m
Operating assets	**6,912.8**	**177.8**	6,864.8	203.8
Goodwill	**-**	**68.8**	-	68.3
Interests in joint ventures and associates	**0.1**	**4.7**	0.1	4.7
Segment assets	**6,912.9**	**251.3**	6,864.9	276.8
Segment operating liabilities	**(1,168.6)**	**(86.3)**	(959.7)	(87.8)
Capital employed	**5,744.3**	**165.0**	5,905.2	189.0

3 Exceptional items

The group classifies items of income or expenditure as exceptional if individually or, if of a similar type, in aggregate they 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	2011 £m	2010 £m
Restructuring costs:		
Severn Trent Water	**3.6**	6.2
Exceptional restructuring costs	**3.6**	6.2
Other exceptional costs:		
Severn Trent Services	**21.9**	-
Corporate and other	**(6.0)**	-
Other exceptional costs	**15.9**	-
Total exceptional operating costs	**19.5**	6.2

Notes to the condensed interim financial information

4 Losses on financial instruments

Six months ended 30 September	2011 £m	2010 £m
Gain on cross currency swaps used as hedging instruments in fair value hedges	**11.9**	23.8
Loss arising on adjustment for foreign currency debt in fair value hedges	**(16.1)**	(15.2)
Exchange gain on other loans	**16.3**	17.3
Loss on cash flow hedges transferred from equity	**(1.9)**	(2.6)
Loss arising on swaps where hedge accounting is not applied	**(80.4)**	(74.0)
	(70.2)	(50.7)

5 Tax

Before the exceptional tax credit, income tax for the period is charged in the income statement at 42.1% (six months ended 30 September 2010: charged at 30.1%), 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 28.3% (2010: 27.8%).

Current tax charges of £2.4 million and deferred tax credits of £41.0 million have been taken to reserves in the period.

The Finance Act 2010 was enacted in the period and implemented a reduction in the corporation tax rate from 26% to 25% with effect from 1 April 2011. The impact of this rate reduction on the deferred tax provision has been reflected in these financial statements and has resulted in deferred tax credits of £34.5 million in the profit and loss account and £0.8 million in reserves.

Future changes reducing the corporation tax rate by 1% per annum to 23% by 1 April 2014 have been announced but not substantively enacted at the balance sheet date and have therefore not been taken into account.

6 Dividends

Amounts recognised as distributions to equity holders in the period:

Six months ended 30 September	2011		2010	
	Pence per share	£m	Pence per share	£m
Final dividend for the year ended 31 March	**39.05**	**92.5**	45.61	107.8

The proposed interim dividend of 28.04p per share (2010: 26.04p per share) was approved by the board on 24 November 2011 and has not been included as a liability as at 30 September 2011.

7 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 to the extent that 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.

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

Earnings

Six months ended 30 September	2011 £m	2010 £m
Earnings for the purpose of basic and diluted earnings per share from continuing and discontinuing operations being:		
Profit for the period attributable to the equity holders of the company	**72.3**	103.8

7 Earnings per share (continued)

Number of shares

Six months ended 30 September	2011 m	2010 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**237.0**	236.5
Effect of dilutive potential ordinary shares:		
Share options and LTIPs	**1.0**	0.6
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**238.0**	237.1

Adjusted earnings per share

Six months ended 30 September	2011 Pence	2010 Pence
Adjusted basic earnings per share	**46.4**	47.4
Adjusted diluted earnings per share	**46.2**	47.3

Adjusted earnings per share figures exclude the effects of deferred tax, losses on financial instruments and exceptional items in both 2011 and 2010. 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:

Adjustments to earnings

Six months ended 30 September	2011 £m	2010 £m
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**72.3**	103.8
Adjustments for:		
Exceptional items	**19.5**	6.2
Current tax related to exceptional items	**(1.1)**	(1.1)
Losses on financial instruments	**70.2**	50.7
Deferred tax	**(50.9)**	(47.4)
Earnings for the purpose of adjusted basic and diluted earnings per share	**110.0**	112.2

8 Borrowings

	30 September 2011 £m	31 March 2011 £m
Bank loans	**850.5**	846.8
Other loans	**3,254.1**	3,230.9
Obligations under finance leases	**252.5**	266.7
Borrowings	**4,357.1**	4,344.4

	30 September 2011 £m	31 March 2011 £m
The borrowings are repayable as follows:		
On demand or within one year (included in current liabilities)	**85.5**	23.9
In the second year	**433.7**	109.4
In the third to fifth years	**1,193.4**	1,467.4
After five years	**2,644.5**	2,743.7
Included in non-current liabilities	**4,271.6**	4,320.5
	4,357.1	4,344.4

9 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 2011 has been calculated on a year to date basis, using the actuarial valuation update as at 31 March 2011. 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 2011. However, the market based assumptions have been updated for conditions prevailing at the balance sheet date as follows:

	30 September 2011	31 March 2011
Discount rate	**5.2%**	5.6%
Inflation rate	**3.1%**	3.5%

The defined benefit assets have been updated to reflect their market value as at 30 September 2011. 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. Actuarial gains and losses on the defined benefit obligations have also been reported in the statement of comprehensive income.

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

Six months ended September	2011 £m	2010 £m
Amounts charged to operating costs:		
Current service cost	**(12.1)**	(11.7)
Amounts charged to net finance costs:		
Interest cost	**(48.4)**	(48.8)
Expected return on scheme assets	**50.3**	45.9
	1.9	(2.9)
Total amount charged to the income statement	**(10.2)**	(14.6)

Notes to the condensed interim financial information

9 Retirement benefit schemes (continued)

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

	30 September 2011 £m	31 March 2011 £m
Present value of the defined benefit obligations - funded schemes	**(1,783.9)**	(1,757.4)
Total fair value of assets	**1,404.0**	1,473.4
Present value of the defined benefit obligations - unfunded schemes	**(8.2)**	(8.1)
Liability recognised in the balance sheet	**(388.1)**	(292.1)

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

	2011 £m	2010 £m
At 1 April	**(292.1)**	(354.9)
Current service cost	**(12.1)**	(11.7)
Interest cost	**(48.4)**	(48.8)
Expected return on scheme assets	**50.3**	45.9
Contributions from the sponsoring companies	**18.4**	15.5
Actuarial losses recognised in the statement of comprehensive income	**(104.2)**	(5.3)
At 30 September	**(388.1)**	(359.3)

10 Share capital

At 30 September 2011 the issued and fully paid share capital was 237.6 million shares of $97^{17}/_{19}$p amounting to £232.6 million (31 March 2011: 237.1 million shares of $97^{17}/_{19}$p amounting to £232.2 million).

During the period the company issued 500,943 shares as a result of the exercise of employee share options.

11 Cash flow

a) Reconciliation of operating profit to operating cash flows

Six months ended 30 September	**2011 £m**	2010 £m
Profit before interest and tax	**254.8**	270.8
Depreciation of property, plant and equipment	**125.5**	128.7
Amortisation of intangible assets	**13.9**	12.6
Pension service cost	**12.1**	11.7
Pension contributions	**(18.4)**	(15.5)
Share based payments charge	**2.1**	2.2
Profit on sale of property, plant and equipment	**0.3**	(2.0)
Deferred income movement	**(4.5)**	(3.9)
Provisions for liabilities and charges	**3.2**	3.1
Utilisation of provisions for liabilities and charges	**(6.4)**	(12.6)
Decrease in working capital	**93.0**	83.1
Cash generated from operations	**475.6**	478.2
Tax paid	**(35.5)**	(24.7)
Net cash generated from operating activities	**440.1**	453.5

11 Cash flow (continued)

b) Non cash transactions
No additions to property, plant and equipment during the six months to September 2011 were financed by new finance leases (2010: nil).

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

Six months ended 30 September	2011 £m	2010 £m
Restructuring costs	**(7.1)**	(17.8)
Charitable contribution	**-**	(1.0)
Third party legal costs	**(3.3)**	-
	(10.4)	(18.8)

d) Reconciliation of movements in net debt

	As at 1 April 2011 £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 2011 £m**
Cash and cash equivalents	315.2	97.4	-	-	-	-	**412.6**
Net cash and cash equivalents	315.2	97.4	-	-	-	-	**412.6**
Bank loans	(846.8)	-	-	(3.7)	-	-	**(850.5)**
Other loans	(3,230.9)	4.9	(16.1)	(27.4)	16.3	(0.9)	**(3,254.1)**
Finance leases	(266.7)	13.8	-	-	-	0.4	**(252.5)**
Cross currency swaps hedging debt	160.4	-	5.7	-	-	19.6	**185.7**
Net debt	(3,868.8)	116.1	(10.4)	(31.1)	16.3	19.1	**(3,758.8)**

12 Post balance sheet events

There were no significant post balance sheet events.

13 Contingent liabilities

Details of the group's contingent liabilities were disclosed in the financial statements for the year ended 31 March 2011 which were approved on 27 May 2011. Except as noted below, there have been no significant developments relating to the contingent liabilities disclosed in those financial statements.

On 30 June 2011 the Drinking Water Inspectorate published its report on the results of its investigation of aspects of the services provided by Severn Trent Laboratories Limited from its Bridgend laboratory. No financial penalty was imposed on Severn Trent Laboratories as a result of this report and no further liability has arisen.

14 Related party transactions

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

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 Services Authority.

Signed on behalf of the Board who approved the half yearly financial report on 24 November 2011.

Andrew Duff
Chairman

Michael McKeon
Finance Director

Further copies of this half yearly financial report may be obtained from the Company Secretary, Severn Trent Plc, Severn Trent Centre, PO BOX 5309, Coventry, CV3 9FH or by emailing severntrent@equiniti.com.

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 2011 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 14. 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 2011 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 Auditor
London, UK
24 November 2011

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", "will", "should", "expects", "believes", "intends", "plans", "potential", "reasonably possible", "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 regime within which the group operates (including increased competition); developments in the capital 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.

Details of the principal risks and uncertainties facing the group are set out in the risk and assurance section on pages 56 to 58 of Severn Trent's Annual Report and Accounts 2011.

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. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Severn Trent does not intend to update these forward-looking statements and does not undertake any obligation to do so. Nothing in this document should be regarded as a profits forecast.

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).