Half Yearly Financial Report
27 November 2012
Interim Results for the six months to 30 September 2012

Highlights

- Financial results in line to deliver full year expectations
- Additional £150 million investment programme already delivering operational improvements to the benefit of customers
- Leakage, pollution incidents and SIM score all improving*
- On track to deliver improved serviceability for water distribution network and improvement in Ofwat KPI performance for this year
- Non-regulated part of the group showing a positive trend
- Responded to Ofwat proposed licence modifications with constructive suggestions to reduce uncertainty

* September 2012 vs. March 2012

Group results

Six months ended 30 September	2012 £m	2011 £m	Increase/ (Decrease) %
Group turnover	**917.7**	886.0	3.6%
Underlying group PBIT[1]	**267.2**	274.3	(2.6%)
Underlying group profit before tax[2]	**157.5**	155.0	1.6%
Group profit before tax	**120.9**	65.3	85.1%
	pence/ share	pence/ share	
Adjusted basic EPS[3]	**47.4**	46.4	2.2%
Basic earnings per share	**51.6**	30.5	69.2%
Interim dividend declared	**30.34**	28.04	8.2%

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

Tony Wray, Chief Executive Severn Trent Plc, said:

"We have delivered again on our commitments to our stakeholders, we are on track with our £150 million additional investment programme announced in May, delivering operational improvements in the areas we targeted for this year, improving our service to customers and producing sustainable, progressive returns for shareholders.

Group revenue was up 3.6% period on period, although underlying group PBIT was down, reflecting planned increased investment in our networks and customer service in Severn Trent Water.

In the first half Severn Trent Water invested £239 million and the benefits of this investment are evident in our operational improvements, with leakage and pollution incidents decreasing while customer satisfaction, as measured by the SIM (Service Incentive Mechanism), is improving.

In our non-regulated business we are encouraged by the initial performance of our new business Severn Trent Costain, as well as the improvement in our existing Products business.

On the regulatory front, we remain in favour of the broader reform programme for the water industry, and have made some constructive suggestions to overcome concerns regarding Ofwat's proposed changes to licences, in order to reduce uncertainty for the benefit of all stakeholders. We will continue to promote constructive debate on what the future regulatory framework should look like."

Enquiries:

Tony Wray *Chief Executive*	Severn Trent Plc	0207 353 4200 (on the day) 02477 715000
Mike McKeon *Finance Director*	Severn Trent Plc	0207 353 4200 (on the day) 02477 715000
John Crosse *Head of Investor Relations*	Severn Trent Plc	0207 353 4200 (on the day) 02477 715000
Rob Salmon *Media Relations*	Severn Trent Plc	0207 353 4200 (on the day) 02477 715000
Anastasia Shiach/Martha Kelly	Tulchan Communications	0207 353 4200

Interim Results Presentation and Webcast
There will be a presentation of these results at 9:30am on Tuesday 27 November 2012 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. 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

Regulated - Severn Trent Water

Following the announcement in May of an additional £150 million of capital investment over the next 3 years, in the first six months of this year we have invested £22 million, increasing activity on our trunk mains and sewers, investing more in leakage reduction and making improvements at water treatment works. This underpins our plans to improve network serviceability, and we have already seen a positive impact on operational performance. Our capital programme grew by 28% period on period to £239.2 million (UK GAAP, net of grants and contributions), of which £4 million related to private drains and sewers which we adopted in October 2011.

Wet weather over the summer has impacted our income. Customer measured consumption was lower by 2.8% in the first six months compared to the same period last year. Commercial consumption, in particular agricultural, was lower than expected, and household measured consumption was weaker than anticipated. This downside was compensated by the allowed price increase of 5.2%, leaving turnover up by 3.5%. Due to our previously announced increased investment and maintenance programmes and service delivery improvements, underlying PBIT was lower by just over 1% on higher levels of planned infrastructure renewals, the current year being the peak for the AMP, and increases in non-controllable costs.

In order to give a consistent view of operating costs period on period we have split out the impact of private drains and sewers in the following analysis and in the financial review on page 5. Excluding £5.3 million of costs in the period relating to private drains and sewers, which we adopted in October 2011 (£2.1 million incurred in prior period as we prepared for adoption), operating expenditure was up 2.1%, in line with expectations, and the level allowed in the Final Determination. Direct employee costs increased due to the delivery of service improvements and increased capital programme, which was also reflected in labour costs capitalised increasing. Hired and contracted costs were 4.6% lower period on period. Overall net labour costs, including hired and contracted, were 0.6% lower period on period. Bad debt was stable at 2.2% of turnover. We were pleased with our cost management, as controllable costs (direct employee costs and hired and contracted net of own work capitalised, plus materials and other costs) fell by 0.8% period on period (including costs related to private drains and sewers controllable costs rose 1.0%). Non-controllable costs (quasi taxes, bad debts, power) increased by 7.9% vs. the same period last year.

Depreciation was £9.4 million higher period on period due to the impact of capital expenditure increasing the size of the asset base.

We generated slightly less renewable power in the first six months, which accounted for 23.8% of our gross consumption compared to 24.0% in the prior period. This was primarily due to lower levels of sludge, the raw material for our power generation process, but by year end we expect increases in our renewables generation year on year.

Ofwat's new KPI performance report for 2011-12 confirmed a number of areas for improvement that we had previously highlighted in our full year results in May. Since the end of March 2012 we have made good progress in a number of these areas including security of supply and pollution incidents. Leakage reduction is on target year to date, and prior to the important winter period, in September leakage was around 4% lower than in March.

Given Ofwat's adoption of a KPI based performance assessment for all companies in the sector, a move we wholeheartedly support, we have therefore evolved our own suite of KPIs to align with Ofwat's, and in the future we will be reporting and benchmarking our operational performance using these. Based on data for 2011-12, benchmarking reveals 4 KPIs where our performance was upper quartile, 8 where our performance was median and 3 where our performance put us in the lower quartile.

Non-regulated

In Operating Services, excluding structural changes (see below), underlying PBIT was broadly flat, although revenues were down period on period due to reductions in work volumes in Italy, with the US business seeing an improved performance in the Texas Gulf region, and a good performance in the UK from the Ministry of Defence contract.

A new company, Severn Trent Costain, was formed with Costain Group Plc to provide water and waste water management services to high volume commercial and industrial users, and it has already won its first customer in the new competitive market. This is the first national customer to switch supplier in the UK.

In Water Purification (Products), revenue and PBIT were both up period on period, led by a significant growth in disinfection products, particularly gas feed and electro chlorination, as well as the launch of BALPURE®. In the period BALPURE® contributed £2.5 million of sales, with orders totalling a further £3 million.

In total the Products order book remained healthy, with £50 million ($83 million) at the end of September, and at present 80% is expected to ship this financial year.

During the first six months of the year there were a number of changes to the non-regulated operations, to make it more focused for the future. The sale of the metering business was completed, and the planned sale of the Analytical Services business was announced and is progressing.

Excluding the impact of structural changes (i.e. businesses sold or held for sale, and acquisitions) and exchange movements, revenue and underlying PBIT both grew by 9.5% and 1.9% respectively period on period, after additional investment in business development activities, which increased by £1 million to £1.8 million. Reported revenue (including the impact of structural changes) grew by 1.3% and reported underlying PBIT fell by a third, mainly due to the loss of earnings from the metering business and lower earnings from a radically restructured Analytical Services.

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 £917.7 million (£886.0 million), an increase of 3.6% over the same period last year. Underlying group PBIT was 2.6% lower than last year. The primary factors affecting turnover and underlying PBIT are described in the commentary below.

There was a net exceptional credit of £1.1 million (charge of £19.5 million). Group PBIT increased 5.3% to £268.3 million (£254.8 million).

Severn Trent Water

Turnover in Severn Trent Water increased by 3.5% to £761.0 million. Sales prices increased by 5.2% (in line with inflation) from 1 April 2012 which was offset by lower consumption during the wet summer period.

Underlying PBIT was down by 1.4% on the same period last year, to £269.1 million. Direct operating costs increased by £9.1 million (see below), there was an increase in infrastructure renewals expenditure of £11.3 million and depreciation increased by £9.4 million.

Employee costs increased by £9.2 million to £106.6 million. The increased employee costs were partly due to delivery of service improvements and the growth in our capital programme which led to labour and related overheads capitalised £6.7 million higher than in the first half of 2011/12 at £38.9 million. Hired and contracted costs decreased by £3.4 million to £71.1 million. Overall net labour costs, including hired and contracted, were 0.6% lower period on period. Raw materials and consumables at £22.5 million were 4.3% lower than the same period in the prior year. Other operating costs increased by £0.5 million to £20.3 million. In total, controllable costs were up £1.8 million, or 1.0%, including an increase of £3.2 million relating to private drains and sewers, which we adopted in October 2011.

Bad debts were 1.3% higher at £15.7 million, representing 2.2% of turnover (2.2%). An increase of £3.7 million in power costs to £27.6 million arose due to increased consumption as a result of the wet weather and higher strike prices on our energy swaps. Quasi taxes, which comprise rates, service charges and the CRC, increased by £3.4 million to £56.4 million, mainly due to an increase in rates. In total, non-controllable costs were up £7.3 million or 7.9%.

During the period, Severn Trent Water invested £239.2 million (£187.0 million) (UK GAAP, net of grants and contributions) in fixed assets and maintaining and improving its infrastructure network. Included in this total was net infrastructure maintenance expenditure of £63.4 million (£52.1 million), charged to the income statement under IFRS.

Severn Trent Services

Six months ended 30 September	2012	2011	Increase/ (decrease)
	£m	£m	%
Turnover			
Services as reported	**162.1**	160.0	1.3%
Structural changes	**(14.4)**	(19.4)	
Impact of exchange rate fluctuations	**-**	(5.7)	
Like for like	**147.7**	134.9	9.5%
Underlying PBIT			
Services as reported	**4.1**	6.5	(36.9%)
Structural changes	**1.2**	(1.3)	
Impact of exchange rate fluctuations	**-**	-	
Like for like	**5.3**	5.2	1.9%

Reported turnover in Severn Trent Services at £162.1 million in the period was up 1.3% on the same period last year and reported underlying PBIT decreased by 36.9% to £4.1 million.

After adjusting for the impact of exchange rate fluctuations and structural changes, turnover on a constant currency basis was up 9.5% and underlying PBIT measured on the same basis was up 1.9%.

Corporate and Other

Corporate and Other incurred a net charge before interest, tax and exceptional items of £7.2 million (£6.3 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 an exceptional credit in the six months to 30 September 2012 of £1.1 million (charge of £19.5 million).

The exceptional credit resulted from the profit on disposal of the group's meter installation, repair and replacement business.

Net finance costs

The group's net finance costs were £109.8 million, compared to £119.4 million in the prior period. Lower inflation has led to lower finance costs on index linked debt which has offset an increase due to higher borrowings and a higher net pension finance cost.

The effective interest rate, including index linked debt, for the period to September 2012 was 5.6% (6.3%). The effective cash cost of interest excluding the RPI uplift on index linked debt was 4.9% (5.0%).

Net loss 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 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 as the change in value of the derivative then an accounting mismatch arises and there is a net charge or credit to the income statement.

Where the derivatives are held for their full term, these mismatches are expected to net out. Furthermore, the changes in value that are recorded during the lives of the derivatives, unless crystalised, do not represent cash flows.

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 increased by 1.6% to £157.5 million (£155.0 million). Group profit before tax was £120.9 million (£65.3 million).

Taxation
The total tax credit for the period was £2.9 million (credit of £7.0 million), of which current tax represented a charge of £40.3 million (£43.9 million) and deferred tax was a credit of £9.0 million (credit of £16.4 million) excluding an exceptional credit of £34.2 million arising from the reduction in corporation tax rate from 24% to 23% with effect from 1 April 2013.

The effective rate of current tax, excluding prior year charges and current tax on exceptional items and on financial instruments, calculated on profit before tax, exceptional items and net loss on financial instruments was 27.7% (29.1%).

Profit for the period and earnings per share
Profit for the period was £123.8 million (£72.3 million).

Basic earnings per share were 51.6 pence (30.5 pence). Adjusted basic earnings per share (before exceptional items, net loss on financial instruments, current tax on exceptional items and on financial instruments and deferred tax) were 47.4 pence (46.4 pence), see note 7.

Cash flow

Six months ended 30 September	2012 £m	2011 £m
Cash generated from operations	**451.3**	475.6
Net capital expenditure	**(184.4)**	(150.1)
Net interest paid	**(73.2)**	(83.2)
Closed out swap	**(13.0)**	-
Tax paid	**(18.5)**	(35.5)
Other cash flows	**1.5**	(0.3)
Free cash flow	**163.7**	206.5
Dividends	**(249.9)**	(92.5)
Issue of shares	**6.3**	3.9
Purchase of own shares	**(1.4)**	(1.8)
Change in net debt from cash flows	**(81.3)**	116.1
Non-cash movements	**(5.6)**	(6.1)
Change in net debt	**(86.9)**	110.0
Net debt as at 1 April	**(3,967.8)**	(3,868.8)
Net debt as at 30 September	**(4,054.7)**	(3,758.8)

Net debt comprises:

	30 September 2012 £m	31 March 2012 £m	30 September 2011 £m
Cash and cash equivalents	**246.6**	295.1	412.6
Bank overdrafts	**(0.9)**	(0.4)	-
Bank loans	**(860.0)**	(852.5)	(850.5)
Other loans	**(3,330.7)**	(3,326.9)	(3,254.1)
Finance leases	**(218.9)**	(219.0)	(252.5)
Cross currency swaps hedging debt	**109.2**	135.9	185.7
Net debt	**(4,054.7)**	(3,967.8)	(3,758.8)

Cash generated from operations was £451.3 million (£475.6 million). Capital expenditure net of grants and proceeds of sales of fixed assets was £184.4 million (£150.1 million). Net interest paid decreased to £73.2 million (£83.2 million). Cashflows in the period included the £149.9 million special dividend paid to shareholders in July 2012.

Net debt at 30 September 2012 was £4,054.7 million (31 March 2012 £3,967.8 million). Balance sheet gearing (net debt/net debt plus equity) at the half year was 82.6% (31 March 2012 80.2%). Net debt, expressed as a percentage of estimated Regulatory Capital Value at 30 September 2012 was 56.4% (56.0%).

The group's net interest charge, excluding net loss on financial instruments and net finance costs from pensions, was covered 3.7 times (3.5 times) by profit before interest, tax, depreciation and exceptional items, and 2.4 times (2.3 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 £320.5 million as at 30 September 2012. This compares to a deficit of £345.8 million as at 31 March 2012. The movements in the net deficit were:

	Defined benefit obligations £m	Fair value of plan assets £m	Net deficit £m
At 1 April 2012	(1,903.0)	1,557.2	(345.8)
Employer contributions	-	13.5	13.5
Employee contributions	(2.7)	2.7	-
Benefits paid	35.7	(35.7)	-
Current service cost	(11.5)	-	(11.5)
Past service cost	(0.3)	-	(0.3)
Net finance cost	(45.8)	43.5	(2.3)
Actuarial gains and losses	29.1	(3.2)	25.9
At 30 September 2012	**(1,898.5)**	**1,578.0**	**(320.5)**

On an IAS 19 basis, the funding level has increased to 83% (82%).

Treasury management
At 30 September 2012 the group had £246.6 million in cash and cash equivalents. Average debt maturity is around 16 years.

In July 2012 the group issued a £75 million sterling denominated RPI linked bond in the retail bond market. A coupon of 1.3% is payable on the notes which are due to mature in July 2022. A 10 year bilateral bank facility of £100 million was also drawn in the period.

Cash is invested in deposits with highly rated 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 2012, interest rates for some 69% of the group’s net debt of £4,054.7 million were so fixed.

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. The net liability arising from these at 30 September 2012, measured at fair value, was £311.7 million. Some of these swaps, which were entered into in 2000 – 2005, include options for the counterparty to terminate the contracts at specified points in their lives. During the period the group terminated one of these contracts at a cash outlay of £13.0 million. This swap had a notional principal amount of £30 million. As a result of the termination the corresponding amount of our net debt will now be subject to current market interest rates, which are presently lower than the amounts payable under the swap.

The fair value at 30 September 2012 of remaining swaps with termination options was a liability of £144.7 million and their aggregate notional principal amount was £345 million. The next termination options for the remaining swaps occur between November 2012 and May 2016 and the group will actively manage its exposure to these contracts over that period.

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 and current dividend policy for AMP5 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 30.34p per share (28.04p per share, +8.2%), which will be paid on 11th January 2013 to shareholders on the register at 7th December 2012.

Regulatory Update
Over the past 2 years Severn Trent has led the debate on creating a sustainable water industry in England and Wales with the "Changing Course" series of publications. In these reports we have suggested and supported reforms of the water industry to make it more sustainable, drive innovation and efficiency and provide customers with even better value for money.

We welcome the publication of the Government's Draft Water Bill and were pleased to give evidence to the EFRA (Environment, Food and Rural Affairs) select committee in October. We are supportive of the measures to enable business customers in England and Wales to switch water and sewerage suppliers, and we have joined with Costain to address this market opportunity. We have been advocating for some time the promotion of water trading between water companies and we are also supportive of the introduction of effective upstream competition, as this will promote more efficient use of water.

We would encourage further consideration of incumbent suppliers being able to separate voluntarily their operating licence into retail and wholesale functions and balancing the proposed extension of Ofwat's enforcement powers with an efficient appeals mechanism.

Regarding the proposed modifications to licences, whilst Severn Trent Water is minded to accept Ofwat's proposed change to its licence, the company believes it would be better if the current proposals were modified. We would have preferred Ofwat to have less flexibility on future price controls, which would reduce uncertainty for stakeholders, including bondholders, shareholders and customers. This could be achieved, whilst maintaining the integrity of the reforms being sought, if new licences allowed only for the removal of 20 per cent of revenues from the wholesale control, as opposed to the 40 per cent currently proposed. To provide more clarity, the new licence could contain a formula controlling future annual price increases each year – for example, through a weighted average approach.

We were encouraged by the regulator's commitment to linking future price controls to RPI, protection of the RCV as at 31 March 2015, and the allocation of the RCV to the wholesale function. The maintenance of the mechanism to appeal the outcome of a price review to the Competition Commission was also welcome, as was protection for those companies which are not referred to the Competition Commission over these changes.

We now await Ofwat's reply to our own and other companies' responses to the consultation.

We continue to be supportive of the principles of reform of the water industry and will continue to contribute constructively to help shape the future regulatory framework.

Principal Risks and Uncertainties

The board considers the principal risks and uncertainties affecting the business activities of the group for the remaining six months of the year to be those detailed below:

Risks arising from our business model:

- Effectively improving our performance in relation to customer service in order to deliver what our customers tell us they want.
- Operational failure in our Waste Water operations which results in damage to the local environment.
- Failure of our assets or processes, resulting in injury to an employee, contractor, customer or member of the public.
- Inability to provide a continuous supply of quality water to large populations within our area, or asset failure resulting in damage to third party property.
- Having effective business continuity plans, including in relation to information technology systems, to support the on going operations of the businesses.

Legal and regulatory risks:

- Achieving all our regulatory targets agreed with Ofwat and other regulators in relation to ongoing operational performance of our assets for the period, failure of which may result in regulatory penalties and consequential changes in future funding requirements.
- Effectively anticipating and/or influencing future developments in the UK water industry in order for our business plans to remain sustainable.
- The regulatory landscape is complex and subject to ongoing change. There is a risk that processes may fail or that our processes may not effectively keep pace with changes in legislation leading to the risk of non-compliance.
- The ability of the group's businesses to comply with all laws and regulations, including those relating to the rules of competition, in all the jurisdictions in which the group's businesses operate around the world.

Financial risks:

- The current crisis in the eurozone may have a number of impacts on our business, for example, increasing the difficulties associated with obtaining funding for the group at similar rates to those assumed in our business plans.

- Changing demographics and fluctuations in the investment market may affect our ability to fund pensions promises sustainably.
- Counterparties with whom we have invested money may fail putting our investment at risk.

Outlook

The group is on track to deliver its expectations for the full year.

Consumption across our measured income base is anticipated to return to normal seasonal levels in the second half.

We maintain our forecast for a bad debt level around 2.2% of turnover for the full year, although we continue to monitor developments closely, especially unemployment levels and the future changes to the UK benefits system.

We expect operating expenditure to rise year on year but in line with the level of the Final Determination excluding costs relating to private drains and sewers adopted in October 2011.

Expectations for net capital expenditure (UK GAAP, net of grants and contributions) are now for operational reasons in the range £555 million to £565 million from £570 million to £590 million, including an estimated £10 million related to private drains and sewers which we adopted in October 2011. The level of net infrastructure renewals expenditure included in this range remains £140 million to £150 million.

For our non-regulated business, we now give guidance for the ongoing business operations. For the full year these businesses are expected deliver mid single digit revenue growth and underlying PBIT growth, which will be more than offset by continued investment in business development in operating services in North America and the UK, and the continued market development of BALPURE®.

The group interest charge is expected to be slightly lower year on year, before adjustments related to pension accounting, with a reduction in the non-cash interest charge, due to lower RPI, partially offset by higher cash interest cost, due to higher net debt.

The expected effective current tax rate for the group for 2012/13 remains at 24% to 26%.

Severn Trent Plc will announce its Preliminary results for the financial year ending 31 March 2013 on 30 May 2013.

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 2012

	Notes	**2012 £m**	2011 £m
Turnover	2	**917.7**	886.0
Operating costs before exceptional items		**(650.5)**	(611.7)
Exceptional operating costs	3	**-**	(19.5)
Total operating costs		**(650.5)**	(631.2)
Exceptional profit on disposal of business	3, 12	**1.1**	-
Profit before interest, tax and exceptional items	2	**267.2**	274.3
Exceptional items	3	**1.1**	(19.5)
Profit before interest and tax		**268.3**	254.8
Finance income		**45.1**	52.6
Finance costs		**(154.9)**	(172.0)
Net finance costs		**(109.8)**	(119.4)
Net loss on financial instruments	4	**(37.7)**	(70.2)
Share of results of associates and joint ventures		**0.1**	0.1
Profit before tax, net loss on financial instruments and exceptional items		**157.5**	155.0
Exceptional Items		**1.1**	(19.5)
Net loss on financial instruments	4	**(37.7)**	(70.2)
Profit on ordinary activities before taxation		**120.9**	65.3
Current tax	5	**(40.3)**	(43.9)
Deferred tax	5	**9.0**	16.4
Exceptional deferred tax	5	**34.2**	34.5
Taxation on profit on ordinary activities		**2.9**	7.0
Profit for the period		**123.8**	72.3
Attributable to:			
Equity holders of the company		**122.6**	72.3
Equity non-controlling interests		**1.2**	-
		123.8	72.3
Earnings per share (pence)			
Basic	7	**51.6**	30.5
Diluted	7	**51.3**	30.4

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2012

	2012 £m	2011 £m
Profit for the period	**123.8**	72.3
Loss on cash flow hedges	**(38.3)**	(66.5)
Deferred tax on loss on cash flow hedges	**8.8**	16.6
Amounts on cash flow hedges transferred to the income statement in the period	**1.9**	1.9
Deferred tax on transfers to income statement	**(0.4)**	(0.5)
Exchange movement on translation of overseas results and net assets	**(2.0)**	1.7
Net actuarial gain/(loss) on defined benefit pension schemes	**25.9**	(104.2)
Tax on net actuarial gain/loss	**(6.0)**	26.1
Deferred tax arising on change of rate	**(0.8)**	0.8
Other comprehensive loss for the period	**(10.9)**	(124.1)
Total comprehensive income/(loss) for the period	**112.9**	(51.8)
Attributable to:		
Owners of the company	**111.8**	(51.9)
Non-controlling interests	**1.1**	0.1
	112.9	(51.8)

Condensed consolidated statement of changes in equity
Six months ended 30 September 2012

	Equity attributable to owners of the company						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
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
Loss on cashflow hedges	-	-	(66.5)	-	(66.5)	-	(66.5)
Deferred tax on loss on cashflow 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
Net actuarial loss	-	-	-	(104.2)	(104.2)	-	(104.2)
Tax on net actuarial loss	-	-	-	26.1	26.1	-	26.1
Deferred tax arising from rate change	-	-	-	0.8	0.8	-	0.8
Total comprehensive loss for the period	-	-	(46.9)	(5.0)	(51.9)	0.1	(51.8)
Share options and LTIPs							
- proceeds from shares issued	0.4	3.5	-	-	3.9	-	3.9
- value of employees' services	-	-	-	2.7	2.7	-	2.7
- free shares issued	-	-	-	(1.8)	(1.8)	-	(1.8)
Current 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

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 April 2012	232.6	83.8	400.2	256.9	973.5	7.9	981.4
Profit for the period	-	-	-	122.6	122.6	1.2	123.8
Loss on cashflow hedges	-	-	(38.3)	-	(38.3)	-	(38.3)
Deferred tax on loss on cashflow hedges	-	-	8.8	-	8.8	-	8.8
Amounts on cash flow hedges transferred to the income statement	-	-	1.9	-	1.9	-	1.9
Deferred tax on transfers to the income statement	-	-	(0.4)	-	(0.4)	-	(0.4)
Exchange movement on translation of overseas results and net assets	-	-	(1.9)	-	(1.9)	(0.1)	(2.0)
Net actuarial gain	-	-	-	25.9	25.9	-	25.9
Tax on net actuarial gain	-	-	-	(6.0)	(6.0)	-	(6.0)
Deferred tax arising from rate change	-	-	-	(0.8)	(0.8)	-	(0.8)
Total comprehensive income for the period	-	-	(29.9)	141.7	111.8	1.1	112.9
Share options and LTIPs							
- proceeds from shares issued	0.7	5.6	-	-	6.3	-	6.3
- value of employees' services	-	-	-	2.9	2.9	-	2.9
- free shares issued	-	-	-	(1.4)	(1.4)	-	(1.4)
Current tax on share based payments	-	-	-	0.8	0.8	-	0.8
Deferred tax on share based payments	-	-	-	0.1	0.1	-	0.1
Dividends paid	-	-	-	(249.9)	(249.9)	(0.5)	(250.4)
At 30 September 2012	**233.3**	**89.4**	**370.3**	**151.1**	**844.1**	**8.5**	**852.6**

Condensed consolidated balance sheet
At 30 September 2012

	Notes	30 September 2012 £m	31 March 2012 £m
Non-current assets			
Goodwill		**44.2**	44.9
Other intangible assets		**110.0**	116.0
Property, plant and equipment		**6,630.7**	6,577.8
Interests in joint ventures		**0.2**	0.2
Interests in associates		**4.4**	4.6
Derivative financial instruments		**126.5**	132.6
Available for sale financial assets		**0.1**	0.1
		6,916.1	6,876.2
Current assets			
Inventory		**31.4**	34.4
Trade and other receivables		**513.0**	479.4
Derivative financial instruments		**7.1**	30.0
Cash and cash equivalents		**246.6**	295.1
		798.1	838.9
Assets held for sale	8	**15.4**	-
Total assets		**7,729.6**	7,715.1
Current liabilities			
Borrowings	9	**(307.9)**	(89.3)
Derivative financial instruments		**(34.1)**	(0.5)
Trade and other payables		**(509.4)**	(397.6)
Current income tax liabilities		**(67.5)**	(46.5)
Provisions for liabilities and charges		**(11.4)**	(17.0)
Liabilities associated with assets held for sale	8	**(5.1)**	-
		(935.4)	(550.9)
Non-current liabilities			
Borrowings	9	**(4,102.6)**	(4,309.5)
Derivative financial instruments		**(306.7)**	(288.0)
Trade and other payables		**(430.1)**	(411.0)
Deferred tax		**(756.8)**	(801.5)
Retirement benefit obligations	10	**(320.5)**	(345.8)
Provisions for liabilities and charges		**(24.9)**	(27.0)
		(5,941.6)	(6,182.8)
Total liabilities		**(6,877.0)**	(6,733.7)
Net assets		**852.6**	981.4
Capital and reserves attributable to the company's equity shareholders			
Called up share capital	11	**233.3**	232.6
Share premium account		**89.4**	83.8
Other reserves		**370.3**	400.2
Retained earnings		**151.1**	256.9
Equity attributable to the company's equity shareholders		**844.1**	973.5
Non-controlling interests		**8.5**	7.9
Total equity		**852.6**	981.4

Condensed consolidated cash flow statement
Six months ended 30 September 2012

	Note	**2012 £m**	2011 £m
Cash generated from operations	13	**451.3**	475.6
Tax paid		**(18.5)**	(35.5)
Net cash generated from operating activities		**432.8**	440.1
Investing activities			
Interest received		**3.2**	1.9
Net cash inflow from sale of business		**2.0**	-
Proceeds on disposal of property, plant and equipment		**1.3**	-
Purchases of intangible assets		**(10.4)**	(3.1)
Purchases of property, plant and equipment		**(187.4)**	(156.5)
Contributions and grants received		**12.1**	9.5
Net cash used in investing activities		**(179.2)**	(148.2)
Financing activities			
Interest paid		**(76.4)**	(80.0)
Closed out swap		**(13.0)**	-
Interest element of finance lease payments		**-**	(5.1)
Dividends paid to shareholders of the parent		**(249.9)**	(92.5)
Dividends paid to non-controlling interests		**(0.5)**	(0.3)
Repayments of borrowings		**(141.0)**	(4.9)
Repayments of obligations under finance leases		**-**	(13.8)
New loans raised		**174.0**	-
Issues of shares		**6.3**	3.9
Purchase of own shares		**(1.4)**	(1.8)
Net cash used in financing activities		**(301.9)**	(194.5)
(Decrease)/increase in cash and cash equivalents		**(48.3)**	97.4
Net cash and cash equivalents at beginning of period		**294.7**	315.2
Effect of foreign exchange rates		**(0.7)**	-
Net cash and cash equivalents at end of period		**245.7**	412.6
Net cash and cash equivalents			
Cash and cash equivalents		**246.6**	412.6
Bank overdrafts		**(0.9)**	-
		245.7	412.6

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 2012 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 2012.

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	2012		2011	
	Severn Trent Water £m	**Severn Trent Services £m**	Severn Trent Water £m	Severn Trent Services £m
External sales	**760.6**	**156.4**	734.3	151.0
Inter-segment sales	**0.4**	**5.7**	0.7	9.0
Total sales	**761.0**	**162.1**	735.0	160.0
Profit before interest, tax and exceptional items	**269.1**	**4.1**	272.9	6.5
Exceptional items (note 3)	**-**	**1.1**	(3.6)	(21.9)
Profit before interest and tax	**269.1**	**5.2**	269.3	(15.4)

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

Six months ended 30 September	**2012 £m**	2011 £m
Severn Trent Water	**760.6**	734.3
Severn Trent Services	**156.4**	151.0
Corporate and other	**0.7**	0.7
	917.7	886.0

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	2012 £m	2011 £m
Underlying PBIT:		
Severn Trent Water	**269.1**	272.9
Severn Trent Services	**4.1**	6.5
Corporate and other costs	**(7.2)**	(6.3)
Consolidation adjustments	**1.2**	1.2
Group underlying PBIT	**267.2**	274.3
Exceptional items:		
Severn Trent Water	**-**	(3.6)
Severn Trent Services	**1.1**	(21.9)
Corporate and other costs	**-**	6.0
Share of results of associates and joint ventures	**0.1**	0.1
Net finance costs	**(109.8)**	(119.4)
Net loss on financial instruments	**(37.7)**	(70.2)
Profit before tax and discontinued operations	**120.9**	65.3

The segmental analysis of capital employed was as follows:

	30 September 2012		31 March 2012	
	Severn Trent Water £m	Severn Trent Services £m	Severn Trent Water £m	Severn Trent Services £m
Operating assets	**7,115.0**	**184.2**	7,022.9	185.5
Goodwill	**-**	**44.2**	-	44.9
Interests in joint ventures and associates	**0.1**	**4.5**	0.1	4.6
Segment assets	**7,115.1**	**232.9**	7,023.0	235.0
Segment operating liabilities	**(1,169.6)**	**(88.0)**	(1,064.3)	(95.3)
Capital employed	**5,945.5**	**144.9**	5,958.7	139.7

Operating assets comprise other intangible assets, property, plant and equipment, inventory, trade and other receivables and assets held for sale.

Operating liabilities comprise trade and other payables, retirement benefit obligations, provisions and liabilities associated with assets held for sale.

Notes to the condensed interim financial information

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	**2012**	2011
	£m	£m
Severn Trent Water - restructuring costs	**-**	3.6
Severn Trent Services - provisions for commercial disputes and bad debts	**-**	21.9
Corporate and Other - provision for terminated operations	**-**	(6.0)
Total exceptional operating costs	**-**	19.5
Severn Trent Services - exceptional profit on disposal of business	**(1.1)**	-
Exceptional items before tax	**(1.1)**	19.5

4 Net loss on financial instruments

Six months ended 30 September	**2012**	2011
	£m	£m
Gain on cross currency swaps used as hedging instruments in fair value hedges	**4.2**	11.9
Loss arising on adjustment for foreign currency debt in fair value hedges	**(6.1)**	(16.1)
Exchange gain on other loans	**21.9**	16.3
Loss on cash flow hedges transferred from equity	**(1.9)**	(1.9)
Loss arising on swaps where hedge accounting is not applied	**(55.8)**	(80.4)
	(37.7)	(70.2)

5 Tax

Before the exceptional tax credit, income tax for the period is charged in the income statement at 26.0% (six months ended 30 September 2011: charged at 42.1%), 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 current tax on exceptional items and on financial instruments, calculated on profit before tax, exceptional items and net loss on financial instruments was 27.7% (2011: 29.1%).

Current tax credits of £0.8 million and deferred tax credits of £1.7 million have been taken to reserves in the period.

The Finance Act 2012 was enacted in the period and implemented a reduction in the corporation tax rate from 24% to 23% with effect from 1 April 2013. The impact of this rate reduction on the deferred tax provision has been reflected in these financial statements and has resulted in a deferred tax credit of £34.2 million in the income statement and a deferred tax charge of £0.8 million in reserves.

Future changes reducing the corporation tax rate by 1% per annum to 22% 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	2012		2011	
	Pence per share	**£m**	Pence per share	£m
Final dividend for the year ended 31 March	**42.06**	**100.0**	39.05	92.5
Special dividend	**63.00**	**149.9**	-	-
	105.06	**249.9**	39.05	92.5

The proposed interim dividend of 30.34p per share (2011: 28.04p per share) was approved by the board on 26 November 2012 and has not been included as a liability as at 30 September 2012.

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Severn Trent Employee Share Ownership Trust 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	2012 £m	2011 £m
Earnings for the purpose of basic and diluted earnings per share being:		
Profit for the period attributable to the equity holders of the company	**122.6**	72.3

Notes to the condensed interim financial information

7 Earnings per share (continued)

Number of shares

Six months ended 30 September	2012 m	2011 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**237.7**	237.0
Effect of dilutive potential ordinary shares:		
Share options and LTIPs	**1.1**	1.0
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**238.8**	238.0

Adjusted earnings per share

Six months ended 30 September	2012 Pence	2011 Pence
Adjusted basic earnings per share	**47.4**	46.4
Adjusted diluted earnings per share	**47.2**	46.2

Adjusted earnings per share figures exclude the effects of exceptional items, net loss on financial instruments, current tax on exceptional items and on financial instruments and deferred tax in both 2012 and 2011. 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	2012 £m	2011 £m
Earnings for the purpose of basic and diluted earnings per share	**122.6**	72.3
Adjustments for:		
Exceptional items	**(1.1)**	19.5
Current tax on exceptional items	**0.3**	(1.1)
Net loss on financial instruments	**37.7**	70.2
Current tax on financial instruments	**(3.6)**	-
Deferred tax	**(43.2)**	(50.9)
Earnings for the purpose of adjusted basic and diluted earnings per share	**112.7**	110.0

8 Non-current assets held for sale

On 8 August 2012 the group announced its intention to sell Severn Trent Services' Analytical Services business. As a result, the assets and liabilities associated with this business that will be sold have been reclassified in the consolidated balance sheet as assets held for sale and liabilities associated with assets held for sale.

9 Borrowings

	30 September 2012 £m	31 March 2012 £m
Bank overdrafts	**0.9**	0.4
Bank loans	**860.0**	852.5
Other loans	**3,330.7**	3,326.9
Obligations under finance leases	**218.9**	219.0
Borrowings	**4,410.5**	4,398.8

	30 September 2012 £m	31 March 2012 £m
The borrowings are repayable as follows:		
On demand or within one year - included in current liabilities	**307.9**	89.3
In the second year	**46.5**	379.2
In the third to fifth years	**1,173.9**	1,039.5
After five years	**2,882.2**	2,890.8
Included in non-current liabilities	**4,102.6**	4,309.5
	4,410.5	4,398.8

10 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 2012 has been calculated on a year to date basis, using the actuarial valuation update as at 31 March 2012. 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 2012. However, the market based assumptions have been updated for conditions prevailing at the balance sheet date as follows:

	30 September 2012	31 March 2012
Discount rate	**4.4%**	4.9%
Inflation rate	**2.6%**	3.1%

The defined benefit assets have been updated to reflect their market value as at 30 September 2012. 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.

Service cost is recognised in operating costs and interest cost and expected return on assets is recognised in net finance costs. Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

Six months ended 30 September	**2012 £m**	2011 £m
Current service cost	**(11.5)**	(12.1)
Past service cost	**(0.3)**	-
Interest cost	**(45.8)**	(48.4)
Expected return on scheme assets	**43.5**	50.3
Total amount charged to the income statement	**(14.1)**	(10.2)

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

	30 September 2012 £m	31 March 2012 £m
Total fair value of assets	**1,577.8**	1,557.2
Present value of the defined benefit obligations - funded schemes	**(1,889.8)**	(1,894.4)
Present value of the defined benefit obligations - unfunded schemes	**(8.5)**	(8.6)
Liability recognised in the balance sheet	**(320.5)**	(345.8)

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

	2012 £m	2011 £m
At 1 April	**(345.8)**	(292.1)
Current service cost	**(11.5)**	(12.1)
Past service cost	**(0.3)**	-
Interest cost	**(45.8)**	(48.4)
Expected return on scheme assets	**43.5**	50.3
Contributions from the sponsoring companies	**13.5**	18.4
Net actuarial gain/(loss) recognised in the statement of comprehensive income	**25.9**	(104.2)
At 30 September	**(320.5)**	(388.1)

Notes to the condensed interim financial information

11 Share capital

At 30 September 2012 the issued and fully paid share capital was 238.3 million shares of $97^{17}/_{19}$p amounting to £233.3 million (31 March 2012: 237.6 million shares of $97^{17}/_{19}$p amounting to £232.6 million).

During the period the company issued 717,207 shares (2011: 428,992 shares) as a result of the exercise of employee share options.

12 Disposal of business

On 22 June 2012 the group completed the sale of its meter installation, repair and replacement business to Enterprise Plc.

The net assets at the date of sale were:

	£m
Property plant and equipment	0.2
Inventory	0.3
Trade and other payables	(0.1)
Net assets sold	0.4
Provisions arising on disposal	0.5
	0.9
Profit on disposal	1.1
Total consideration	**2.0**
Net cash inflow arising on disposal	
Cash consideration	2.0
Cash and cash equivalents disposed of	-
	2.0

Notes to the condensed interim financial information

13 Cash flow

a) Reconciliation of operating profit to operating cash flows

Six months ended 30 September	**2012 £m**	2011 £m
Profit before interest and tax	**268.3**	254.8
Depreciation of property, plant and equipment	**133.9**	125.5
Amortisation of intangible assets	**15.4**	13.9
Pension service cost	**11.8**	12.1
Pension contributions	**(13.5)**	(18.5)
Share based payments charge	**2.9**	2.1
(Profit)/loss on sale of property, plant and equipment	**(0.3)**	0.3
Profit on sale of business	**(1.1)**	-
Deferred income movement	**(4.8)**	(4.5)
Provisions for liabilities and charges	**2.6**	3.2
Utilisation of provisions for liabilities and charges	**(8.4)**	(6.4)
Decrease in working capital	**44.5**	93.1
Cash generated from operations	**451.3**	475.6
Tax paid	**(18.5)**	(35.5)
Net cash generated from operating activities	**432.8**	440.1

b) Non-cash transactions

No additions to property, plant and equipment during the six months to September 2012 were financed by new finance leases (2011: nil).

c) Exceptional cash flows

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

Six months ended 30 September	**2012 £m**	2011 £m
Restructuring costs	**(4.0)**	(7.1)
Third party legal costs	**-**	(3.3)
Proceeds on sale of business	**2.0**	-
	(2.0)	(10.4)

d) Reconciliation of movements in net debt

	As at 1 April 2012 £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 2012 £m**
Cash and cash equivalents	295.1	(47.8)	-	-	(0.7)	-	**246.6**
Bank overdrafts	(0.4)	(0.5)	-	-	-	-	**(0.9)**
Net cash and cash equivalents	294.7	(48.3)	-	-	(0.7)	-	**245.7**
Bank loans	(852.5)	(4.4)	-	(3.1)	-	-	**(860.0)**
Other loans	(3,326.9)	(28.6)	(6.1)	(10.7)	21.9	19.7	**(3,330.7)**
Finance leases	(219.0)	-	-	-	-	0.1	**(218.9)**
Cross currency swaps hedging debt	135.9	-	(21.2)	-	-	(5.5)	**109.2**
Net debt	(3,967.8)	(81.3)	(27.3)	(13.8)	21.2	14.3	**(4,054.7)**

14 Post balance sheet events

There were no significant post balance sheet events.

15 Contingent liabilities

Details of the group's contingent liabilities were disclosed in the financial statements for the year ended 31 March 2012 which were approved on 29 May 2012. Except as noted below, there have been no significant developments relating to the contingent liabilities disclosed in those financial statements.

On 8 August 2012 Ofwat announced that it had opened a consultation on proposals to accept a binding commitment from Severn Trent Plc to divest Severn Trent Laboratories Limited.

The consultation, which ran for four weeks from 8 August 2012, sought views from interested parties on the appropriateness of Ofwat accepting the commitments offered by Severn Trent Plc.

We expect Ofwat to publish its conclusions on its investigation under the Competition Act by the end of the financial year.

16 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 26 November 2012.

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 2012 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 16. 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 2012 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
26 November 2012

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 were set out in the risk management section on pages 37 to 40 of Severn Trent’s Annual Report and Accounts 2012.

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).