

SEVERN TRENT WATER LIMITED

Company No: 2366686

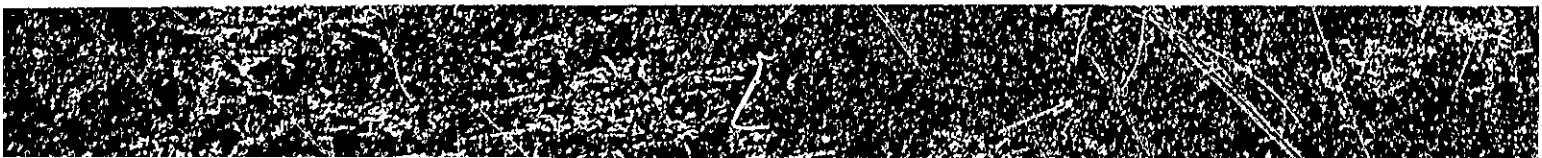
Report and Accounts
1992-1993



Cover. The 300 hectare Carsington reservoir cost £107 million to build. It was opened in May 1992 and has increased the Company's raw water capacity by 10 per cent.

The photographs illustrate how the reservoir has been gradually filled over the last twelve months to reach full capacity.

In its first full year since being opened by Her Majesty The Queen, over 650,000 people have passed through its visitor centre.



Financial statements

Year ended 31 March 1993

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Company information

Company number

2366686

Registered office

2297 Coventry Road

Birmingham B26 3PU

Telephone: 021-722 4000

Facsimile: 021-722 4800

Telex: 339333

Auditors'

Price Waterhouse

Cornwall Court

19 Cornwall Street

Birmingham B3 2DT

Telephone: 021-200 3000

Review

During the year we have continued to improve customer service and product quality, whilst maintaining low charges to customers. Our investment to improve services further has continued.

Further improvements in efficiency have again meant that charges for the year, which averaged £151 per household, or 41p per household per day, are the lowest of the ten Companies for drinking water and the second lowest for combined water and sewerage charges. Despite most companies charging significantly more per year on average than Severn Trent, we are again the most profitable water and sewerage company.

Our profit levels allow us to fund a significant amount of our investment internally, thereby reducing our borrowing requirements.

The quality of our drinking water has again improved, from last year's record level of 99.6% achievement of standards to 99.7% this year. These results are based on over half a million tests carried out during the year.

The cleaned up waste water returned to rivers from sewage works shows the very high level of 99% meeting the standards set by the National Rivers Authority.

Improving customer service

In recognition of the improvements in customer service we were awarded the prestigious Charter Mark. We were one of only 36 companies who received the award.

The award of the Charter Mark was in part a recognition of the strides we have made to improve our response to the customer queries we receive by mail and telephone. Investment in our computer-based image processing system enables all written and telephone contacts to be brought together on a screen to enable a query to be resolved. There has been a significant reduction in the level of complaints and our performance now meets the Director General's 'Good' standard.

To improve the service to our customers further we have also combined the operational activities of our districts with the centralised billing function in a Customer Services Directorate.

We recognise, however, that there is still room for further improvements, particularly in our response time to queries and complaints. Achieving higher performance is part of the process of continually improving every aspect of our services.

In all areas of service performance measured by the Office of Water Services, such as pressure, interruptions to supply and water usage restrictions we continue to show improvements above the already extremely high levels.

Significant improvements have taken place in the availability of raw water, for example, the opening of our £107 million reservoir at Carsington Water in Derbyshire has reinforced water supplies for three million people living in the East Midlands. The completion of this 36,000 million litre reservoir marked the end of a long, carefully planned project.

The redevelopment of Frankley water treatment works, due to be completed towards the end of 1993, will further improve the quality of water supplied to our customers in Birmingham. Our other numerous capital investment projects remain on schedule.

Severn Trent's continuing commitment to research and development is reflected in our expenditure of £6.8 million during the year. Developments such as that being undertaken in nutrient removal at Stratford sewage treatment works will optimise operational and investment aspects as we meet future tighter standards.

Our finances

The Company's turnover in 1992/93 was £742.3 million. Operating profit was £287.9 million. Profit on ordinary activities before taxation was £278.4 million.

During the year the recession has started to impact more,

The Charter Mark for customer service was awarded to the Company in September 1992, and recognised the Company's improvements in meeting key customer service

targets. The award was presented by the Prime Minister, John Major, and received on the Company's behalf by Vic Cocker, Managing Director of Severn Trent Water Limited.

particularly on commercial metered income where business closures and lower water use have resulted in a reduction in consumption of 5 per cent. Nevertheless we have still managed to move trade effluent income ahead in real terms by promoting growth, particularly in the food industries.

Upturn in our metered income will be dependent on how quickly the Severn Trent Water region comes out of recession. We are monitoring the potential impact of British Coal closures and associated businesses, as well as the reduced consumption by companies looking to save through improved management and use of water.

The achievement of operational efficiency savings continues

to receive the highest priority in order to help us contain otherwise increased costs resulting from customer service and product quality improvements. Our overall operating costs in 1992/93 increased by only 1½ per cent. To improve future efficiency, we have also introduced a service agreement with our operational districts. The agreement promotes improved clarity in the delivery of quality outputs, planned volumes of work and related costs.

This setting of clearer targets for both costs and income has accelerated the drive for productivity and unit cost improvements.

The previous upward trend in manpower levels as a

consequence of our investment programme and customer service improvements, has been reversed. There has been a significant reduction in manpower from 7,529 at the start of the year to 7,070 at the end of the year as our measures to obtain further manpower efficiency bear fruit.

Whilst our depreciation charges continue to increase as a result of our major investment in improving our above ground assets, we have taken the opportunity to revise the annual charge that we make to profit and loss for renewing our underground assets. Although our annual charge of £70 million is still significant, it now reflects more accurately our current long term spending needs on the vast infrastructure of water mains and sewers.

As a result of our level of investment, we have reached the situation where we are now a net borrower. Fortunately we have benefited from the lower level of interest rates during the year, and we have utilised advantageous borrowing terms available from the European Investment Bank and the leasing market.

During the year we paid a special dividend of £600 million to Severn Trent Plc which they in turn reinvested in the Company by taking up an issue of Ordinary Shares. This process of capital restructuring had no overall impact on the cash resources of Severn Trent Water Limited.

As planned, our investment expenditure has reduced from the 1991/92 level with a further significant reduction also projected for 1993/94. We are already seeing significant benefits from this investment in higher quality and improved customer service.

The increase in the level of debts which we experienced in previous years has now been slowed. We have also seen a reduction in the level of summonses needing to be issued and there has been no increase in the level of domestic disconnections. Our pro-active approach to counselling

customers about paying bills and the introduction of easier payment facilities has contributed to these improvements.

During the year we introduced a pilot scheme to collect charges from customers using our WaterKey budget payment system, the world's first pre-payment unit for water. This innovative means of paying for water services enables our customers to budget much more effectively for their use of water.

Acquisition of East Worcester Water Plc

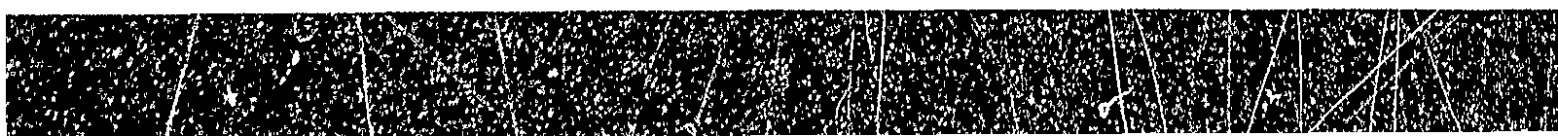
On 19 March 1993 we announced the acquisition of East Worcester Water Plc for £33.8 million. The newly acquired company will be merged into the business of Severn Trent Water Limited bringing benefits to customers in both areas. Future increases in charges to East Worcester Water customers will be lower than they would have been had the acquisition not taken place.

Changing to meet needs

Our close links with other companies within the Group and the much closer integration with Severn Trent Water International are all benefiting the overall performance of the Group, while at the same time developing and broadening staff opportunities at Severn Trent Water.

The effects of the recession were felt most keenly at Severn Trent Atec, our construction and contracting arm, where some 60 staff were made redundant. These were the first compulsory redundancies since the formation of the Severn-Trent Water Authority in 1974, and we assisted those affected by the payment of a good redundancy package along with counselling and other help to seek alternative employment.

The company's human resources strategy is in place and during 1992 we reached agreement to implement a new, more flexible and appropriate pay structure for craft and industrial



staff. This agreement links a new quality performance payment to the achievement of company targets for water treatment, sewage treatment and customer service. The new pay structure reflects the greater responsibility shared by employees and the higher skills necessary for the jobs. Employees are being given additional training, primarily to achieve National Vocational Qualifications.

In January we launched our environmental policy, outlining the steps we are taking to ensure we are one of Britain's 'greenest' companies. It is our intention to establish closer links with environmental groups, improve transport efficiency, further tighten controls on sludge recycling and purchase more recycled and environmentally friendly products.

Communications with our customers

It is vitally important that we adopt a pro-active and positive approach to customer communications, and we have appointed a Director of Marketing with this responsibility. During the year the Marketing section has supported our activities with a media programme to explain to customers the particularly high quality record and value for money provided by the Company. Regular tracking research shows encouraging improvements to the company image.

As part of the negotiation of future charges with the Director General of Water Services we have to undertake a Periodic Review. The first stage of this review has involved a major customer survey about future improvements and how much customers are prepared to pay for them. The resulting Market Plan confirmed customer support for certain improvements and their willingness to pay. This survey involved sending a video tape to 50,000 customers explaining what we have done over the last three years to improve services and the background to further investment needs. This was followed by a market research exercise with over 5,000

customers selected randomly from the 50,000. Some key findings from the survey were:

- Customers want us to concentrate on further improving the quality of drinking water and accelerating leakage reduction from our pipe networks;
- Customers believe it is important to invest in improving water services. However, despite wanting higher river quality they are less willing to pay for more improvements at sewage treatment works to achieve cleaner rivers; and
- Overall, customers are prepared to see increases in annual bills above the rate of inflation to achieve the desired improvements.

This market research will be a very important factor in explaining our future capital investment needs to the Director General of Water Services.

The future

Business success comes from doing the job well and then improving further.

I believe we have secured the foundations for future success with new pay structures, with the high level of training across the whole Company, and with our new district service agreement. In the year ahead, we can expect to see more improvements in customer service and productivity, not least as a result of the actions we have already taken during 1992/93.

We have a committed, motivated workforce which has taken the last eventful year in its stride. I have every confidence that we are well placed to meet the challenge of the Periodic Review and to meeting our goal of being the best water utility company.

Vic Cocker, *Managing Director of Severn Trent Water*

Looking back

May 1992 Her Majesty The Queen officially opened Carsington Water near Matlock in Derbyshire. The reservoir which cost £107 million to build is likely to be the last major reservoir to be opened in the UK this century and incorporates a visitor centre, complete with exhibition, restaurant and conference room.

June 1992 Quality standards report published for 1991. For the second year running we achieved 99.6% compliance with European standards on all tests carried out on drinking water. At the same time, 98.7% of all tests on sewage effluent passed the standards, set by the National Rivers Authority.

September 1992 Charter Mark Award. We received the prestigious new Charter Mark Award for customer service - one of just 36 organisations nationwide to do so. The award, introduced as part of the Prime Minister's Citizens Charter Initiative, recognised our progress and on-going commitment to quality and reliability.

September 1992 Door chains. In an effort to counter the threat of bogus water officials, during the year we supplied thousands of doorchains to caring organisations who then distributed them to pensioners on our behalf.

September 1992 Pay award settled for craft and industrial staff. The craft and industrial staff accepted an entirely new output and quality related pay scheme. The new pay structure reflects the greater responsibility they share in the Company achieving its targets for water treatment, sewage treatment and customer service and the higher skills necessary for the job.

October 1992 Water charges. For the second year we announced that charges would rise less than permitted. For 1993/4 the rise would be 1.9% less than allowed under the charging formula.

October 1992 Redundancies within the construction and building division of Severn Trent Atec. As a result of the recession, for the first time we had to announce redundancies. Staff involved received a good redundancy package together with counselling and other help to seek alternative employment.

October 1992 Oak trees donated to Shakespeare's Globe Theatre rebuild. As part of the restoration programme to rebuild the Globe Theatre in London we donated four 60 foot mature oak trees from a woodland site at Dowdeswell Reservoir near Cheltenham in Gloucestershire.

November 1992 WaterKey system launched. The first WaterKey pre-payment system was installed. The system is very similar to those already used in the gas and electricity industries, allowing customers to pay for water as they have money available. The system is voluntary and will only be installed when a customer asks for it.

December 1992 Carsington awards. During the year we have received awards in recognition of leisure and educational facilities and the 'foo of the year' award at the visitors centre.

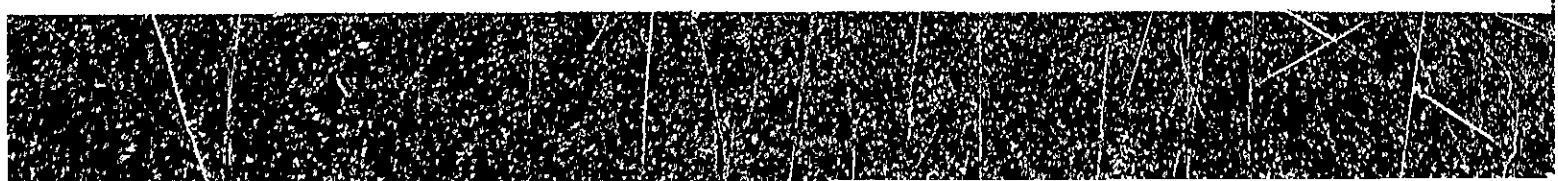
January 1993 Market Plan. As part of a major consultation exercise undertaken with our customers, we sent out 50,000 video tapes which explained what we have done over the past three years to improve water and sewerage services and what further investment options are available.

All 50,000 customers were asked to complete a short questionnaire. In addition 5,000 of these customers were randomly selected and independently surveyed to gauge their detailed comments to various investment proposals.

January 1993 Environmental policy launched. We launched our environmental policy which outlined the steps we will take to become one of Britain's 'greenest' companies.

The policy incorporates an action plan to improve our environmental performance further by establishing closer links with environmental groups, improving transport efficiency, tightening controls on sludge recycling and purchasing more recycled and environmentally friendly products.

March 1993 Acquisition of East Worcester Water Plc. We acquired East Worcester Water Plc for £33.8 million from Bfwater Limited. We already provided sewerage services and bulk supplies of water within the East Worcester area. The acquisition will benefit customers in both areas through improved standard of customer service and reliability of supplies. Future increases in charges to East Worcester Water customers will be lower than they would have been had the acquisition not taken place.



Looking forward

April 1993 Market Plan published. The results of our *Customer Satisfaction* survey of the views of our customers about the quality and levels of service provided and the cost of improving them, was published. The survey revealed that customers are generally willing to pay more for further improvements to drinking water quality but less happy to support the cost of future tightened European standards on sewage effluent.

The findings of the survey will be presented to the Director General of Water Services, who is assembling views from all the water companies before discussing the affordability of new standards with Ministers.

April 1993 Quality standards report published for 1992. We have again achieved improvements in all tests carried out on drinking water in accordance with European standards. In 1991 we achieved 99.6%, in 1992 the achievement was 99.7%. This is now the third year running that record levels have been achieved.

Sewage effluent standards were also improved to 99%, which gives us the best overall quality record in Britain, whilst still charging amongst the lowest prices in the country.

May 1993 Dambusters commemoration. To mark the 50th anniversary of the Dambusters raid we hosted a commemorative event at the Derwent Valley reservoirs in North Derbyshire. The highlight of the event was when a Lancaster Bomber flew over the dam where 50 years previously 617 Squadron had practised for their daring mission.

July 1993 'The 1993 July Return' to OFWAT. The return is one of the three annual reporting mechanisms alongside the regulatory accounts and the principal statement of charges which is sent to the Director General of Water Services each year. The return demonstrates to the Director General of Water Services that we are delivering the outputs in terms of quality and levels of service as promised to the Government in 1989, within the agreed timescale and at a reasonable cost to our customers. From these documents comparative league tables with other water companies are prepared and published.

September 1993 Department of Environment gives national view and guidance. After consultation by Ministers about the cost of new and potential obligations contained in Market Plans, guidance will be given about their priority, scope and timing. We will use this guidance to develop the Asset Management Plan.

Winter 1993 Strategic Business Plans published by the Company. During the winter of 1993 we will finalise our Asset Management Plan. Preparation of the Asset Management Plan will help to determine the condition of our assets, assess when they need to be replaced and how they will be extended or altered to meet new obligations. The Strategic Business Plan arising from our Asset Management Plan will set out our proposals for the next twenty years and the resources required to deliver them.

Autumn 1994 Revised 'K' factor price levels come into effect. After reviewing our Strategic Business Plan the Director General of Water Services will announce during Autumn 1994 the future pricing formula for water charges from 1995 to 2000. The new charges come into effect on 1 April 1995.

Within the next twelve months it is anticipated the following major investment projects will be completed:

- Frankley water treatment works £68 million
 - Roundhill sewage treatment works £15 million
 - Whitacre water treatment works £12 million
- Improvements to works to improve water quality to meet improved standards.

Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 March 1993.

Principal activities

The principal activities of the Company are the supply of water and the treatment and disposal of sewage.

Results

The Company's turnover in 1992/93 was £742.3 million. Operating profit was £287.9 million. Profit on ordinary activities before taxation was £278.4 million.

Business review and future developments

A complete review of the Company's business activities and future developments is contained within the Managing Director's review commencing on page 2.

A review of the Company's activities is also contained within the Annual Report and Accounts of Severn Trent Plc. A copy of this report can be obtained on written request to the Company Secretary, Severn Trent Plc, 2308 Coventry Road, Birmingham B26 3JZ. There is no charge for this publication.

Acquisitions

During the year the Company acquired East Worcester Water Plc for £33.8 million, details of which are set out in the Managing Director's review.

Dividends and reserves

Dividends of £707.7 million were paid during the year. This included a special dividend of £600 million which was reinvested in the Company by Severn Trent Plc taking up an issue of Ordinary Shares. It is proposed to pay a further interim dividend in June 1993 of £16.7 million. Proposed transfers from reserves are set out in Note 14 to the financial statements on page 22.

Fixed assets

The changes in tangible fixed assets during the year are set out in Note 7 to the financial statements on page 17.

Share capital

The changes in Authorised and Issued share capital during the year are set out in Note 13 to the financial statements on page 21.

Directors

The Directors of the Company who served during the year are listed below:

J G Bellak	Chairman
J K Banyard	
V Cocker	
B Duckworth	
G Fisher	resigned 24 April 1992
I J Hislop	resigned 31 December 1992
G P Noone	appointed 1 August 1992
R S Paul	
R T Quinn	appointed 11 January 1993
J A Stephens	
A Q Todd	appointed 24 April 1992
M P Upstone	
D R Woods	

Messrs Bellak, Cocker, Paul and Upstone are also Directors of Severn Trent Plc, the ultimate parent undertaking and their interests in the share capital of that company are disclosed in its Directors' report for the year ended 31 March 1993. The interests of the other Directors at the year end in the Ordinary Share Capital of Severn Trent Plc, according to the register maintained under the provisions of the Companies Act 1985, were as follows:

	Beneficial holdings In ordinary shares		Share options under approved schemes			
	31.3.93	1.4.92	31.3.93	Granted during the year	Exercised during the year	1.4.92
J K Banyard	10,555	921	28,327	9,154	24,046	43,219
B Duckworth	8,877	1,717	32,775	10,462	62,977	85,290
G P Noone	525	417*	41,736	7,323	0	34,413*
R T Quinn	14,607	1,607*	27,142	8,330	62,977	81,789*
J A Stephens	8,613	1,396	25,113	7,585	21,469	38,997
A Q Todd	1,496	1,388*	20,460	7,781	18,607	31,286*
D R Woods	11,455	1,221	25,614	7,886	24,046	41,774

*At date of appointment

Share options were granted and exercised in accordance with the Severn Trent Executive Share Scheme and the Severn Trent Employee Sharesave Scheme as appropriate.

Research and development

The Company is fully committed to research and development and has significantly increased its programme from £5.2 million in 1991/92 to £6.8 million in 1992/93.

Employees

The number of people employed by the Company at 31 March 1993 was 7,070 (1992: 7,529). During the year the Company published its Human Resource Strategy. The aim of this strategy is to support competent people in achieving the Company's business objectives.

During the year the Company introduced a new and innovative pay arrangement for its craft, process and production employees and in 1993/94 will introduce a Profit Related Pay scheme for all employees. There were further grants of options under Employee Share schemes and a further allocation of shares under the Profit Sharing arrangements.

Training remains of high priority within the Company, and in 1992/93 there were over 38,000 'off-the-job' training days. National Vocational Qualifications, which are linked to the new pay arrangements, continue to be one of the main initiatives to improve the skills of our craft, process and production employees.

The Company regards communications with employees as being of the highest priority and considerable effort is devoted to this through the Company's in-house newspaper 'Stream', team briefings, conferences, videos, 'Hot-News' (a quick method of disseminating urgent news to all employees) and other special communication exercises such as the annual employees' evening.

In addition, there are well-established formal consultative arrangements with employee representatives which have been in existence for many years.

Equal opportunities

The Company remains committed to equal opportunity. Policies and practices are operated to ensure that no employee or job applicant receives less favourable treatment whatever their sex, race, religion, marital status or disability.

Health and safety

The company continues its commitment to health and safety and for the fourth year in succession we have received a British Safety Council award for our achievements. Safety training

continues to be given high priority to ensure safe working practices are adopted by all our employees.

Disabled persons

The Company has a policy of employing appropriately competent disabled people in suitable posts and of making arrangements wherever possible to encourage employees who develop a disability to continue working within the Company. In addition, during the year we continued to improve facilities for our older and disabled customers by developing better access facilities at offices and improving communications with such groups.

Directors' and Officers' liability insurance

The Company maintains insurance under Section 310(3) of the Companies Act 1985 for its Directors and Officers against liabilities in relation to the Company.

Regulation: 'Ring fencing'

In accordance with the requirements of the Director General of Water Services, the Board confirms that as at 31 March 1993 it had available to it sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company in order that the purposes of a special administration order could be achieved if such an order were made.

Auditors

A resolution proposing the re-appointment of Price Waterhouse as auditors will be put to the Annual General Meeting.

By order of the Board



D W Mattin, Secretary.

16 June 1993

Profit and loss account

Year ended 31 March 1993

	Notes	1993 £m	1992 £m
Turnover		742.3	692.1
Operating costs		(454.4)	(447.8)
Operating profit	2	287.9	244.3
Net interest (payable)/receivable	3	(9.5)	18.6
Profit on ordinary activities before taxation		278.4	262.9
Taxation on profit on ordinary activities	5	-	-
Profit for the financial year		278.4	262.9
Dividends	6	(124.4)	(100.0)
Special dividend	6	(600.0)	-
Retained (loss)/profit for the financial year	14	(446.0)	162.9

The profit and loss account reflects solely continuing operations.

Statement of total recognised gains and losses

As there are no recognised gains or losses other than the profit for the year a statement of total recognised gains and losses has not been included.

Historical cost profit and loss account

There is no difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Reconciliation of movements in shareholders' funds

	Notes	1993 £m	1992 £m
Profit for the financial year		278.4	262.9
Dividends		(724.4)	(100.0)
Retained (loss)/profit for the financial year		(446.0)	162.9
Issue of shares	13	600.0	-
Net additions to shareholders' funds		154.0	162.9
Opening shareholders' funds		1,979.7	1,816.8
Closing shareholders' funds		2,133.7	1,979.7

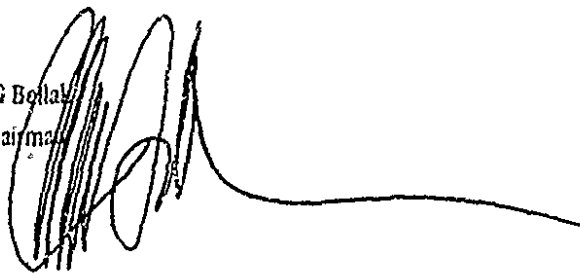
Balance sheet

As at 31 March 1993

	Notes	1993 £m	1992 £m
Fixed assets			
Tangible assets	7	2,576.5	2,206.0
Investments	8	37.1	2.7
		2,613.6	2,208.7
Current assets			
Stocks and work in progress		9.2	10.7
Debtors	9	118.8	114.4
Cash at bank and in hand		105.6	185.1
		233.6	310.2
Creditors: amounts falling due within one year	10	(286.3)	(230.6)
Net current (liabilities)/assets		(52.7)	79.6
Total assets less current liabilities		2,560.9	2,288.3
Creditors: amounts falling due after more than one year	11	(341.7)	(214.5)
Provisions for liabilities and charges	12	(44.5)	(63.7)
Provision for deferred income	12	(41.0)	(30.4)
		2,133.7	1,979.7
Capital and reserves			
Called up share capital	13	1,000.0	400.0
Profit and loss account	14	1,133.7	1,579.7
		2,133.7	1,979.7

Signed on behalf of the Board who approved the accounts on 16 June 1993.

J G Bolla
Chairman



B Duckworth

Director of Finance and Regulation



Cash flow statement

Year ended 31 March 1993

	Notes	1993 £m	1992 £m
Net cash inflow from operating activities	16a	336.0	268.6
Returns on investments and servicing of finance			
Interest received		17.8	48.3
Interest paid		(19.6)	(11.6)
Interest element of finance lease rental payments		(5.6)	(4.3)
Dividends paid		(707.7)	(116.0)
Net cash outflow from returns on investments and servicing of finance		(715.1)	(83.6)
Tax paid		-	-
Investing activities			
Purchase of tangible fixed assets		(421.5)	(426.4)
Grants received		23.6	25.1
Purchase of investment in subsidiary undertaking		(0.4)	-
Loans advanced to associated undertakings		(0.7)	(0.4)
Loans repaid by associated undertakings		0.1	-
Sale of tangible fixed assets		10.8	5.6
Net cash outflow from investing activities		(388.1)	(396.1)
Net cash outflow before financing		(767.2)	(211.1)
Financing			
Issue of new shares		600.0	-
Loans repaid		(0.9)	(0.3)
Loans advanced		100.0	117.9
Capital element of finance lease rental payments		(11.4)	(4.8)
Net cash inflow from financing	16d	687.7	112.8
Decrease in cash and cash equivalents	16c	(79.5)	(98.3)

Notes to the financial statements

Year ended 31 March 1993

1 Accounting policies

a Accounting convention

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards and except for the treatment of certain grants and contributions, comply with the requirements of the Companies Act 1985 ('the Act'). An explanation of this departure from the requirement of the Act is given in note f below.

b Basis of preparation

Consolidated financial statements have not been prepared in accordance with Section 228 of the Act as the Company is a wholly owned subsidiary undertaking. Comparatives have been restated to reflect this. The financial information presented is for the Company as an individual undertaking and does not include its subsidiary and associated undertakings' results.

The financial statements have been prepared to comply with Financial Reporting Standard No. 3.

c Turnover

Turnover represents the income receivable in the ordinary course of business for services provided.

d Tangible fixed assets and depreciation

Tangible fixed assets comprise:

Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipelines); and
Other assets (being land, including buildings, operational structures and plant and equipment).

i Infrastructure assets

Infrastructure assets comprise a network of systems.

Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as additions and capitalised at cost after deducting grants and contributions.

Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost.

No depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

ii Other assets

Other assets are included at cost less accumulated depreciation. Additions are included at cost.

Freehold land is not depreciated. Other assets are depreciated over their estimated economic lives, which are principally as follows:

Buildings	30 - 60 years
Operational structures	40 - 80 years
Fixed plant	20 - 40 years
Vehicles, mobile plant and computers	3 - 10 years

Assets in the course of construction are not depreciated until commissioned.

iii Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are accounted for as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and a finance charge, the capital element reducing the obligation to the lessor and the finance charge being written off to the profit and loss account over the period of the lease in proportion to the capital amount outstanding. Depreciation is applied over the shorter of the estimated useful life and the lease period.

All other leases are regarded as operating leases. Rental costs arising under operating leases are expensed in the year in which they are incurred.

e Infrastructure renewals accounting

The charge to the profit and loss account for infrastructure renewals expenditure takes account of planned expenditure on maintaining the operating capability of infrastructure assets in accordance with the operational policies and standards underlying Severn Trent Water Limited's 'K' Investment Programme, and is indexed to reflect the impact of price changes since the programme was prepared. The timing of the 'K' Investment Programme and other operational considerations may result in uneven patterns of infrastructure renewals expenditure. Expenditure during the year is charged to the infrastructure renewals provision.

f Grants and contributions

Grants and contributions received in respect of non infrastructure assets are treated as deferred credits and are transferred to the profit and loss account in accordance with the asset lives of those assets.

Grants and contributions received relating to infrastructure assets have been deducted from the cost of fixed assets. This is not in accordance with Schedule 4 to the Act, which requires assets to be shown at their purchase price or production cost and hence grants and contributions would be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the Directors, necessary to give a true and fair view as no provision is made for depreciation, and any grants and contributions relating to such assets would not be taken to the profit and loss account. The effect of this departure is that the net book value of fixed assets is £61.8 million (1992: £42.4 million) lower than it would otherwise have been.

g Investments

Investments held as fixed assets are stated at cost less amount written off. Those held as current assets are stated at the lower of cost and net realisable value.

h Stocks and work in progress

Stocks are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and an element of overheads.

i Pension costs

Pension costs are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' average service lives with the Company.

j Foreign currency

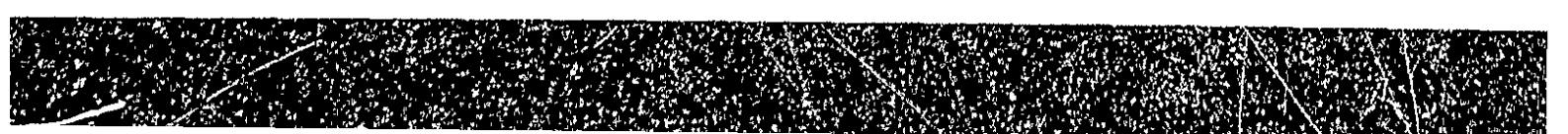
All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling at the date of the transaction. Foreign currency balances which are covered by forward exchange contracts are translated into sterling at the contract rate. Other foreign currency balances are translated at the rate ruling at the balance sheet date.

k Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

l Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is provided for to the extent it is probable that a liability will crystallise.



2 Operating profit	1993 £m	1992 £m
Operating profit is stated after charging/(crediting):		
Employee costs (note 4)	110.2	107.5
Infrastructure renewals charge (note 12a)	69.8	83.1
Depreciation (note 7 iii)	68.6	53.1
Deferred credits released (note 12b)	(1.6)	(1.2)
Hire of plant and machinery	1.5	1.9
Other operating leases	2.6	3.3
Audit fees	0.2	0.2
Research and development expenditure	6.8	5.2
Profit on disposal of fixed assets	(7.5)	(3.6)

Note: Other fees paid to Price Waterhouse amounted to £165,000, £57,000 of which was capitalised.

A more detailed analysis of turnover is included within the regulatory accounts on page 34.

3 Net interest (payable)/receivable	1993 £m	1992 £m
Interest receivable	17.2	36.4
Interest payable:		
Bank loans, overdrafts and other loans repayable within five years	(8.7)	(4.9)
Loans repayable in more than five years	(11.5)	(8.2)
Finance leases	(6.0)	(4.2)
Other	(0.5)	(0.5)
	(9.5)	18.6

4 Information regarding directors and employees		
Directors:	1993 £000	1992 £000
Emoluments including pension contributions	918.6	779.6
Performance payments (note 11)	117.2	59.0
	1,035.8	838.6
Emoluments (excluding pension contributions) of the Chairman	-	-
Emoluments (excluding pension contributions) of the highest paid director	113.5	91.3
Emoluments (excluding pension contributions) of other directors of the Company were within the following bands:	1993 No	1992 No
£ 0 - 5,000	1	2
£ 5,001 - 10,000	1	-
£ 15,001 - 20,000	1	-
£ 45,001 - 50,000	1	-
£ 60,001 - 65,000	1	1
£ 65,001 - 70,000	-	1
£ 70,001 - 75,000	2	3
£ 75,001 - 80,000	1	-
£ 80,001 - 85,000	-	2
£ 90,001 - 95,000	1	-
£ 95,001 - 100,000	1	-
£105,001 - 110,000	1	-
Notes:		
i Non cash benefits included in the total emoluments consist mainly of the provision of cars and health care insurance.		
ii The directors' performance payments are based upon the level of achievement against profit targets and achievements against levels of service, water supply and sewage treatment quality targets set by external regulators.		
iii No emoluments were paid to certain of the directors in respect of their services to the Company. Their emoluments are paid by other companies within the Severn Trent Group. In aggregate, £284,600 (1992: £237,300) including pension contributions of £75,700 (1992: £64,700) has been included above. This represents the appropriate proportion of their remuneration in respect of their services to the Company. Comparative figures have been restated to reflect this disclosure.		
Employees:	1993 £m	1992 £m
Wages and salaries	126.3	119.0
Social security costs	10.2	9.4
Pension costs (note 17)	8.9	13.0
	145.4	141.4
Charged as follows:		
Capital and infrastructure renewals	35.2	33.9
Operating costs	110.2	107.5
	145.4	141.4
Average number of employees during the year (full time equivalent):	1993 No.	1992 No.
Staff	4,408	4,342
Industrial staff	3,037	3,114
	7,445	7,456

5 Taxation on profit on ordinary activities

	1993 £m	1992 £m
UK corporation tax at 33% (1992: 33%)	-	-

At 31 March 1993 the Company had tax losses of approximately £103 million (1992: £87 million) which will be available for offset against future trading profits of the Company.

6 Dividends

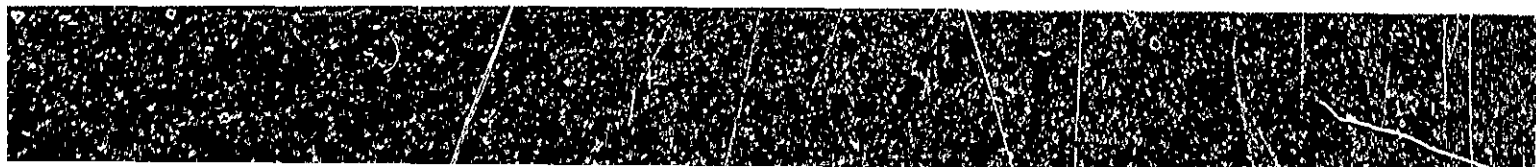
	1993 £m	1992 £m
Interim dividend paid	107.7	100.0
Further interim dividend payable	16.7	-
	124.4	100.0
<i>Special dividend</i>	600.0	-

The special dividend was paid to Severn Trent Plc which they immediately reinvested in the Company by taking up an issue of Ordinary Shares (note 13).

7 Tangible fixed assets

	Specialised operational properties and structures £m	Non-specialised operational properties £m	Infrastructure assets £m	Plant machinery and vehicles £m	Other £m	Total £m
Cost:						
Balance 1 April 1992	809.1	81.9	1,091.6	498.9	145.0	2,626.5
Reclassification	(5.5)	(1.3)	3.0	4.2	(0.4)	-
Additions	133.1	6.1	126.2	153.1	43.3	461.8
Grants and contributions	-	-	(19.4)	-	-	(19.4)
Assets sold or written out	(1.2)	(0.2)	-	(7.1)	(4.4)	(12.9)
Balance 31 March 1993	935.5	86.5	1,201.4	649.1	183.5	3,056.0
Depreciation:						
Balance 1 April 1992	251.3	10.4	-	103.6	55.2	420.5
Charge for year	16.9	2.8	-	26.8	22.1	68.6
Assets sold or written out	(1.5)	-	-	(6.3)	(1.8)	(9.6)
Balance 31 March 1993	266.7	13.2	-	124.1	75.5	479.5
Net book value:						
At 31 March 1993	668.8	73.3	1,201.4	525.0	108.0	2,576.5
At 31 March 1992	557.8	71.5	1,091.6	395.3	89.8	2,206.0

i The value of tangible fixed assets held under finance leases are:	1993 £m	1992 £m
Cost	129.8	71.2
Accumulated depreciation	(28.5)	(25.9)
	101.3	45.3
ii The net book value of land and buildings included in specialised and non-specialised operational properties and structures is analysed as follows:	1993 £m	1992 £m
Freehold	741.3	628.5
Short leasehold	0.8	0.8
	742.1	629.3
iii Depreciation incurred during the year has been charged as follows:	1993 £m	1992 £m
On owned assets	63.7	49.4
On assets held under finance leases	4.9	3.7
	68.6	53.1
iv Included in the above are the following tangible fixed assets not subject to depreciation:	1993 £m	1992 £m
Land	17.2	17.8
Infrastructure assets	1,201.4	1,091.6
Assets in the course of construction	486.4	442.7
	1,705.0	1,552.1
v Specialised operational properties and structures principally comprise intake works, pumping stations, treatment works and boreholes.		
vi Non-specialised operational properties comprise offices, depots, workshops, residential properties directly connected with water and sewerage services and land held for the purpose of protecting the quality and quantity of resource waters.		
vii Grants and contributions received relating to infrastructure assets have been deducted from the cost of fixed assets in order to show a true and fair view as set out in note 1f.		



8 Investments	Subsidiary undertaking	Associated undertakings	Other investments	Total
	Shares £m	Loans £m	£m	£m
Cost:				
At 1 April 1992	-	2.6	0.1	2.7
Additions	33.8	0.7	-	34.5
Repayments	-	(0.1)	-	(0.1)
At 31 March 1993	33.8	3.2	0.1	37.1

Subsidiary undertaking	Country of registration and operation	Class of share capital held	Nature of business
East Worcester Water Plc	England	99.5% ordinary* 99.7% ordinary non voting* 88.3% 10.75% preference shares*	Water undertaking
Associated undertakings			
Grafham Carbons Limited (cost of investment £20,000)	England	50% ordinary	Carbon regeneration
Biogas Generation Limited (cost of investment £19,999)	England	50% ordinary	Power generation

The Directors are of the opinion that the aggregate value of the assets of the Company, consisting of shares in the Company's subsidiary undertaking, is not less than the aggregate amount at which those assets are stated in the Company's balance sheet.

*The Company declared its offer for the ordinary, non voting ordinary and 10.75% preference shares unconditional in all respects on 19 March 1993. On 16 April 1993, notices were sent to non assenting shareholders compulsorily acquiring outstanding shares in each class with effect from 28 May 1993.

9 Debtors	1993 £m	1992 £m
Trade debtors	66.3	62.0
Amounts owed by group undertakings	0.3	2.8
Other debtors	8.8	12.0
Prepayments and accrued income	43.4	37.6
	118.8	114.4

Included within debtors is £4.5 million (1992: £0.5 million) due after one year.

10 Creditors: amounts falling due within one year

	1993 £m	1992 £m
Loans	30.9	0.9
Obligations under finance leases (note 15c)	10.0	6.9
Trade creditors	36.5	56.3
Amounts owed to group undertakings	4.0	2.3
Other creditors	3.0	1.5
Taxation and social security	4.7	4.4
Proposed dividend payable to parent undertaking	16.7	-
Purchase consideration for East Worcester Water Plc	33.4	-
Accruals and deferred income	147.1	158.3
	<u>286.3</u>	<u>230.6</u>

11 Creditors: amounts falling due after more than one year

	Range of interest rates %	1993 £m	1992 £m
European Investment Bank loan - 1993	11.5	-	30.0
European Investment Bank loan - 1996	10.9	24.3	24.3
European Investment Bank loan - 1997	5.9 - 10.5	22.8	22.8
European Investment Bank loan - 1999	5.7 - 10.6	23.0	-
European Investment Bank loan - 1999	6.7	77.0	-
European Investment Bank loan - 2000	5.9 - 10.5	22.8	22.8
European Investment Bank loan - 2002	5.8 - 10.7	46.0	46.5
Local authority loans - 1994-2035	8.7 - 12.0	16.2	16.6
Water annuities	4.0 - 5.0	0.1	0.1
		<u>232.2</u>	<u>163.1</u>
Obligations under finance leases (note 15c)		97.6	43.1
Other creditors		11.9	8.3
		<u>341.7</u>	<u>214.5</u>
Loans outstanding are repayable as follows:		1993 £m	1992 £m
Between one and two years		1.6	30.9
Between two and five years		58.1	32.0
After five years - by instalment		49.5	54.5
- other than by instalment		123.0	45.7
		<u>232.2</u>	<u>163.1</u>

12 Provisions	Balance at 1 April 1992 £m	Charged to profit and loss account £m	Utilised £m	Balance at 31 March 1993 £m
a Liabilities and charges				
Infrastructure renewals provision	54.7	69.8	85.2	39.3
Reorganisation provision	9.0	–	3.8	5.2
	63.7	69.8	89.0	44.5

The application of the infrastructure renewals provision is shown net of grants and contributions of £3.2 million (1992: £1.8 million).

b Deferred income	Balance at 1 April 1992 £m	Released to profit and loss account £m	Received £m	Balance at 31 March 1993 £m
	30.4	1.6	12.2	41.0

c Deferred taxation

The full potential liability for deferred taxation calculated at 33% (1992: 33%) under the liability method is:

	1993 £m	1992 £m
Accelerated capital allowances	384.7	326.9
Other timing differences	(24.0)	(31.8)
Available tax losses	(34.0)	(28.6)
	326.7	266.5

13 Share capital

Authorised:	1993 £m	1992 £m
1,000,000,000 Ordinary Shares of £1 each	1,000.0	500.0
Issued and fully paid:	1993 £m	1992 £m
1,000,000,000 Ordinary Shares of £1 each	1,000.0	400.0

The ultimate parent undertaking is Severn Trent Plc which is registered in England.

On 17 September 1992 the Authorised share capital of the Company was increased to £1,000,000,000 by the creation of 500,000,000 additional Ordinary Shares of £1 each.

On 25 September 1992 600,000,000 Ordinary Shares were issued at par to Severn Trent Plc for cash to strengthen the capital base of the Company (note 6).

14 Profit and loss account	£m
At 1 April 1992	1,579.7
Loss for the year	(446.0)
At 31 March 1993	1,133.7

15 Commitments and contingent liabilities

a Investment expenditure commitments	1993 £m	1992 £m
Contracted for but not provided in the financial statements	247.8	170.5
Authorised but not yet contracted for	203.2	416.5

In addition to these commitments, the Company has longer term expenditure plans which includes investment to meet improvements in performance mandated by the Director General of Water Services and to provide for growth and demand in water and sewerage services.

b Operating lease commitments

At 31 March 1993 the Company was committed to the following payments during the next year in respect of operating leases.

Leases which expire:

	Land and buildings £m	Other £m
Within one year	0.3	0.5
Within one and five years	0.1	0.2
After five years	1.0	-
	1.4	0.7

c Finance leases commitments

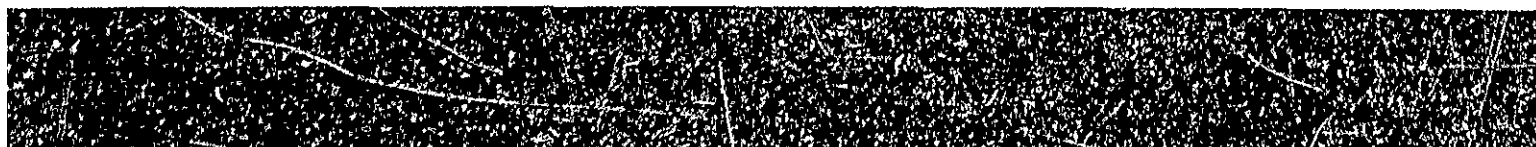
Amounts due under finance leases are payable as follows:

	1993 £m	1992 £m
Within one year	10.0	6.9
Between one and two years	13.6	9.1
Between two and five years	20.4	23.2
After more than five years	63.6	10.8
	107.6	50.0

Comparative figures for finance lease commitments have been adjusted to show only the capital element of finance repayments, and exclude finance charges allocated to future periods which were previously disclosed separately. The revised disclosure minimises the impact of changes in interest rates on the analysis of commitments.

d No material finance lease obligations have been entered into subsequent to the year end.

e The banking arrangements of the Company operate on a pooled basis with certain other group undertakings and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies. At 31 March 1993 the Company's bank balances of £105.6 million (1992: £185.1 million) were included under these arrangements.



16 Cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	1993 £m	1992 £m
Operating profit	287.9	244.3
Profit on sale of assets	(7.5)	(3.6)
Depreciation (note 7 iii)	68.6	53.1
Infrastructure renewals charge (note 12a)	69.8	83.1
Utilisation of infrastructure renewals provision (note 12a)	(88.4)	(102.7)
Deferred credits received (note 12b)	12.2	14.4
Deferred credits released (note 12b)	(1.6)	(1.2)
Working capital (note 16b)	(1.2)	(21.3)
Other	(3.8)	2.5
	336.0	268.6

b Working capital (increase)/decrease

	1993 £m	1992 £m
Stocks and work in progress	1.5	0.3
Debtors	(1.1)	(25.8)
Creditors	(1.6)	4.2
	(1.2)	(21.3)

c Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Change in year £m	1993 £m	1992 £m
Cash at bank and in hand	(79.5)	105.6	185.1

d Analysis of changes in financing during year

	1993		1992	
	Share capital £m	Loans and finance lease obligations £m	Total £m	Total £m
Balance 1 April	400.0	214.0	614.0	486.3
Cash inflow from financing	600.0	87.7	687.7	112.8
Inception of finance leases contracts	-	69.0	69.0	14.9
Balance 31 March	1,000.0	370.7	1,370.7	614.0

e The remaining consideration for the purchase of East Worcester Water Plc amounting to £33.4 million will be settled in 1993/94.

17 Pensions

The Company operates two schemes, the Severn Trent Mirror Image Pension Scheme (STMIPS) and the Severn Trent Water Pension Scheme (STWPS), both of which are of the defined benefit type and are fully funded to cover future salary and pension increases. The assets of the schemes are held in separate trustee administered funds. Employers' contributions during the year were £8.9 million (1992: £13.0 million).

STWPS

An actuarial valuation of STWPS was carried out at 31 March 1992 by an independent actuary, using the projected unit method. The principal assumption was that the investment return would exceed future salary and wage increases by 2% per annum.

The actuarial value of the scheme's assets was £227.3 million, which exceeded by 16% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings.

Members of STWPS contribute to the scheme at the rate of either 6%, 5% or 3% of pensionable pay, according to their choice. The actuary has recommended that with effect from 1 April 1992 employers' contributions to STWPS be reduced as follows in order to utilise the valuation surplus over the remaining service lives of the scheme's members. As a consequence of the change the charge to the profit and loss account has been reduced by £4.2 million:

Members' contribution rate	Employers' contribution rate
6%	reduced from 16.3% to 8.8%
5%	reduced from 13.6% to 7.35%
3%	reduced from 8.1% to 4.4%

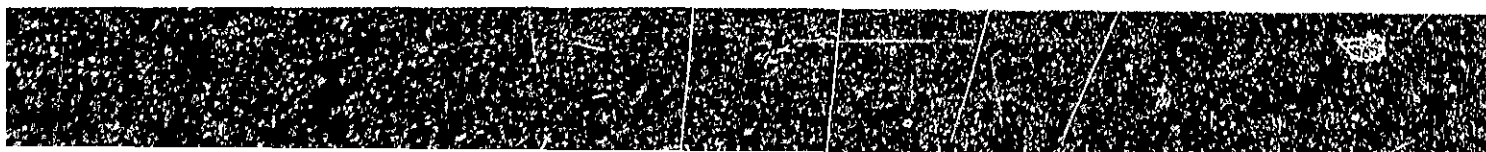
STMIPS

The most recent actuarial valuation of STMIPS was carried out at 31 March 1991 by an independent actuary, using the attained age method which is considered the most appropriate method of valuation for a scheme which is closed to new members. The principal assumption was that the investment return would exceed future salary and wage increases by 2% per annum.

The actuarial value of the scheme's assets was £97.3 million, which exceeded by 24% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings.

The employers' contribution to STMIPS continues unchanged at the rate of 7.7% and 6.4% of pensionable pay of STMIPS members whose contributions are at the rate of 6% or 5% respectively.

Prepaid pension contributions of £2.0 million (1992: £2.3 million) are included in prepayments.



Report of the Auditors to the Members of Severn Trent Water Limited

We have audited the financial statements set out on pages 10 to 24 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company at 31 March 1993 and of the profit and cash flows of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants and Registered Auditor

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

16 June 1993

Price Waterhouse



Regulatory accounts

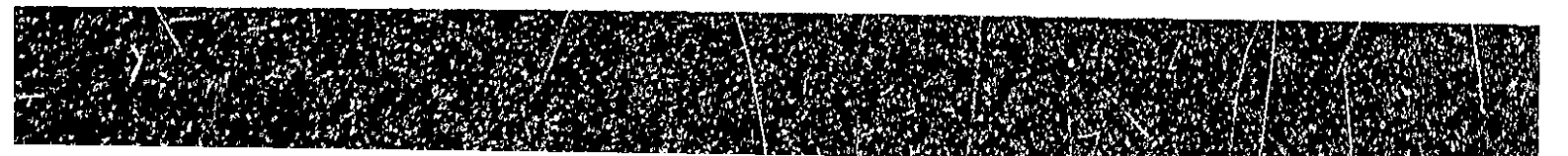
Year ended 31 March 1993

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Basis of preparation

The regulatory accounts have been prepared in accordance with the requirements contained in condition 'F' of the Instrument of Appointment of the Water and Sewerage Undertakers, and Regulatory Accounting Guideline 3.02 and amendments issued by the Director General of Water Services in May 1992.

The historical cost statements and reconciliation of current cost operating profit to net cash flow from operating activities are presented in the regulatory accounts to meet the requirements of the Director General of Water Services.



Historical cost profit and loss account

Year ended 31 March 1993

	1993 £m	1992 £m
Turnover	742.3	692.1
Operating costs	(461.9)	(451.4)
Operating income	7.5	3.6
Operating profit	287.9	244.3
Net interest (payable)/receivable	(9.5)	18.6
Profit on ordinary activities before taxation	278.4	262.9
Taxation on profit on ordinary activities	-	-
Profit for the financial year	278.4	262.9
Dividends	(724.4)	(100.0)
Retained (loss)/profit for the financial year	(446.0)	162.9

The accounting policies and notes supporting the amounts in the historical cost statements contained in the regulatory accounts are the same as those outlined in the statutory historical cost accounts on pages 13 to 24.

Historical cost balance sheet

As at 31 March 1993

	1993 £m	1992 £m
Fixed assets		
Tangible assets	2,576.5	2,206.0
Investments	37.1	2.7
	<u>2,613.6</u>	<u>2,208.7</u>
Current assets		
Stocks and work in progress	9.2	10.7
Debtors	118.8	114.4
Cash at bank and in hand	105.6	185.1
	<u>233.6</u>	<u>310.2</u>
Creditors: amounts falling due within one year	(286.3)	(230.6)
Net current (liabilities)/assets	<u>(52.7)</u>	<u>79.6</u>
Total assets less current liabilities	<u>2,560.9</u>	<u>2,288.3</u>
Creditors: amounts falling due after more than one year	(341.7)	(214.5)
Provisions for liabilities and charges	(44.5)	(63.7)
Provision for deferred income	(41.0)	(30.4)
	<u>2,133.7</u>	<u>1,979.7</u>
Capital and reserves		
Called up share capital	1,000.0	400.0
Profit and loss account	1,133.7	1,579.7
	<u>2,133.7</u>	<u>1,979.7</u>

Current cost financial statements – profit and loss account

Year ended 31 March 1993

	Notes	1993 £m	1992 £m
Turnover	2	742.3	692.1
Current cost operating costs	2	(520.2)	(530.3)
Operating income	2	6.5	1.6
		228.6	162.8
Working capital adjustment		2.9	6.1
Current cost operating profit		231.5	168.9
Net interest (payable)/receivable		(9.5)	18.6
Financing adjustment		0.9	(7.6)
Current cost profit before taxation		222.9	179.9
Taxation		-	-
Current cost profit attributable to shareholders		222.9	179.9
Dividends		(724.4)	(100.0)
Current cost (loss)/profit retained		(501.5)	79.9

Current cost financial statements – balance sheet

As at 31 March 1993

Fixed assets	Notes	1993 £m	1992 £m
Tangible assets	3	21,039.3	20,359.4
Third party contributions since 1989/90		(243.9)	(167.1)
Working capital	4	(105.6)	(153.7)
Net operating assets		20,689.8	20,038.6
Cash and investments		142.7	187.8
Non-trade debtors		1.2	2.2
Non-trade creditors due within one year		(97.0)	(13.3)
Creditors due after one year		(341.7)	(214.5)
Provision for liabilities and charges		(5.2)	(9.0)
Net assets employed		20,389.8	19,991.8
Capital and reserves			
Called up share capital		1,000.0	400.0
Profit and loss account		484.7	986.2
Current cost reserve		5	18,905.1
		20,389.8	19,991.8

Current cost financial statements – cash flow statement

Year ended 31 March 1991

	Notes	1993 £m	1992 £m
Net cash inflow from operating activities	6	336.0	268.6
<i>Returns on investments and servicing of finance</i>			
Interest received		17.8	48.3
Interest paid		(19.6)	(11.6)
Interest in finance lease rentals		(5.6)	(4.3)
Dividends paid		(707.7)	(116.0)
Net cash flow from returns on investments and servicing of finance		(715.1)	(83.6)
Tax paid		-	-
<i>Investing activities</i>			
Purchase of fixed assets		(397.9)	(401.3)
Purchase of subsidiaries		(1.0)	(0.4)
Disposal of fixed assets		10.8	5.6
Net cash outflow from investing activities		(388.1)	(396.1)
Net cash outflow before financing		(767.2)	(211.1)
<i>Financing</i>			
Issue of new shares		600.0	-
New medium/long term bank loans		99.1	117.6
Capital in finance lease rentals		(11.4)	(4.8)
Net cash inflow from financing		687.7	112.8
Decrease in cash and cash equivalents		(79.5)	(98.3)

Notes to the current cost financial statements

Year ended 31 March 1993

1 Accounting policies

a General

These accounts have been prepared in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance, in the context of assets which are valued at their current cost value to the business, with the exception of certain assets.

The accounting policies used are the same as those adopted in the statutory historical cost accounts, except as set out below.

b Tangible fixed assets

Assets in operational use are valued at the replacement cost of their operating capability. To the extent that the regulatory regime does not allow such assets to earn a return high enough to justify that value, this represents a modification of the value to the business principle. Also, no provision is made for possible funding of future replacement of assets by contributions from third parties and, to the extent that some of the tangible fixed assets would on replacement be so funded, replacement cost again differs from value to the business. Redundant assets are valued at their recoverable amounts.

i Non infrastructure assets

Specialised operational assets:

The gross replacement cost of specialised operational assets has been derived using unit cost price information and applied to the latest asset survey data. This value has been adjusted for inflation during the year as measured by changes in the Retail Price Index (RPI).

The specialised operational assets acquired since 31 March 1991 are valued at the lower of depreciated replacement cost and recoverable amount restated annually between periodic Asset Management Plan (AMP) reviews by adjusting for inflation, using RPI. The unamortised portion of third party contributions received is deducted in arriving at net operational assets (as described below in note 1c).

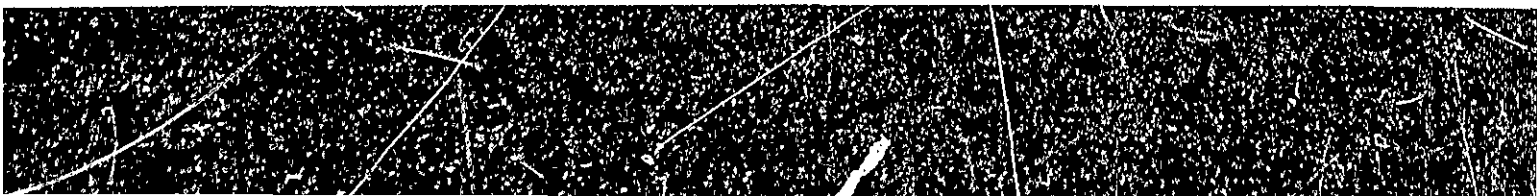
Non specialised operational assets:

Non specialised operational assets are valued on the basis of open market value for existing use at 31 March 1991 and have been expressed in real terms by indexing using RPI since that date.

ii Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipelines are valued at replacement cost, determined principally on the basis of September 1987 unit cost data provided by the AMP.

A process of continuing refinement of asset records is expected to produce adjustments to existing values when Periodic Reviews of the AMP take place. In intervening years, values are restated to take account of changes in the general level of inflation, as measured by changes in RPI over the year, and any other significant changes in asset records identified during the year.



Other assets

All other assets are valued periodically at depreciated replacement cost. Between periodic AMP reviews, values are restated for inflation as measured by changes in RPI.

Surplus land

Surplus land is valued at current market values. Any proceeds on disposal to be passed on to customers will be taken into account, in accordance with the requirements contained in Condition 'B' of the Instrument of Appointment of the Water and Sewerage Undertakers.

c Grants and other third party contributions

Grants, infrastructure charges and other third party contributions received since 31 March 1990 are carried forward to the extent that any balance has not been credited to revenue. The balance carried forward is restated for the change in RPI for the year and treated as for deferred income.

d Real financial capital maintenance adjustments

These adjustments are made to historical cost operating profit in order to arrive at profit after the maintenance of financial capital in real terms:

Working capital adjustment - this is calculated by applying the changes in RPI over the year to the opening total of trade debtors and stock, less trade creditors.

Financing adjustment - this is calculated by applying the change in RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

2 Analysis of current cost turnover and operating cost

1993

1992

	1993			1992		
	Water services £m	Sewerage services £m	Total £m	Water services £m	Sewerage services £m	Total £m
a Analysis of turnover						
Measured	108.2	38.0	146.2	104.6	36.9	141.5
Unmeasured	182.0	351.9	533.9	167.1	323.1	490.2
Trade effluent	-	36.1	36.1	-	32.4	32.4
Revenue grants	0.1	-	0.1	0.2	0.7	0.9
Other sources	18.0	8.0	26.0	18.7	8.4	27.1
Total turnover	308.3	434.0	742.3	290.6	401.5	692.1

b Operating income

Current cost profit on disposal of fixed assets	4.6	1.9	6.5	0.8	0.8	1.6
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c Operating cost

As permitted by the Director General of Water Services a full analysis of operating costs and assets has not been published.

d Non-appointed business

The Company has not identified for the purpose of its 1993 accounts, any businesses or activities other than the Appointed Business.

The amounts in respect of the non-appointed businesses are not material under the guidelines issued by the Office of Water Services.

Areas of non-appointed business include:

Maintenance services for third parties

Mailing services for third parties

Sales of stores to third parties

External sales of energy

Computing and payroll services to the National Rivers Authority

3a Tangible fixed assets analysis by service

	Water supply £m	Sewerage £m	Sewage treatment and disposal £m	Total £m
Gross replacement cost:				
Balance 1 April 1992	6,577.1	13,266.6	2,800.9	22,644.6
AMP adjustment	-	(58.9)	-	(58.9)
RPI adjustment	125.0	254.2	53.9	433.1
Disposals	(34.7)	(7.1)	(71.1)	(112.9)
Additions	216.1	104.9	161.9	482.9
Balance 31 March 1993	6,883.5	13,559.7	2,945.6	23,388.8
Depreciation:				
Balance 1 April 1992	642.1	200.0	1,443.1	2,285.2
RPI adjustment	13.1	3.7	28.1	44.9
Disposals	(31.8)	(6.7)	(69.0)	(107.5)
Charge for year	42.0	11.4	73.5	126.9
Balance 31 March 1993	665.4	208.4	1,475.7	2,349.5
Net book value:				
At 31 March 1993	6,218.1	13,351.3	1,469.9	21,039.3
At 31 March 1992	5,935.0	13,066.6	1,357.8	20,359.4

3b Tangible fixed assets analysis by asset type

	Specialised operational assets £m	Non specialised operational assets £m	Infrastructure assets £m	Other assets £m	Total £m
Gross replacement cost:					
Balance 1 April 1992	4,181.3	173.7	18,086.6	203.0	22,644.6
AMP adjustment	-	-	(58.9)	-	(58.9)
RPI adjustment	78.2	8.1	344.8	2.0	433.1
Disposals	(91.2)	(2.1)	-	(19.6)	(112.9)
Additions	265.5	5.8	159.7	51.9	482.9
Balance 31 March 1993	4,433.8	185.5	18,532.2	237.3	23,388.3
Depreciation:					
Balance 1 April 1992	2,155.2	43.9	-	86.1	2,285.2
RPI adjustment	42.7	2.0	-	0.2	44.9
Disposals	(91.1)	(1.1)	-	(15.3)	(107.5)
Charge for year	96.6	2.6	-	27.7	126.9
Balance 31 March 1993	2,203.4	47.4	-	98.7	2,349.5
Net book value:					
At 31 March 1993	2,230.4	138.1	18,532.2	138.6	21,039.3
At 31 March 1992	2,026.1	129.8	18,086.6	116.9	20,359.4

3c Tangible fixed assets net book value of fixed assets by service and by asset type

	Specialised operational assets £m	Non specialised operational assets £m	Infrastructure assets £m	Other assets £m	Total £m
Water supply	668.1	92.3	5,382.0	75.7	6,218.1
Sewerage	189.9	1.3	13,149.4	10.7	13,351.3
Sewage treatment and disposal	1,372.4	44.5	0.8	52.2	1,469.9
At 31 March 1993	2,230.4	138.1	18,532.2	138.6	21,039.3

4 Working capital	1993 £m	1992 £m
Stocks	9.2	10.7
Trade debtors	66.3	62.0
Trade creditors	(10.4)	(12.7)
Short term capital creditors	(26.1)	(38.0)
Infrastructure renewals accrual	(39.3)	(54.7)
Accruals	(162.0)	(119.3)
Payments in advance	(40.6)	(39.1)
Tax and social security	(4.7)	(4.4)
Group trade debtors/(creditors)	(3.0)	0.5
Other trade debtors/(creditors)	2.1	5.9
Prepayments	42.9	35.4
	(105.6)	(153.7)
5 Reserves – current cost reserve	1993 £m	1992 £m
Balance 1 April	18,605.6	18,397.1
AM/P adjustment	(58.9)	(567.4)
RPI adjustments:		
Fixed assets	388.2	783.0
Working capital	(2.9)	(6.1)
Financing	(0.9)	7.6
Grants and third party contributions	(3.2)	(3.0)
Other adjustments	(22.8)	(5.6)
Balance 31 March	18,905.1	18,605.6
6 Reconciliation of current cost operating profit to net cash flow from operating activities	1993 £m	1992 £m
Current cost operating profit	231.5	168.9
Current cost depreciation	126.9	132.6
Current cost profit on sale of assets	(6.5)	(1.6)
Increase in debtors and prepaid expenses	(1.1)	(25.8)
(Decrease)/increase in creditors and accrued expenses	(1.6)	4.2
Release of provisions	(18.6)	(19.6)
Effect of other deferrals and accruals on operating activity cash flow	8.3	16.0
Working capital adjustment	(2.9)	(6.1)
Net cash flow from operating activities	336.0	268.6

Current cost financial statements - three year summary

at 1992/93 out-turn prices

Profit and loss accounts	1993 £m	1992 £m	1991 £m
Turnover	742.3	713.6	657.9
Current cost operating costs	(520.2)	(547.4)	(496.0)
Operating income	6.5	1.6	4.3
	228.6	167.8	166.2
Working capital adjustment	2.9	6.3	10.2
Current cost operating profit	231.5	174.1	176.4
Net interest (payable)/receivable	(9.5)	19.2	50.1
Financing adjustment	0.9	(7.8)	(26.8)
Current cost profit before taxation	222.9	185.5	199.7
Taxation	-	-	-
Current cost profit attributable to shareholders	222.9	185.5	199.7
Dividends	(724.4)	(103.1)	(103.8)
Current cost (loss)/profit retained	(501.5)	82.4	95.9

Balance sheets	1993 £m	1992 £m	1991 £m
Fixed assets			
Tangible assets	21,039.3	20,687.3	20,298.9
Third party contributions since 1989/90	(243.9)	(170.3)	(76.9)
Working capital	(105.6)	(156.6)	(161.0)
Net operating assets	20,689.8	20,360.4	20,061.0
Cash and investments	142.7	191.4	302.9
Non-trade debtors	1.2	2.2	15.1
Non-trade creditors due within one year	(97.0)	(13.5)	(25.5)
Creditors due after one year	(341.7)	(218.6)	(96.7)
Provision for liabilities and charges	(5.2)	(9.2)	(7.7)
Net assets employed	20,389.8	20,312.7	20,249.1
Capital and reserves			
Called up share capital	1,000.0	407.6	424.0
Profit and loss account	484.7	1,004.9	960.8
Current cost reserve	18,905.1	18,900.2	18,864.3
	20,389.8	20,312.7	20,249.1

Diversification and the protection of the core business – Condition F6a

Severn Trent Water Limited hereby advise:

- 1 that in the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- 2 that in the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions.

V Cocker
Managing Director
For and on behalf of the Board

16 June 1993

Report of the Auditors to the Director General of Water Services

We have audited the financial statements on pages 27 to 38 in accordance with Auditing Standards.

In our opinion, the financial statements contain the information for the year to 31 March 1993 required to be published and submitted to you by Severn Trent Water Limited to comply with Condition F of the Instrument of Appointment by the Secretary of State for the Environment of the Company as a water and sewerage undertaker under the Water Act 1989.

In respect of this information, we report that in our opinion:

- a Proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument;
- b The information is in agreement with the Appointee's accounting records, complies with the requirements of Condition F of the Instrument and has been properly prepared in accordance with the Regulatory Accounting Guidelines and amendments issued by the Office of Water Services;
- c The financial statements on pages 27 and 28 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointed Business; and
- d The current cost financial information on pages 29 to 38 has been properly prepared in accordance with the Regulatory Accounting Guideline 1.02, Accounting for Current Costs issued in May 1992 by the Office of Water Services.

Price Waterhouse

Price Waterhouse
Chartered Accountants and Registered Auditor

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

16 June 1993



Financial and operating statistics

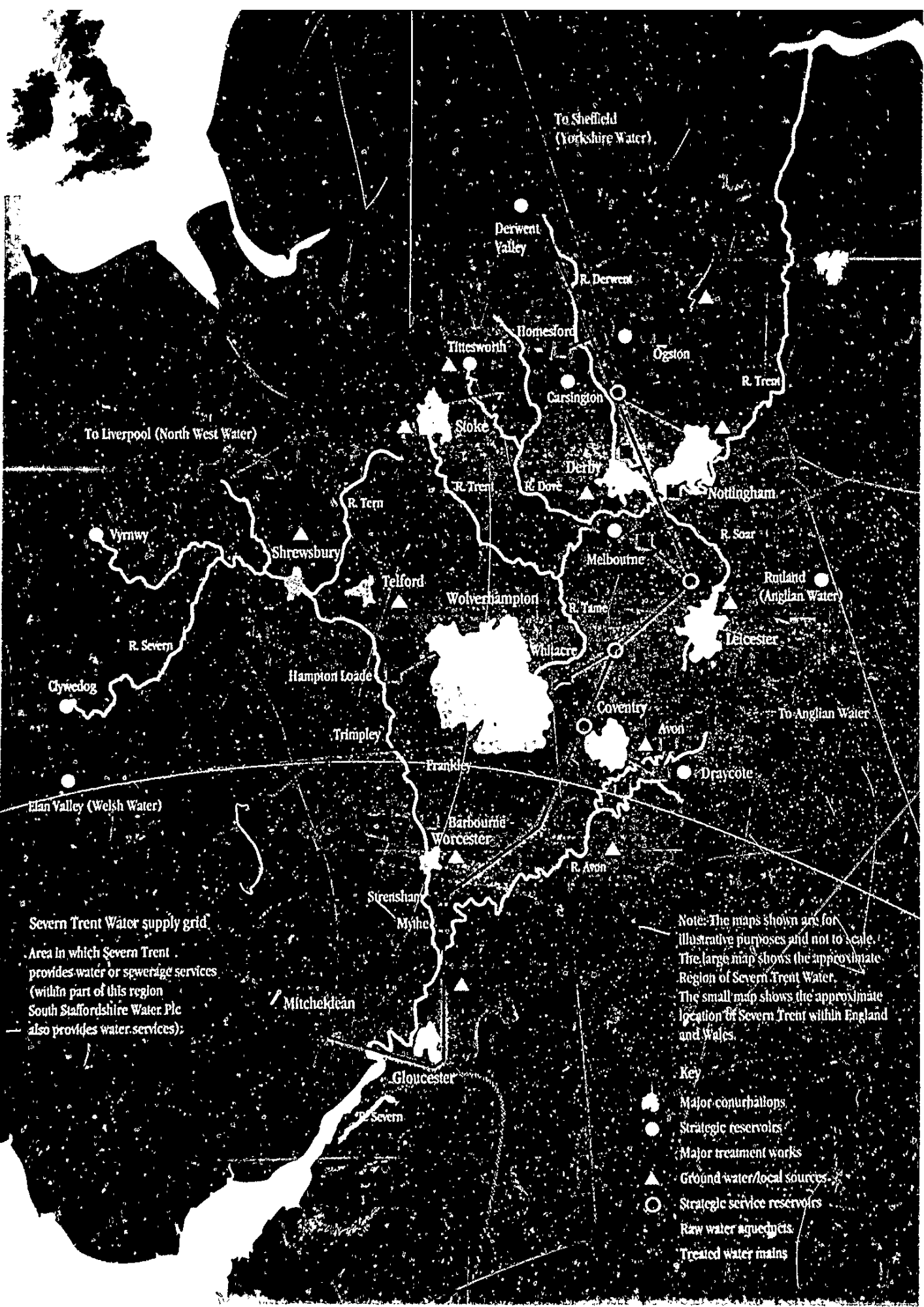
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Introduction

As part of our commitment to further develop communication with our customers these financial and operating statistics are published as a supplementary section to the Annual Report and Accounts of Severn Trent Water Limited for the year ended 31 March 1993.

The financial information contained within this section does not amount to statutory accounts within the meaning of the Companies Act 1985. Statutory accounts relating to the financial information contained within this supplement have been delivered to the Registrar of Companies, together with unqualified reports from the auditor.

The principal source of the operating statistics are the Annual Water Quality Reports for Severn Trent Water and Information to be submitted to the Director General of Water Services as part of the July 1993 Return. Copies of the Water Quality Report are available from the Director of Marketing whose address appears on page 1 of this publication.



To Liverpool (North West Water)

To Sheffield (Yorkshire Water)

Severn Trent Water supply grid

Area in which Severn Trent provides water or sewerage services (within part of this region South Staffordshire Water Plc also provides water services)

Note: The maps shown are for illustrative purposes and not to scale. The large map shows the approximate Region of Severn Trent Water. The small map shows the approximate location of Severn Trent within England and Wales.

Key

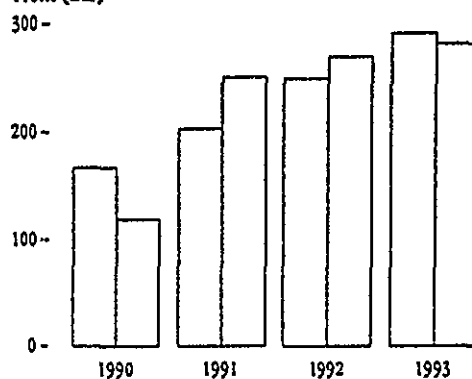
- Major conurbations
- Strategic reservoirs
- Major treatment works
- ▲ Ground water/local sources
- Strategic service reservoirs
- Raw water aqueducts
- Treated water mains

Financial

Profit and loss accounts

	1990 £m	1991 £m	1992 £m	1993 £m
Turnover	541.6	608.6	692.1	742.3
Operating profit	164.0	198.5	244.3	287.9
Net Interest				
(payable)/receivable	(37.8)	46.3	18.6	(9.5)
Extraordinary Items	(8.9)	-	-	-
Profit for the financial year	117.3	244.8	262.9	278.4
Dividends	(90.6)	(96.0)	(100.0)	(724.4)
Retained profit/(loss)	26.7	148.8	162.9	(446.0)

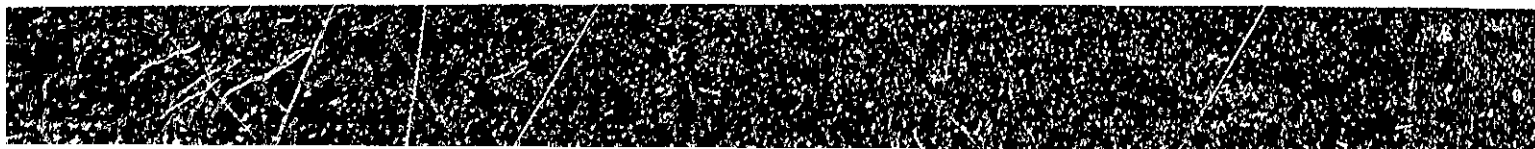
Profit (£m)



■ Operating profit ■ Profit for the financial year

Balance sheets

	1990 £m	1991 £m	1992 £m	1993 £m
Fixed assets	1,527.1	1,805.6	2,208.7	2,613.6
Net current assets/(liabilities)	242.8	199.5	79.6	(52.7)
	1,769.9	2,005.1	2,288.3	2,560.9
Creditors: amounts falling due after more than one year	(50.4)	(91.2)	(214.5)	(341.7)
Provisions for liabilities, charges and deferred income	(51.4)	(97.0)	(94.1)	(85.5)
	1,668.1	1,816.9	1,979.7	2,133.7
Capital and reserves				
Called up share capital	400.0	400.0	400.0	1,000.0
Profit and loss account	1,268.1	1,416.9	1,579.7	1,133.7
	1,668.1	1,816.9	1,979.7	2,133.7

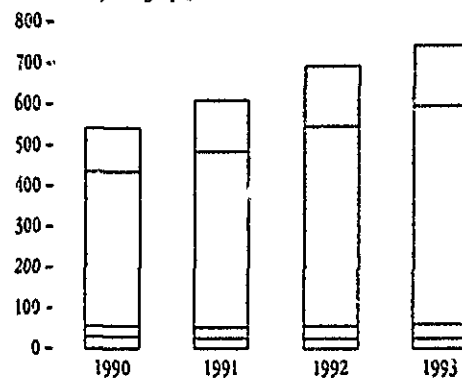


Financial

Turnover by category

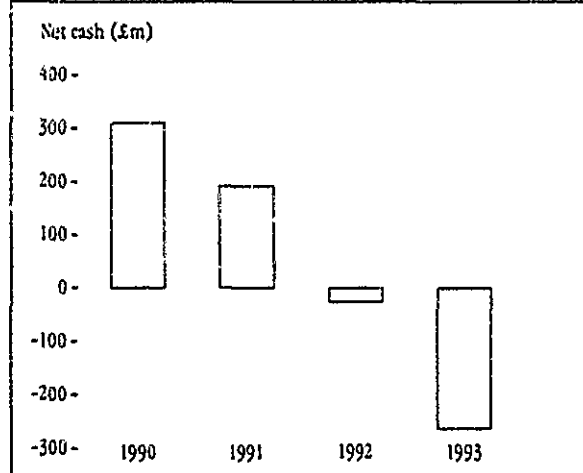
	1990 £m	1991 £m	1992 £m	1993 £m
Measured charges	105.1	123.3	141.5	146.2
Unmeasured charges	376.3	429.1	490.2	533.9
Trade effluent	26.5	29.9	32.4	36.1
Other	33.7	26.3	28.0	26.1
	541.6	608.6	692.1	742.3

Turnover by category (£m)



- Measured charges
- Unmeasured charges
- Trade effluent
- Other

Net cash



	1990 £m	1991 £m	1992 £m	1993 £m
Cash at bank and in hand	366.4	283.4	185.1	105.6
Borrowings	(51.2)	(87.3)	(214.0)	(370.7)
	315.2	196.1	(28.9)	(265.1)

Key ratios

	1990	1991	1992	1993
Liquidity				
Current ratio (times)	2.20	2.03	1.35	0.82
Profitability				
Gross profit margin (%)	30.28	32.62	35.30	38.78
Return on capital employed (%): Historic cost	9.27	9.90	10.68	11.24
Return on fixed assets (%): Historic cost	10.74	11.00	11.06	11.02
Return on fixed assets (%): Current cost	N/A	0.83	0.83	1.10
Gearing				
Debt to equity (%)	0.03	0.05	0.11	0.17
Other				
Turnover per employee (£)	76,228	86,277	92,825	99,704
Operating profit per employee (£)	23,082	28,140	32,765	38,670

Note: Data not available (N/A) indicates where information is not available in a form consistent with subsequent years.

Charter Mark

In September 1992 the Company received the prestigious new Charter Mark Award for Customer service, one of just 36 organisations nationwide to do so.

The award, introduced as part of the Prime Minister's Citizens Charter initiative, recognises the Company's progress and on-going commitment to customer service quality and reliability.

The company publishes guaranteed standards of service, with information on how customers can claim compensation if these standards are not met, and a complaints procedure with an independent review. Details on both schemes are available from the Customer Service Manager whose address appears on page 1 of this publication.

The Charter Mark is recognition of the Company's progress to date measured against the six key customer service criteria shown below:

- 1 Publishing and measuring standards of service.**
We publish our guaranteed standards and details of the level of service for our customer. The OFWAT Customer Services Committee contribute to formulating service targets. These are agreed with OFWAT, the independent watchdog.

Additionally, our Codes of Practice represent our promise to customers regarding drinking water quality, pressure and continuity of supply.
- 2 Taking users' views into account.**
We regularly consult customers about our performance so that their preferences help determine the standards expected, and the services that are needed.
- 3 The plain facts in plain language.**
Every year we send each customer a copy of 'Customer Information about your water and sewerage services', summarising our range and guarantee of services.
- 4 Courteous efficient service for the convenience of the customer.**
We are determined to place the customer first at all levels of our organisation. For example, we have extended telephone service each day and take Saturday calls at

peak times to make contact with us more convenient for customers.

- 5 User friendly complaints procedures with independent review.**
We have invested in technology and computer systems to swiftly log, analyse and resolve any complaints that may arise.

- 6 Independent validation and value for money.**
Our performance against levels of service laid down by OFWAT, the independent watchdog, are independently certified by Sir William Halcrow & Partners. We are also accountable to the Drinking Water Inspectorate and the National Rivers Authority to ensure that we meet the highest standards for water quality and safety.

In addition, we were asked to provide information to show improvements in customer service which we were able to do from our market research and levels of service activities.

Investment in customer service was demonstrated through our use of the Image system and the development of the WaterKey pre-payment system.

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Severn Trent Water

Customer service

Charges (1993/1994)

	Water £	Sewerage £	Total £
Severn Trent	73	91	164
Average of other 9 water and sewerage companies	88	97	185
Equivalent cost per day per household			
Severn Trent	45 pence		
Other water and sewerage companies' average	51 pence		
Measured water charges			
Water supply	57.09 pence/cubic metre		
Sewerage	38.37 pence/cubic metre		

Levels of service

Under Condition J of the Instrument of the Appointment of the Water and Sewerage Undertakers, the Director General of Water Services requires the Company to provide information on a series of levels of service indicators which compare the service provided to a specified reference level.

Company performance against OFWAT service indicators (properties/population meeting DG reference levels)

	1990 %	1991 %	1992 %	1993 %
(DG1) Raw water availability				
Percentage of the population who live in areas where resources are adequate to meet demands.				
	58.95	58.78	58.89	99.17
(DG2) Pressure of mains water				
Percentage of properties not at risk of receiving water at a pressure less than one and a half atmospheres at the stop tap on the boundary of the property.				
	N/A	99.44	99.21	99.38
(DG3) Interruption to supply				
Percentage of properties not experiencing loss of supply for more than five interruptions for five hours, or three interruptions for twelve hours.				
	98.97	99.97	99.97	99.99
(DG4) Water usage restrictions				
Percentage of properties affected by:				
Ban on hosepipes	65.74	0.00	0.00	0.00
Drought orders	0.18	0.00	0.00	0.00
(DG5) Flooding from sewers				
Percentage of properties where there is no risk of flooding from public sewers at a frequency of more than twice in ten years.				
	99.92	99.94	99.95	99.95

Note: Data not available (N/A) indicates where information is not readily available in a form consistent with subsequent years.

Customer service

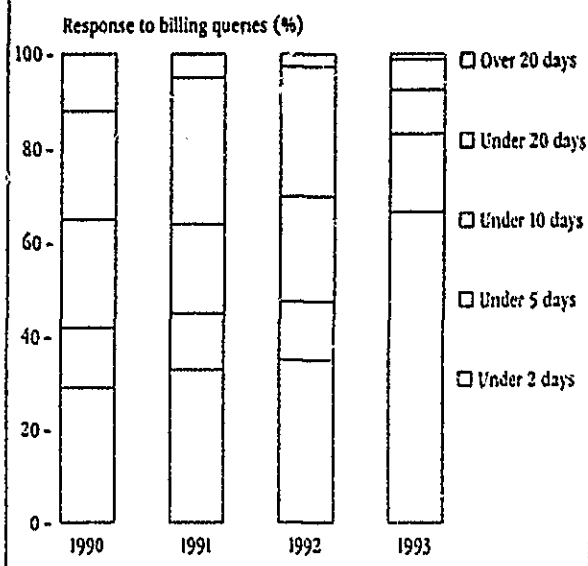
Response to billing queries

(DG6) Response to billing queries

Response time for replies to billing queries

	1990	1991	1992	1993
	%	%	%	%
Under 2 days	29.0	33.0	35.0	66.6
Under 5 days	42.0	45.0	47.5	83.2
Under 10 days	65.0	64.0	69.8	92.5
Under 20 days	88.0	95.0	97.4	98.9
Over 20 days	12.0	5.0	2.6	1.1

In 1993 there were 2.2 million customer contacts.



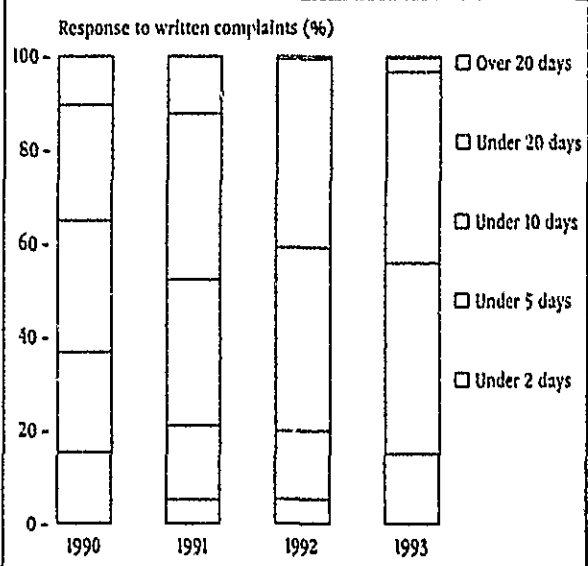
Response to written complaints

(DG7) Response to written complaints

Response time for replies to written complaints

	1990	1991	1992	1993
	%	%	%	%
Under 2 days	15.2	5.2	5.4	15.2
Under 5 days	36.7	21.1	20.1	56.0
Under 10 days	64.8	52.3	59.3	96.7
Under 20 days	89.6	87.8	99.4	99.8
Over 20 days	10.4	12.2	0.6	0.2

The number of customer complaints received in 1993 has fallen by 37% from those received in 1992.



Guaranteed standards scheme

In 1992/93, 99.1% of all complaints were answered within the guaranteed standards scheme time period. Two claims have been accepted for guaranteed standard payments.

Customer service

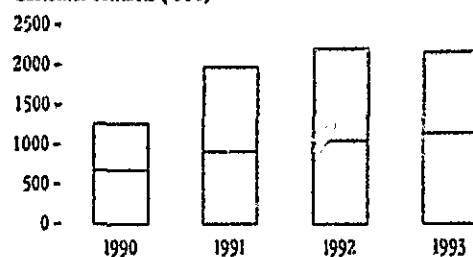
Customer contacts

	1990 '000	1991 '000	1992 '000	1993 '000
By correspondence	592	1,080	1,149	1,014
By telephone	691	904	1,053	1,143
Total	1,283	1,984	2,202	2,157

Note Customer contacts arise from queries on billing matters, notification of changes of occupiers and requests for instalment facilities etc.

■ By telephone ■ By correspondence

Customer contacts ('000)



Customer payment statistics

	1990 '000	1991 '000	1992 '000	1993 '000
Number of customers paying by instalments	569	736	798	837
Number of summonses (unmeasured charges)	61	114	103	37
Percentage of unmeasured customers summonsed (%)	2.3	4.3	3.9	1.4
Number of disconnections	No.	No.	No.	No.
Domestic	985	286	1,284	1,215
Non-domestic	94	123	290	410
Percentage of customers disconnected (%)	0.04	0.01	0.05	0.05

Customer complaints

	'000	'000	'000	'000
Customer complaints	15	21	22	14

Population (Water services)

	1990	1991	1992	1993
Water Supply	6,836	6,851	6,891	6,909
Sewerage	8,165	8,215	8,175	8,201

Billed properties

	1990	1991	1992	1993
Water				
Unmeasured domestic	2,548	2,555	2,544	2,541
Unmeasured non-domestic	71	69	62	59
Sub total	2,619	2,624	2,606	2,600
Measured domestic	46	62	92	119
Measured non-domestic	162	166	182	176
Sub total	208	228	274	295
Total	2,827	2,852	2,880	2,895
Sewerage	3,274	3,298	3,323	3,389

New connections during year

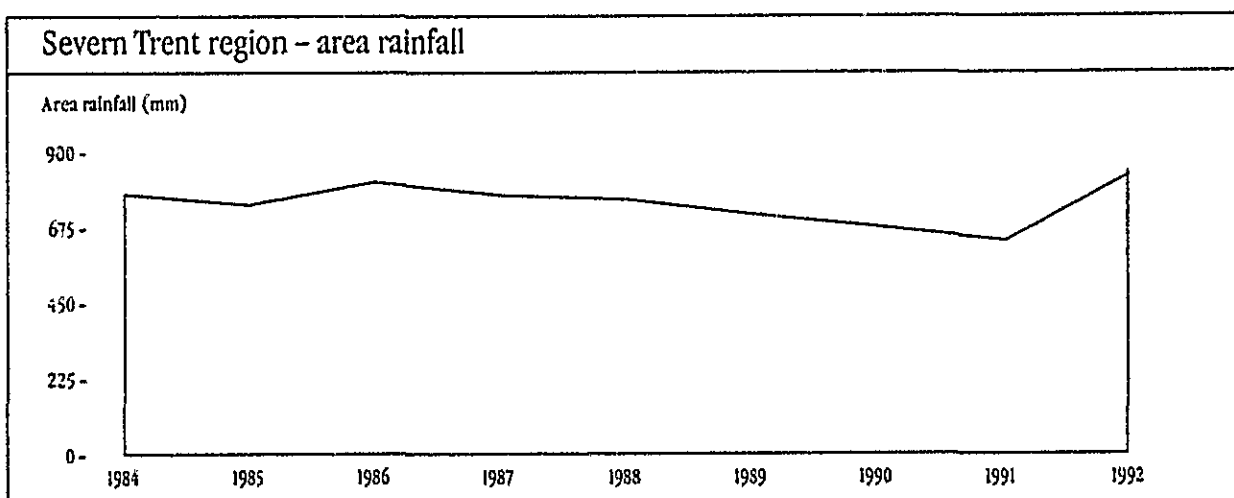
	1990	1991	1992	1993
Water supply	33	21	22	23
Sewerage	N/A	25	27	27

Note Data not available (N/A) indicates where information is not readily available in a form consistent with subsequent years.

Operational

Rainfall									
Severn Trent region - area rainfall	1984	1985	1986	1987	1988	1989	1990	1991	1992
Severn Trent region									
Rainfall (mm)	777	741	814	769	759	718	683	639	842
% long term average	99	96	105	99	98	93	88	83	110
Severn Basin									
Rainfall (mm)	842	813	856	805	811	777	732	702	872
% long term average	102	98	103	97	98	94	88	87	108
Trent Basin									
Rainfall (mm)	715	685	790	747	723	676	647	576	808
% long term average	97	93	103	101	98	92	88	78	110

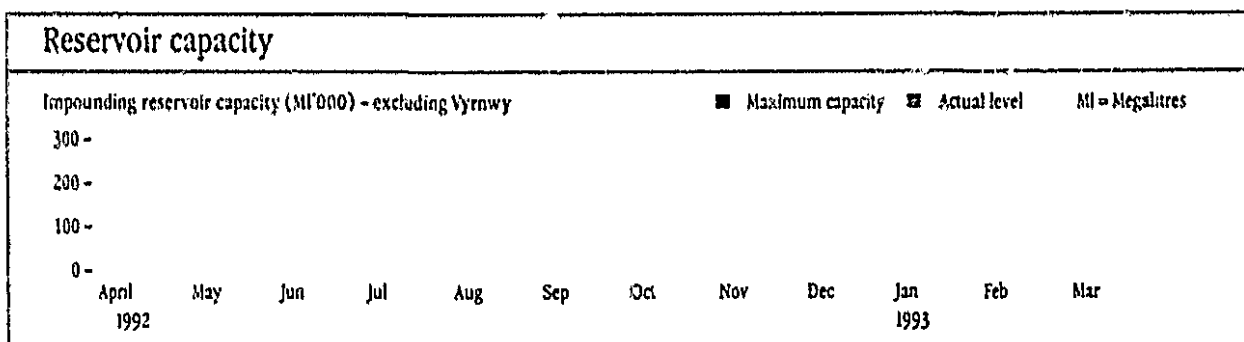
Note. % long term average is based on figures from 1941 to 1970. Figures relate to calendar year.



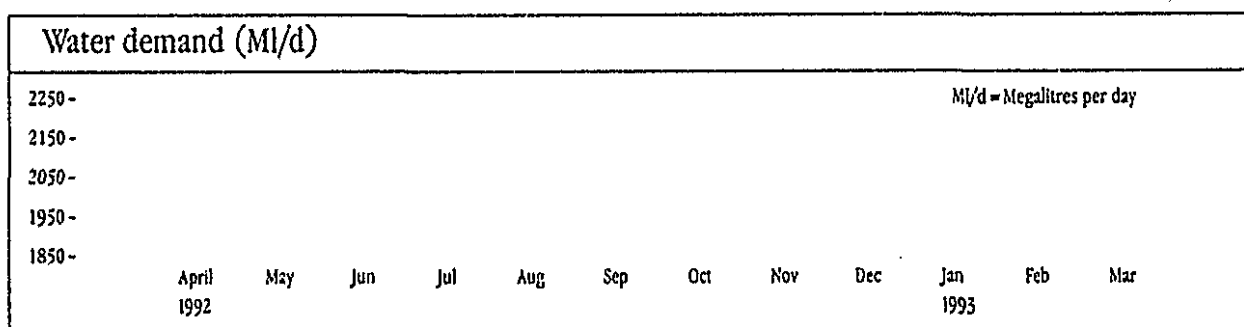
Analysis of water into supply				
	1990 ML/d	1991 ML/d	1992 ML/d	1993 ML/d
Impounding reservoirs	563	577	571	571
River abstractions	681	702	703	702
Groundwater	704	705	702	694
Total production	1,948	1,984	1,976	1,985
Treated water imports	21	22	19	18
Treated water exports	(18)	(17)	(16)	(16)
Total water into supply	1,951	1,989	1,979	1,987

Note: ML/d = Megalitre per day

Operational



Water into supply				
	1990	1991	1992	1993
	MI/d	MI/d	MI/d	MI/d
Household demand	983	990	1,005	1,023
Non-household demand	595	601	560	539
Water delivered to billed customers	1,578	1,591	1,565	1,562
Total water into supply	1,951	1,989	1,979	1,987
Company unaccounted for water as % of total water supplied	19%	20%	21%	21%



Quality - water supply				
	1989	1990	1991	1992
1 Overall quality of drinking water				
Number of samples	72,340	85,653	86,239	84,761
% compliance with standards	N/A	99.6%	99.6%	99.7%
2 Microbiological quality of drinking water				
Water leaving treatment works				
Number of samples	31,507	26,015	27,265	28,391
% compliance with standards	99.85%	99.84%	99.89%	99.92%
Water in service reservoirs				
Number of samples	14,706	34,731	34,773	33,577
% compliance with standards	99.39%	99.75%	99.86%	99.80%
Water at customers' taps				
Number of samples	17,676	24,907	24,201	22,793
% compliance with standards	98.25%	98.34%	99.58%	99.56%

Operational

	1989	1990	1991	1992
3 Physical and chemical quality of drinking water				
Water at customers' taps				
Number of samples	N/A	24,907	24,201	22,793
Compliance with standards	N/A	99.5%	99.4%	99.7%

Notes: Information on quality is based on calendar year in accordance with current Drinking Water regulations.

Many tests are carried out on each sample. Compliance is based on these tests with over 526,000 being made during 1992.

% Compliance with standards as detailed in the Water Supply (Water Quality) regulations.

Data not available (N/A) indicates where information is not readily available in a form consistent with the Water Supply (Water Quality) regulations.

Quality - sewage treatment

	1990	1991	1992	1993
1 Overall compliance with standards				
Total number of sewage treatment works	1,062	1,048	1,026	1,015
Number of sewage treatment works falling consents	53	43	19	20
Number of time limited consents	99	34	1	0
2 Number of prosecutions	N/A	3	2	0
3 Compliance of numerically consented works	1989	1990	1991	1992
Number of works within numeric consents	756	752	746	743
Overall quality of sewage works effluent				
By works	N/A	94.3%	97.3%	97.8%
By tests to measure quality	N/A	N/A	98.7%	99.0%
Compliance with sanitary standards (percentile)				
By works	N/A	95.4%	98.9%	98.9%
By tests to measure quality	N/A	N/A	98.5%	99.0%
Compliance with sanitary standards (upper tier)				
By works	N/A	94.2%	97.1%	96.4%
By tests to measure quality	N/A	N/A	99.9%	99.9%
Compliance with non-sanitary standards				
By works	N/A	80.0%	80.3%	90.0%
By tests to measure quality	N/A	N/A	99.3%	98.9%

Notes: Overall compliance with standards relate to a financial year. Compliance of numerically consented works figures are based on calendar years.

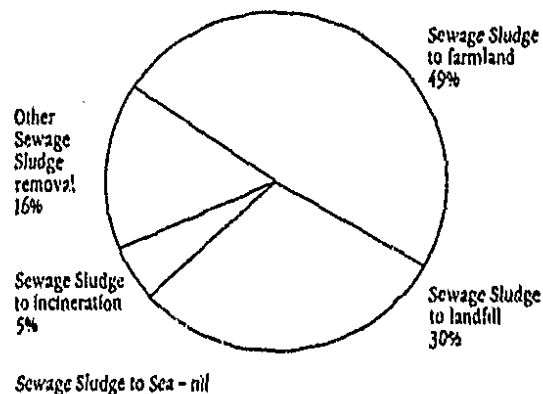
Sludge disposal

Method of sludge disposal	1990 tds	1991 tds	1992 tds	1993 tds
Farmland	71,000	62,000	65,000	83,000
Landfill	36,800	35,000	41,000	51,000
Incineration	31,600	31,000	29,000	9,000*
Sea	0	0	0	0
Other	30,600	33,000	30,000	27,000
Total	170,000	161,000	165,000	170,000

tds = tonnes dry solids

*In 1993 the definition of incineration was amended; this has resulted in an increase of 26,000 tds in the amount shown under disposal to farmland.

1993 Sludge disposal

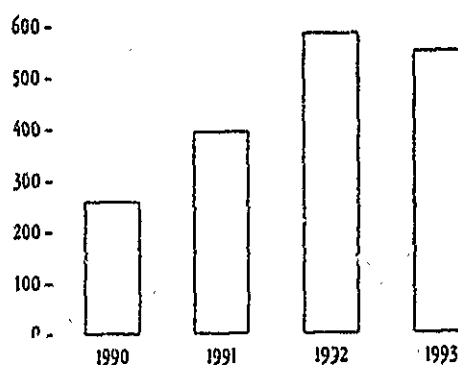


Investment

Investment expenditure by service

	1990 £m	1991 £m	1992 £m	1993 £m
Resources and treatment	37	57	96	116
Distribution	74	97	161	137
Sewerage	47	67	108	90
Sewage treatment	74	126	152	147
Recreation and amenity	0	1	11	4
Operational support	19	25	46	49
Other	10	9	11	7
	261	395	585	550

Investment expenditure by service (£m)



Analysis of investment expenditure

	1990	1991	1992	1993
Capital expenditure	225	348	482	462
Gross infrastructure expenditure	36	47	103	88
	261	395	585	550

Physical outputs

	1990	1991	1992	1993
Mains - added (Km ²)	326	252	506	673
- renewals (Km)	309	363	562	511
- relined (Km)	796	1,034	1,305	969
Sewers - added (Km)	167	65	160	168
- improved (Km)	N/A	10	35	21
Approximate number of schemes in programme	N/A	4,100	5,000	5,000
Approximate number of new starts during year	N/A	1,000	1,000	1,200
Approximate number of schemes completed during year	N/A	900	1,000	1,300
Drainage area studies completed	114	155	201	234
Drainage area studies completed during year	42	38	34	33
Drainage study areas	260	260	260	261

Note: Data not available (N/A) indicates where information is not readily available in a form consistent with subsequent years.

Major operational schemes during year














	1992/93 £m	Total projected costs £m
Frankley water treatment works	16.6	68.0
Strensham water treatment works	14.4	33.5
Netheridge sewage treatment works	7.0	24.4
Mythe water treatment works	11.2	23.6
Roundhill sewage treatment works	12.0	15.0
Tittesworth water treatment works	4.5	14.6
Mitcheldean water treatment works	5.2	13.9
Whitacre water treatment works	7.8	12.2
Ramford-Buxton mains link	4.5	7.7
Strensham-Worcester mains link	4.3	7.7

Assets

	1993
Impounding reservoirs	41
Groundwater sources	161
River water intakes	18
Surface water treatment works	26
Water supply booster stations	553
Service reservoirs	638
Mains (Km)	38,987
Sewers (Km)	51,978
Sewage treatment works	1,015
Sewage pumping stations	1,926

Recreation and visitor facilities

The Company is committed to develop the recreation potential and conservation needs of the natural and manmade resources in its care. Countryside visits are of vital importance to the quality of life and it has always been important to the Company, as a custodian of major land and water resources to make them available to everyone. We have set ourselves new targets; the quality of facilities; visitor care and service; and we intend to rank amongst the very best providers of countryside recreation opportunities. Listed below are the facilities available at the larger sites.

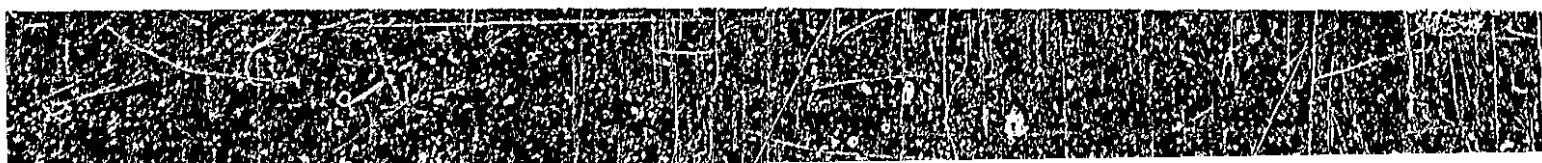
Carsington	               
Church Wilne Lagoon	  
Clywedog	           
Draycote	             
Foremark	              
Lake Vyrnwy	            
Lightwood	    
Linacre	          
Nanpantan	   
Ogston	        
Papplewick	    
Priorslee Lake	        
Shustoke	    
Staunton Harold	           
Stoke Bardolph Estate	  
Thornton	    
Tittesworth	            
Trimpley	       
Upper Derwent Valley	             

Recreational facilities are also provided at other sites within the Severn Trent Water region but are not listed above.

The Company also publishes a pocket guide to reservoirs and nature trails and a Recreation and Conservation annual report.

In addition to the recreational facilities, the Company has a number of educational centres and 'come and see' sites. For further information about the facilities listed above, and publications please contact the Director of Marketing, whose address appears on page 1 of this publication.

 Game fishing	 Sub aqua	 Fishing lodge	 Nature trails	 Children's play area
 Coarse fishing	 Water-skiing	 Visitor centre	 Public rights of way and permissive paths	 Disabled persons' access
 Sailing	 Horse riding	 Viewing point	 Access areas	 Cycle hire
 Sailboarding	 Bird watching	 Car parks		
 Canoeing	 Picnic sites	 Toilets		



Severn Trent Water Limited
2297 Coventry Road
Birmingham B26 3PU
Telephone: 021-722 4000

