

# SEVERN TRENT WATER LIMITED

(Company Number 2366686)

Report and Accounts  
for the year ended  
31 March 1995



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### **Company information**

*Company number: 2366686*

#### **Severn Trent Water Limited**

*2297 Coventry Road  
Birmingham B26 3PU*

*Telephone: 0121 -722 4000*

*Facsimile: 0121 -722 4800*

*Telex: 339333*

#### **Auditors:**

*Price Waterhouse*

*Cornwall Court*

*19 Cornwall Street*

*Birmingham B3 2DT*

*Telephone: 0121-200 3000*

Financial highlights

	1994/95 £m	1993/94 £m
Turnover	847	790
Operating profit before exceptional item	356	316
Exceptional provision	(55)	—
Profit before tax after exceptional item	275	294
Investment	386	445

# Managing Director's review

## Quality, service, value

1994/95 was a good year for our customers and Severn Trent Water. Our quality record continued to be the best reported in Europe, with high level performances against drinking water and sewage treatment standards. Our customer service performance also improved. Not only did we maintain our high level of standards against the target set by the Director General of Water Services, but we introduced additional, tougher standards of our own. Our continuing high value was confirmed following the independent regulator's review. This reaffirmed that Severn Trent Water's prices would remain among the lowest in the country right into the next century.

In November 1994, we were the first of the water and sewerage companies to announce a package of benefits for customers which included a refund of £4 on water bills for 1995/96 and £24 million of discretionary service improvements. Demonstrating our continuing commitment to deliver real value for money to customers, we announced further customer benefits in June 1995.

## Quality

Investment in new facilities and the skills and dedication of our employees helped Severn Trent Water to maintain our high quality record. Our overall compliance with UK and European drinking water standards, arguably the toughest in the world, remained at 99.8 per cent. We also returned a 99.3 per cent compliance with sewage treatment standards and none of our sewage treatment works discharges directly to sea. Returning the cleaned water to inland rivers, we have to meet the most stringent standards in the UK, at least equal to the toughest in Europe.

## Service

Our investment in service continued to realise benefits. The number of complaints has reduced by over 50 per cent over the last three years—all this against a rising national trend. We also introduced additional customer service standards which exceed even the requirements of the Director General. For instance, we will discuss problems with personal callers within five minutes and we now aim to answer most phone calls within 15 seconds and to respond to most letters within five working days. The codes of conduct for our contractors implementing sewer and mains investment programmes, mean that customers are consulted in advance of schemes and are kept up-to-date on the progress of schemes. Customers are invited to comment once projects have been completed.

We have introduced additional payment options to help customers budget for their water charges. Independent research revealed overwhelming customer satisfaction with WaterKey, our

electronic pre-payment facility currently being piloted in Birmingham. WaterCard, a further new payment option, allows payment on a weekly or fortnightly basis, without having to pay any Post Office charges. To measure our improvements in customer service, we have continued our extensive customer opinion and expectations tracking.



*A 'Working for Quality' day at the National Motorcycle Museum attracted more than 1,200 employees to see displays and presentations by their colleagues. Brian Duckworth (centre), Managing Director, presented the award to the financial services team for the best presentation.*

## Financial performance

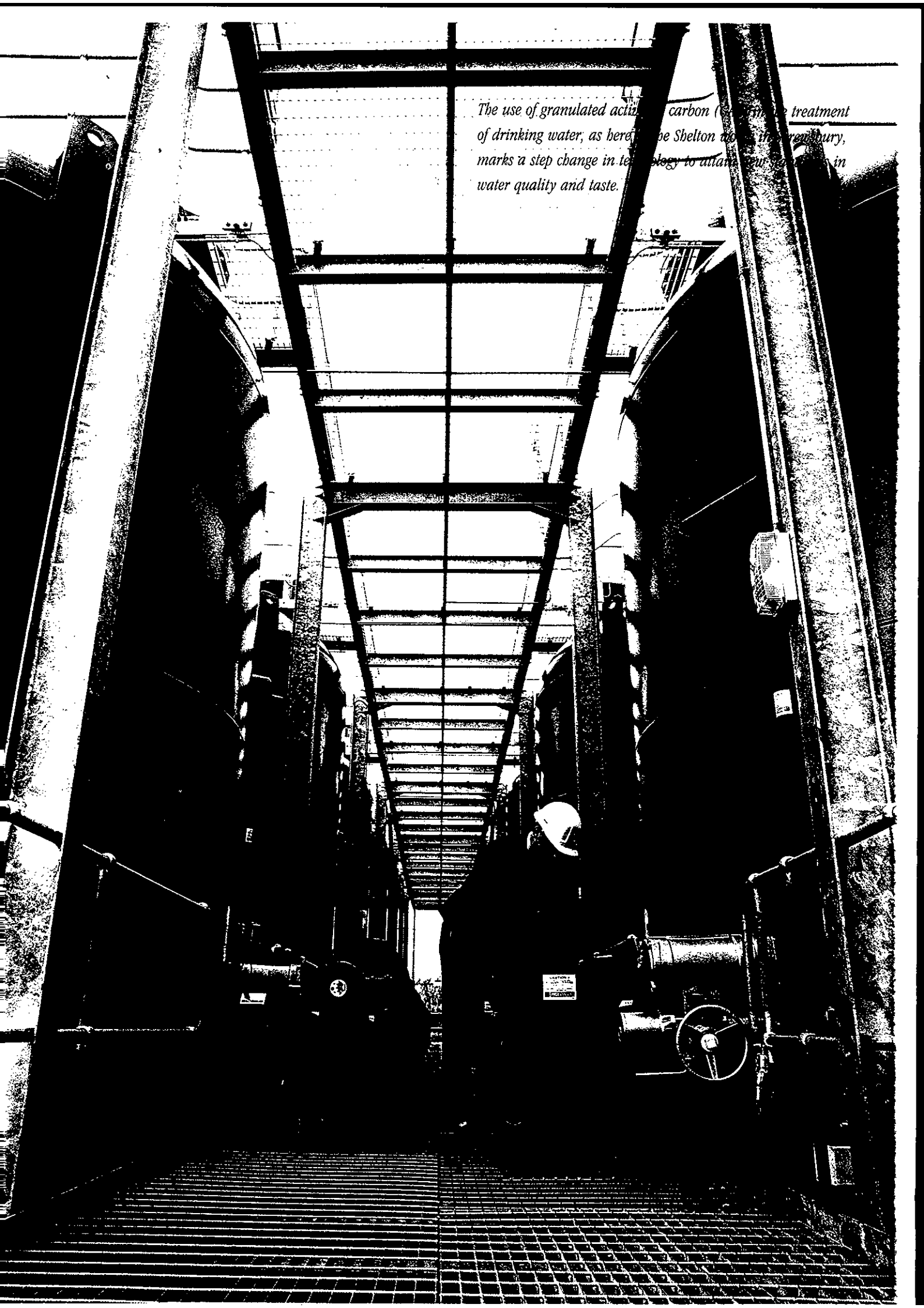
Turnover for the year increased by 7.2 per cent to £847.0 million. The increase in turnover was above the RPI + K pricing formula, mainly as a result of an improvement in the level of metered income. Although demands from our larger customers have been relatively static, this position was more than offset by increased consumption by our smaller industrial, commercial and domestic customers. In addition, we began a major initiative to further investigate empty domestic and commercial properties to ensure that we are collecting all unmetered income due to us.

Our continuing high level of investment to improve customer service and the quality of our products resulted in increased operating costs. However, our continuing drive for efficiency meant that direct operating costs (excluding the provision for restructuring) increased by only 1.2 per cent, less than half the rate of inflation. This resulted in an overall increase in operating profit of 12.4 per cent (excluding the provision for restructuring).

Manpower numbers reduced from 6,757 at the start of the year to 6,324 at the end of the year as a result of efficiencies in our operational districts and central support. We announced with our half year results the creation of a £55.0 million provision to meet the costs to be incurred in restructuring central support activities. Following a thorough review of our future business needs we will have reduced our central support staff by 750 by March 1997.

Following the 'K' determination we reassessed the future

The use of granulated activated carbon (GAC) for the treatment of drinking water, as here at the Shelton Water Treatment Plant in Shelton, Conn., marks a step change in technology to attain our goal of improved water quality and taste.



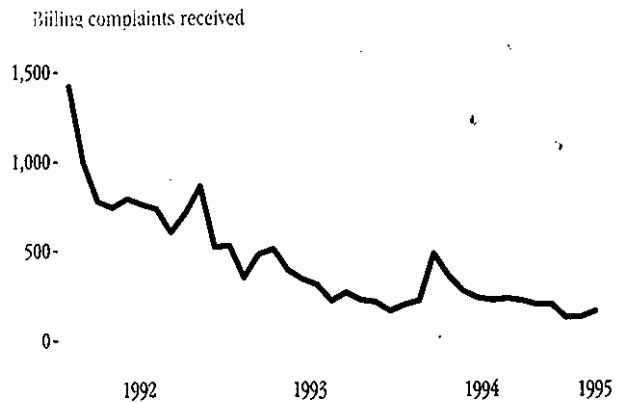
expenditure required to maintain the serviceability of our infrastructure assets. This resulted in a charge in the accounts of £51.8 million for infrastructure renewals, a reduction of £20.5 million from the previous year. In assessing this charge we provided for an extra £24.0 million of investment to improve customer service, primarily to reduce foul flooding from the sewerage system.

We also passed on the full year benefit of the reduction in our infrastructure renewals charge to customers by providing £23.5 million to reduce customers' bills. Sewerage bills were reduced by £4 in 1995/96 and in June we announced plans to continue making refunds over the next four years. As a result of efficiencies achieved over our first five years since privatisation, all domestic customers receiving both water and sewerage services will benefit from discounts totalling £30 over five years. Neither the reduction in charges to customers, nor the discretionary capital expenditure were imposed by the Director General. Severn Trent Water was the first, and at the time, the only company to have allocated, voluntarily, additional customer benefits.

The continuing effort to provide different methods of payment has meant trade debtors continue to fall; at the same time the number of customers disconnected for non-payment has also reduced.

The depreciation charge continues to increase as a result of continuing investment in our above ground assets. Whilst interest payable has again increased as a result of our continuing investment programme, the rate of increase has now slowed. Profit on ordinary activities before taxation was £275.3 million.

With investment in the year of £385.7 million we completed the



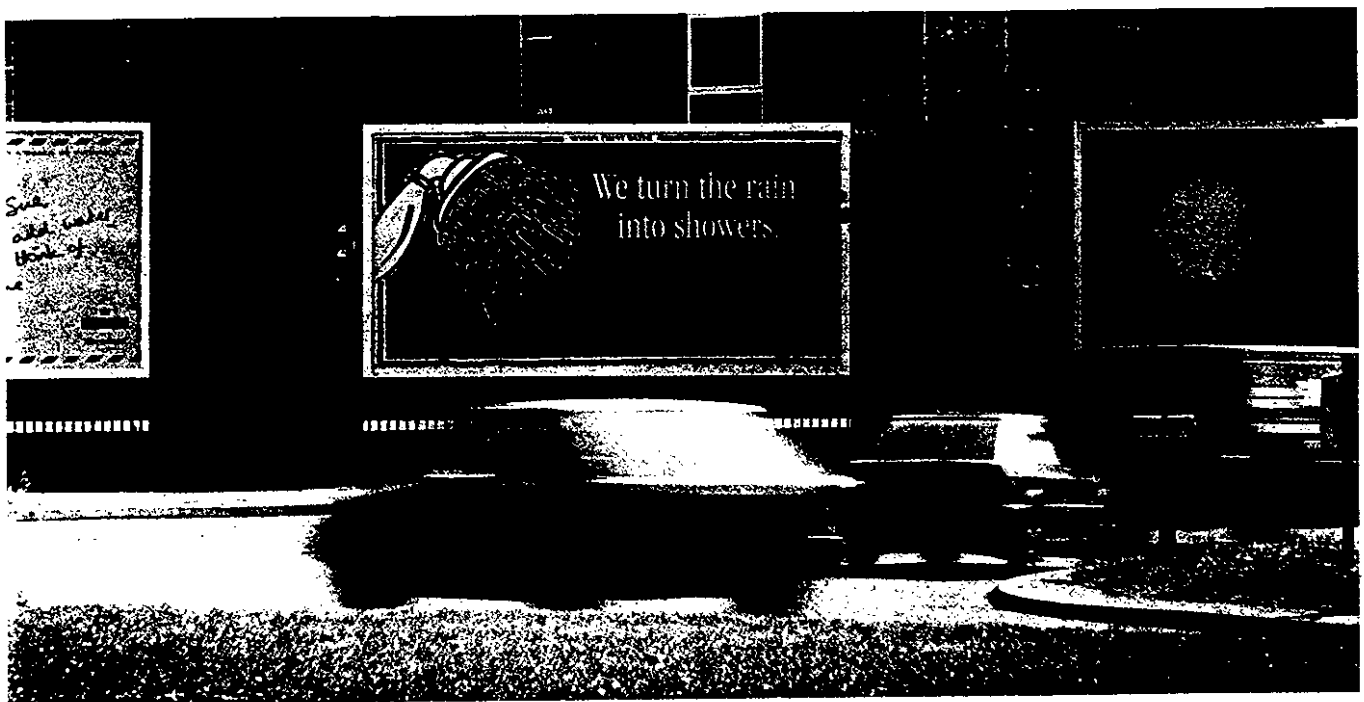
programme and delivered the outputs agreed with the government and the Director General for the first five years following privatisation.

### Our people

We continued to invest in our most important asset—dedicated and skilled employees. The continuing programme of training and development allowed employees to develop their skills through a qualification programme which leads from National Vocational Qualifications (NVQs) all the way up to degree level. In 1994 we announced new NVQ and BTEC courses in Customer Service.

Our Working for Quality programme continued to deliver improvements and efficiencies throughout all aspects of our work. It has given all employees the chance to find better ways of doing their jobs, leading to both improved services for customers and cost efficiencies.

*A poster campaign in the spring of 1995 reinforced awareness and the value of the company's services.*





*Watercard is a new facility which allows Severn Trent Water's customers to pay their water bills at Post Offices without a counter charge.*

## Charges

The Secretary of State for the Environment has announced his intention to ask for Parliamentary approval for water companies to continue to use rateable values as the basis for charges beyond the year 2000. He also called for wider use of meters. Severn Trent Water welcomed these decisions, which will avoid the cost and controversy associated with introducing any new charging system.

The number of metered homes continued to rise, and our long-term commitment to metering was underlined by the piloting in Derby of a standard price meter installation scheme, where customers can now have a meter installed for just £40. Following successful completion of the trial, this scheme will be available to all customers from 1 April 1996.

The average household charge made by Severn Trent Water during the year was £180—or just 50 pence per day. This was the second lowest of the ten water services companies. Independent research carried out shows that British water charges are among the lowest in Europe.

## Our first five years

1994/95 signalled completion of our first five years as a privatised utility company. The Periodic Review of all companies instigated by the Director General gave us the opportunity to identify our customers' requirements for the future and review our achievements during this period. Key to this has been the improvements in services provided by the £2,300 million investment programme.

During the last 12 months we commissioned state of the art water treatment works at Frankley, Strensham, Mitcheldean and

Tittesworth. These new plants ensure we meet the timetable determined by the Drinking Water Inspectorate for achievement of new European Union standards. We also commissioned the sewage treatment works at Netheridge which extends secondary treatment for sewage from the Gloucester area and will result in further improvements to the lower reaches of the River Severn.

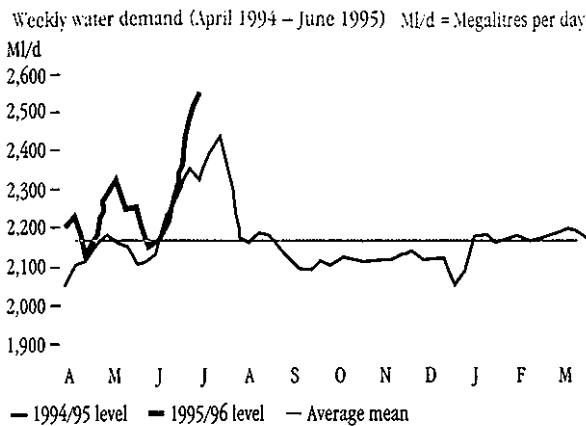
Since 1990 we have upgraded or replaced more than 7,000 kilometres of water pipes and improved or replaced almost 600 kilometres of sewers.

Following the periodic review, we agreed a new pricing formula with the Director General. For the next five years, our prices will increase by just 0.5 per cent a year in real terms—maintaining our position as one of the very lowest price suppliers. Alongside unsurpassed quality for water and effluent this will maintain Severn Trent Water's position of giving excellent value for money.

## River Severn pollution incident

We work very closely with environmental and public health professionals to ensure that any problems are dealt with effectively. This co-operative approach was proved to work during the River Severn pollution incident in April 1994.

Following an unauthorised discharge of a small volume of liquid industrial waste to our sewerage system, an extremely dilute plume of chemical pollution travelled undetected 120 kilometres down the River Severn before passing through our water treatment works at Worcester and into supply. Once the problem had been identified, our emergency procedures were implemented rapidly and staff worked relentlessly to restore supplies and trace the source of the pollution.



A payment of £25 was made within two weeks to all households affected. We commissioned an independent review of the incident and the findings were published. The report's author, Professor Kenneth Ives, found that "Severn Trent responded with great speed and efficiency to the emergency thanks to well prepared emergency planning". Many lessons have been learned and new systems and procedures have been put in place to prevent a recurrence. The issues raised have had implications for the water industry throughout the UK and internationally.

At a court hearing in April 1995, Severn Trent Water admitted three specimen charges of supplying water in Worcester that was unfit for human consumption. The company was fined £15,000 on each count. Although we were disappointed to have been prosecuted in the light of the widespread acceptance that we had done everything possible to deal with the incident, we accept that in this case we did not live up to our normal excellent quality levels.

## Water resources

The period of hot, dry weather in June, July and August 1994 led to unprecedented demands for water which stretched our supply and distribution system to the limit. In order to ensure that water continued to be available to all customers, we introduced a temporary hosepipe ban to parts of Gloucestershire, Warwickshire and Worcestershire. We have subsequently implemented a number of accelerated investment schemes to tackle localised problems and we were able to benefit from the new investment when high levels of demand were experienced in June 1995. We will continue to invest in our water supply and distribution infrastructure to resolve local difficulties. However, it is uneconomic to provide a system which is capable of meeting the instantaneous demands of large numbers of customers using garden sprinklers; the Board will need to carefully consider demand management opportunities in the future. Major leakage reduction programmes continue to minimise the water lost on its way from our works to customers' taps.

## In the community

We recognise the important role we play in the community and we have developed a wide range of activities to support our customers and their children.

Our education centres have proved a tremendous success. We have four classrooms based at operational sites and three more are planned. Each classroom is fully equipped and staffed by a seconded teacher funded by the company. This gives children the opportunity to study all aspects of the water cycle and the environment as part of the National Curriculum. Our education centre at Stoke Bardolph, Nottingham also provides a permanent base for the Crucial Crew programme of wider safety education for children.

Additionally over 100,000 people have taken the opportunity to visit our twelve 'Come and See' visitor centres where customers are able to see where we add value. We continue to support the Midlands-based English Symphony Orchestra in its programme of concerts around the region.

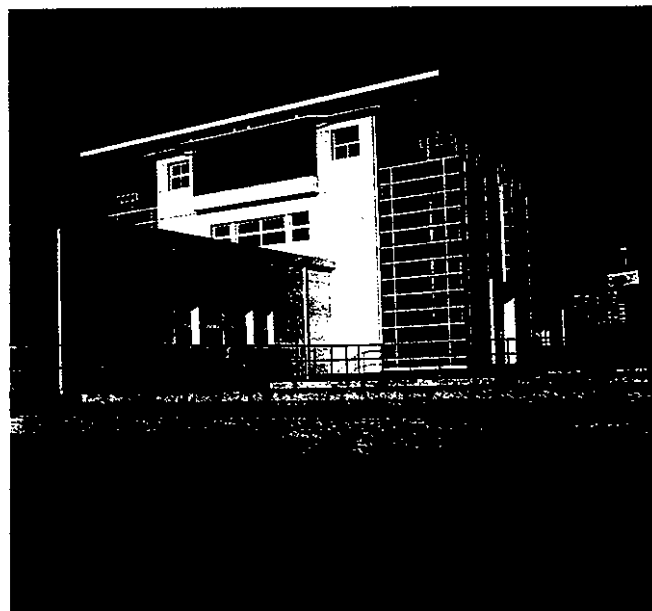
## The future

I was appointed Managing Director on 1 April 1995 following the appointment of Vic Cocker to the post of Group Chief Executive of Severn Trent Plc. I am delighted with the progress which Severn Trent Water has made during our first five years after privatisation: my team and I look forward to meeting the challenges which we face in the future.

*B. Duckworth*

Brian Duckworth  
*Managing Director*

*Frankley water treatment works, serving 1.2 million people in Birmingham, has been reconstructed to deliver water to its customers at the highest standards of quality.*





# Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 March 1995.

## Principal activities

The principal activities of the company, including the activities of its subsidiary undertaking, East Worcester Water Plc, are the supply of water and the treatment and disposal of sewage.

## Results

The results presented are for Severn Trent Water Limited and its subsidiary undertaking East Worcester Water Plc. The group's turnover was £847.0 million (1994: £789.8 million), operating profit was £300.5 million (1994: £316.3 million). Profit on ordinary activities before taxation was £275.3 million (1994: £294.1 million).

## Business review and future developments

A review of business activities and future developments is contained within the Managing Director's review on pages 2 to 6.

A review of 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.

## Dividends and reserves

Dividends of £140.0 million (1994: £135.0 million) were paid during the year. Proposed transfers to reserves are set out in note 14 to the financial statements on page 22.

## Directors

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

J K Banyard

V Cocker

R A S Costin Appointed 1 April 1994

B Duckworth

G P Noone

R S Paul Resigned 31 March 1995

R T Quinn Resigned 31 March 1995

J A Stephens Resigned 31 March 1995

A Q Todd

M P Upstone

Mr D W Mattin and Mr T D A Tricker were both appointed

Directors of the company on 1 April 1995. Mr V Cocker became

Chairman of the company following the retirement of Mr R S Paul. Mr B Duckworth was appointed Managing Director on 1 April 1995.

## Directors' interests

The interests of the 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, are set out in note 3 to the financial statements on page 15.

## Fixed assets

The changes in tangible fixed assets during the year are set out in note 7 to the financial statements on page 18. Changes in fixed asset investments are set out in note 8 to the financial statements on page 19.

## Research and development

Over the last twelve months the company has invested some £4.4 million (1994: £5.4 million) on research and development initiatives.

Work on nutrient removal at Milcote sewage treatment works has enabled comparisons and evaluation of competing technologies and will lead to significant capital efficiency gains in schemes now being developed.

Control of chlorine residuals in the distribution system, utilising the more advanced Stoner network software modelling and developing new control algorithms for booster chlorination, has produced a significant improvement in the perception of the taste of water in Henley-in-Arden. These controls will now be extended to other areas of the company.

## Employees

The number of people employed at 31 March 1995 was 6,324 (1994: 6,757). The policy of Severn Trent Water is to plan as far as possible to safeguard employment. However the competitive environment, the regulatory regime and revised organisational requirements have meant manpower reductions are unavoidable.

Staff have benefited from the Profit Related Pay scheme in 1994/95. There were further grants of options under the Employee Share schemes and continuing allocation of shares under the Profit Sharing arrangements.

During 1994/95 we implemented a performance related salary scheme supported by a new performance review and development scheme.

The company has a well developed approach to internal

communications. An in-house newspaper, team meetings, 'Hot News' reports for urgent information along with a joint approach with employee representatives ensure that our staff are kept aware of what is happening in the company. This approach is reviewed each year by undertaking an internal communication survey and the results of that survey are used to support continuing improvements.

#### Equality of opportunity for disabled persons

The company continues to regard equality of opportunity as extremely important. It regularly monitors and updates its policies to ensure that no employee or prospective employee is disadvantaged because of sex, race, religion, marital status, disability, age or sexual preference.

Within the overall equal opportunities policy the company is continuing to develop and enrich its policy regarding disabled people, whether as employees or customers. External applicants for posts receive careful consideration while existing employees receive every support to enable them to sustain an effective and satisfying role. The company is also continuing its drive to improve facilities for disabled and disadvantaged customers through office access improvements and improved communications.

As part of our commitment, we have continued our training programme to raise awareness of the issues affecting older and disabled customers. The Royal National Institute for Deaf People have recognised the work we have carried out in this area and this year we will be gaining their 'Louder than Words' chartermark. Large print and braille bills are already available, together with a range of customer service information leaflets in these formats.

#### Health and safety

The company continues to give health and safety a high priority in all areas of activity. With policies and procedures in place to manage risk, the company is focusing attention on the human factors which play such an important role in the delivery of high standards.

To help shape the future direction, the Centre for Hazard and Risk Management at Loughborough University has recently completed a major study of the company's health and safety policies and practices.

#### Directors and Officers liability insurance

The company maintains insurance under Section 310(3) of the Companies Act 1985 for its Directors and Officers against certain 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 1995 it had

available to it sufficient rights and assets, not including financial resources, 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 *Director and Company Secretary*

12 June 1995

# Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 10 to 24, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Accounting Standards which they consider to be applicable have been followed.

The Directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors have voluntarily decided to prepare group accounts. The same requirements regarding a true and fair view of the state of affairs of the group and of the profit or loss for that year are being applied to the group financial statements.

## Auditors' report to the shareholders of Severn Trent Water Limited

We have audited the financial statements on pages 10 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

### Respective responsibilities of Directors and Auditors

As described above the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 1995 and of the profit of the company and of the group and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

*Price Waterhouse*

Price Waterhouse

Chartered Accountants and Registered Auditors

Cornwall Court

19 Cornwall Street

Birmingham B3 2DT

12 June 1995

**Price Waterhouse**



# Profit and loss accounts

Year ended 31 March 1995

	Notes	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Turnover		847.0	789.8	847.0	784.1
Operating costs before exceptional item		(491.4)	(473.6)	(491.4)	(469.5)
Restructuring provision		(55.0)	—	(55.0)	—
Total operating costs	2	(546.4)	(473.6)	(546.4)	(469.5)
Operating profit before results of associated undertakings		300.6	316.2	300.6	314.6
Share of results of associated undertakings		(0.1)	0.1	(0.1)	0.1
Operating profit		300.5	316.3	300.5	314.7
Income from shares in subsidiary undertakings		—	—	0.4	0.4
Amount written off investment		—	—	—	(29.2)
Net interest payable	4	(25.2)	(22.2)	(25.0)	(22.0)
Profit on ordinary activities before taxation		275.3	294.1	275.9	263.9
Taxation on profit on ordinary activities	5	(6.3)	(5.3)	(6.7)	(4.8)
Profit for the financial year		269.0	288.8	269.2	259.1
Dividends	6	(140.0)	(135.0)	(140.0)	(135.0)
Retained profit for the financial year	14	129.0	153.8	129.2	124.1

All activities are continuing operations.

## Statements of total recognised gains and losses

As there are no recognised gains or losses other than the profit for the year, statements of total recognised gains and losses have not been included.

## Historical cost profit and loss accounts

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

## Reconciliations of movements in shareholders' funds

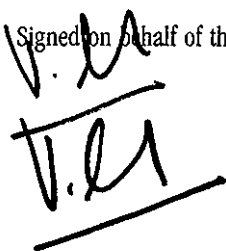
	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Profit for the financial year	269.0	288.8	269.2	259.1
Dividends	(140.0)	(135.0)	(140.0)	(135.0)
	129.0	153.8	129.2	124.1
Goodwill written off	—	(1.0)	—	—
Net addition to shareholders' funds	129.0	152.8	129.2	124.1
Shareholders' funds at 1 April 1994	2,258.4	2,105.6	2,257.9	2,133.8
Shareholders' funds at 31 March 1995	2,387.4	2,258.4	2,387.1	2,257.9

# Balance sheets

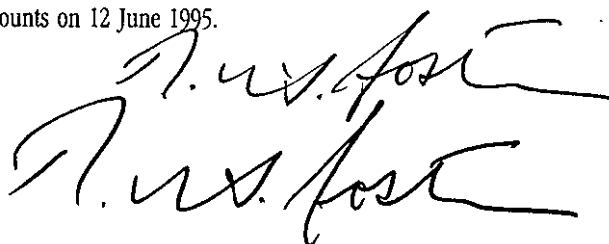
As at 31 March 1995

	Notes	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
<b>Fixed assets</b>					
Tangible assets	7	3,067.1	2,867.2	3,067.1	2,867.2
Investments	8	6.0	4.3	10.6	10.5
		3,073.1	2,871.5	3,077.7	2,877.7
<b>Current assets</b>					
Stocks		5.8	7.1	5.8	7.1
Debtors	9	116.1	118.7	116.7	119.1
Cash at bank and in hand		76.7	69.8	76.6	65.6
		198.6	195.6	199.1	191.8
<b>Creditors: amounts falling due within one year</b>	10	(234.7)	(234.5)	(240.2)	(237.5)
<b>Net current liabilities</b>		(36.1)	(38.9)	(41.1)	(45.7)
<b>Total assets less current liabilities</b>		3,037.0	2,832.6	3,036.6	2,832.0
<b>Creditors: amounts falling due after more than one year</b>	11	(501.1)	(466.1)	(501.0)	(466.0)
<b>Provisions for liabilities and charges</b>	12a	(84.9)	(55.5)	(84.9)	(55.5)
<b>Provision for deferred income</b>	12b	(63.6)	(52.6)	(63.6)	(52.6)
<b>Net assets</b>		2,387.4	2,258.4	2,387.1	2,257.9
<b>Capital and reserves</b>					
Called up share capital	13	1,000.0	1,000.0	1,000.0	1,000.0
Profit and loss account	14	1,387.4	1,258.4	1,387.1	1,257.9
<b>Shareholders' funds</b>		2,387.4	2,258.4	2,387.1	2,257.9

Signed on behalf of the Board who approved the accounts on 12 June 1995.



V Cocker *Chairman*



R A S Costin *Director of Finance and Regulation*

# Group cash flow statement

Year ended 31 March 1995

	Notes	1995 £m	1994 £m
Net cash inflow from operating activities	16a	449.5	426.3
<b>Returns on investments and servicing of finance</b>			
Interest received		9.6	4.0
Interest paid		(20.5)	(18.6)
Interest element of finance lease rental payments		(2.2)	(3.4)
Dividends paid		(140.0)	(151.7)
Net cash outflow from returns on investments and servicing of finance		(153.1)	(169.7)
Tax paid		(0.2)	(0.3)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(301.3)	(326.9)
Grants received		25.5	24.6
Purchase of subsidiary undertaking	16c	—	(33.4)
Loans advanced to associated undertakings		(2.0)	(3.2)
Loans repaid by associated undertakings		0.2	2.4
Sale of tangible fixed assets		6.2	7.9
Net cash outflow from investing activities		(271.4)	(328.6)
Net cash inflow/(outflow) before financing		24.8	(72.3)
<b>Financing</b>			
Loans repaid		(3.5)	(3.1)
Loans advanced		—	53.0
Finance lease capital repaid		(14.4)	(14.2)
Net cash (outflow)/inflow from financing	16e	(17.9)	35.7
Increase/(decrease) in cash and cash equivalents	16d	6.9	(36.6)

# Notes to the financial statements

Year ended 31 March 1995

## 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 g below.

### b Basis of preparation

The financial statements include the results of Severn Trent Water Limited and its subsidiary and associated undertakings. The results of associated undertakings are accounted for on the equity basis where the company's holding is 20% or more and the company exercises significant influence.

The Directors have voluntarily decided to prepare group accounts for Severn Trent Water Limited, including its subsidiary East Worcester Water Plc, in order to be consistent with the regulatory accounts.

### 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:

#### i Infrastructure assets

Infrastructure assets comprise a network of systems being mains and sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipelines.

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 serviceability of the network in accordance with defined standards of service is charged as an operating cost (note 1f).

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.

### e 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. Lease 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 charges being written off to the profit and loss account over the period of the lease in proportion to the capital amount outstanding. Depreciation is charged 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 they are incurred.

**f Infrastructure renewals accounting**

The charge to the profit and loss account for infrastructure renewals expenditure takes account of planned expenditure on maintaining the serviceability of infrastructure assets in accordance with the operational policies and standards underlying Severn Trent Water Limited's investment programme, and is indexed to reflect the impact of price changes since the programme was prepared. Expenditure during the year is charged to the infrastructure renewals provision.

**g Grants and contributions**

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

Grants and contributions 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 £104.1 million (1994: £83.0 million) lower than it would otherwise have been.

**h Investments**

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

**i Stocks**

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.

**j Tariff rebalancing costs**

Provision for tariff rebalancing rebates is established when the related costs can be foreseen. Rebates are charged against these provisions as they are incurred.

**k Pension costs**

Pension costs are determined by an independent actuary so as to spread the cost of providing pension benefits over the estimated period of employees' average service lives.

**l 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.

**m Research and development**

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

**n 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.

**o Goodwill**

Goodwill represents the difference between the cost of acquisitions and the fair value of the net tangible assets acquired. Goodwill is written off to reserves in the year of acquisition.



## 2 Operating costs:

	Group				Company			
	Before exceptional restructuring provision	Exceptional restructuring provision	Total	1994	Before exceptional restructuring provision	Exceptional restructuring provision	Total	1994
	1995	1995	1995		1995	1995	1995	
£m	£m	£m	£m	£m	£m	£m	£m	
Employee costs (note 3)	137.5	43.8	181.3	139.7	137.5	43.8	181.3	138.7
Hired and contracted services	34.1	—	34.1	31.2	34.1	—	34.1	30.9
Power	35.0	—	35.0	36.5	35.0	—	35.0	36.0
Raw materials and consumables	25.9	—	25.9	27.7	25.9	—	25.9	27.3
Rates	35.6	—	35.6	32.9	35.6	—	35.6	32.6
Service charges	14.8	—	14.8	16.7	14.8	—	14.8	16.7
Agencies	18.5	—	18.5	17.5	18.5	—	18.5	17.5
Bad debt provision	10.1	—	10.1	7.7	10.1	—	10.1	7.7
Other operating costs	50.9	2.0	52.9	52.6	50.9	2.0	52.9	51.9
Infrastructure renewals charge (note 12a)	51.8	—	51.8	72.3	51.8	—	51.8	71.6
Depreciation charge (note 7 iv)	87.2	—	87.2	77.2	87.2	—	87.2	77.0
Deferred income released (note 12b)	(3.0)	—	(3.0)	(2.1)	(3.0)	—	(3.0)	(2.1)
Tariff rebalancing costs	23.5	—	23.5	—	23.5	—	23.5	—
Hire of plant and machinery	1.4	—	1.4	1.3	1.4	—	1.4	1.3
Other operating leases	0.9	—	0.9	1.0	0.9	—	0.9	1.0
Audit fees	0.2	—	0.2	0.2	0.2	—	0.2	0.2
Research and development expenditure	4.4	—	4.4	5.4	4.4	—	4.4	5.4
Profit on disposal of tangible fixed assets	(1.5)	—	(1.5)	(3.3)	(1.5)	—	(1.5)	(3.3)
Tangible fixed assets write off	—	9.2	9.2	—	—	9.2	9.2	—
	527.3	55.0	582.3	514.5	527.3	55.0	582.3	510.4
Own work capitalised	(35.9)	—	(35.9)	(40.9)	(35.9)	—	(35.9)	(40.9)
	491.4	55.0	546.4	473.6	491.4	55.0	546.4	469.5

Notes: Other fees paid to Price Waterhouse included within other operating costs amounted to £91,000 (1994: £206,000).

## 3 Information regarding Directors and employees

### Directors:

- a The interests of the 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 holding in Ordinary Shares			Share options under approved schemes		
	31 March 1995 No. of shares	1 April 1994 No. of shares	31 March 1995 No. of shares	Granted during the year No. of shares	Exercised during the year No. of shares	1 April 1994 No. of shares
J K Banyard	3,724	3,647	38,205	2,078	—	36,127
G P Noone	15,964	9,724	25,934	2,493	6,136	29,577
A Q Todd	5,924	1,588	24,696	2,493	6,136	28,339

Messrs Cocker, Costin, Duckworth and Upstone are Directors of Severn Trent Plc, the ultimate parent undertaking and their interests in the share capital of that company are disclosed in the notes to its financial statements for the year ended 31 March 1995. Share options were granted and exercised in accordance with the Severn Trent Executive Share Scheme and the Severn Trent Sharesave Scheme as appropriate.

## 3 Information regarding Directors and employees (continued)

## b Emoluments

	1995 £'000	1994 £'000
Emoluments including pension contributions	1,016.2	1,028.7
Performance payments (note ii)	137.8	130.5
	<u>1,154.0</u>	<u>1,159.2</u>

Emoluments (excluding pension contributions) of the Chairman

Emoluments (excluding pension contributions) of the highest paid Director

—	—
140.5	126.1

Emoluments (excluding pension contributions) of the Directors of the company, were within the following bands:

	1995 No.	1994 No.
£ 0 — 5,000	2	2
£ 75,001 — 80,000	—	3
£ 80,001 — 85,000	3	2
£ 95,001 — 100,000	1	1
£105,001 — 110,000	—	2
£110,001 — 115,000	1	—
£115,001 — 120,000	1	—
£125,001 — 130,000	1	1
£140,001 — 145,000	1	—

Notes:

- i Non cash benefits included in 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, £506,400 (1994: £319,900) including pension contributions of £122,900 (1994: £84,600) has been included above. This represents the appropriate proportion of their remuneration in respect of their service to the company.

Employees:

	Group				Company			
	Before exceptional restructuring provision 1995 £m	Exceptional restructuring provision 1995 £m	Total 1995 £m	1994 £m	Before exceptional restructuring provision 1995 £m	Exceptional restructuring provision 1995 £m	Total 1995 £m	1994 £m
Wages and salaries	118.5	32.4	150.9	120.3	118.5	32.4	150.9	119.5
Social security costs	9.8	—	9.8	10.3	9.8	—	9.8	10.2
Pension costs (note 17)	9.2	11.4	20.6	9.1	9.2	11.4	20.6	9.0
	<u>137.5</u>	<u>43.8</u>	<u>181.3</u>	<u>139.7</u>	<u>137.5</u>	<u>43.8</u>	<u>181.3</u>	<u>138.7</u>
Own work capitalised	(29.5)	—	(29.5)	(31.0)	(29.5)	—	(29.5)	(31.0)
Operating costs	<u>108.0</u>	<u>43.8</u>	<u>151.8</u>	<u>108.7</u>	<u>108.0</u>	<u>43.8</u>	<u>151.8</u>	<u>107.7</u>

### 3 Information regarding Directors and employees (continued)

Average number of employees during the year (full time equivalent):

	Group		Company	
	1995 No.	1994 No.	1995 No.	1994 No.
Staff	3,822	4,094	3,822	4,074
Industrial staff	2,709	2,860	2,709	2,833
	6,531	6,954	6,531	6,907

### 4 Net interest payable

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Interest receivable and similar income	8.4	7.6	8.4	7.5
Interest payable and similar charges:				
Bank loans, overdrafts and other loans wholly repayable within five years	(11.8)	(11.3)	(11.8)	(11.3)
Loans repayable after more than five years	(8.1)	(7.5)	(8.1)	(7.5)
Finance leases	(11.9)	(8.8)	(11.9)	(8.8)
Other	(1.8)	(2.2)	(1.6)	(1.9)
	(25.2)	(22.2)	(25.0)	(22.0)

### 5 Taxation on profit on ordinary activities

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
UK corporation tax payable/(receivable) at 33% (1994: 33%):				
Current year	8.3	0.5	8.3	—
Prior year	(0.4)	—	—	—
Group relief payable:				
Current year	2.0	4.8	2.0	4.8
Prior year	(3.6)	—	(3.6)	—
	6.3	5.3	6.7	4.8

The corporation tax charge for the year has been reduced by the excess of capital allowances over depreciation. No provision for deferred taxation is required for the year ended 31 March 1995. If the full potential liability to deferred taxation had been provided on an ongoing basis, there would have been an additional tax charge of £45.9 million for both the group and company (1994: £37.9 million), restated to exclude the effect of capital allowances on infrastructure assets as set out in note 12c.

### 6 Dividends

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Dividend paid	140.0	135.0	140.0	135.0

## 7 Tangible assets

Group and company

Cost:	Specialised operational properties and structures	Non- specialised operational properties	Infrastructure assets	Plant machinery and vehicles	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 April 1994	1,046.2	90.1	1,294.6	777.1	204.7	3,412.7
Reclassification and transfers	2.3	(0.2)	—	(5.0)	3.2	0.3
Additions	77.1	4.7	103.4	112.9	22.0	320.1
Grants and contributions	—	—	(21.1)	—	—	(21.1)
Assets sold or written off	(2.2)	(1.2)	(1.6)	(10.6)	(9.7)	(25.3)
<b>At 31 March 1995</b>	<b>1,123.4</b>	<b>93.4</b>	<b>1,375.3</b>	<b>874.4</b>	<b>220.2</b>	<b>3,686.7</b>
<b>Depreciation:</b>						
At 1 April 1994	284.7	15.1	—	154.1	91.6	545.5
Charge for year	20.1	3.0	—	39.0	25.1	87.2
Assets sold or written off	(0.6)	(0.1)	—	(6.5)	(5.9)	(13.1)
<b>At 31 March 1995</b>	<b>304.2</b>	<b>18.0</b>	<b>—</b>	<b>186.6</b>	<b>110.8</b>	<b>619.6</b>
<b>Net book value:</b>						
At 31 March 1995	819.2	75.4	1,375.3	687.8	109.4	3,067.1
At 31 March 1994	761.5	75.0	1,294.6	623.0	113.1	2,867.2

Notes:

- i The value of tangible assets held under finance leases are:

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Cost	203.3	187.3	203.3	187.3
Accumulated depreciation	(39.9)	(36.7)	(39.9)	(36.7)
<b>Net book value</b>	<b>163.4</b>	<b>150.6</b>	<b>163.4</b>	<b>150.6</b>

- ii 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 1g.
- iii The net book value of land and buildings included in specialised and non-specialised operational properties and structures is analysed as follows:

	1995 £m	1994 £m	1995 £m	1994 £m
Freehold	893.8	835.7	893.8	835.7
Short leasehold	0.8	0.8	0.8	0.8
	<b>894.6</b>	<b>836.5</b>	<b>894.6</b>	<b>836.5</b>

- iv Depreciation incurred during the year has been charged as follows:

	1995 £m	1994 £m	1995 £m	1994 £m
On owned assets	78.8	70.2	78.8	70.0
On assets held under finance leases	8.4	7.0	8.4	7.0
	<b>87.2</b>	<b>77.2</b>	<b>87.2</b>	<b>77.0</b>

7 Tangible assets (continued)

v The following tangible assets are not subject to depreciation:

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Land	17.1	16.7	17.1	16.7
Infrastructure assets	1,375.3	1,294.6	1,375.3	1,294.6
Assets in the course of construction	356.6	409.4	356.6	409.4
	1,749.0	1,720.7	1,749.0	1,720.7

vi Specialised operational properties and structures principally comprise intake works, pumping stations, treatment works and boreholes.

vii 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.

8 Investments

Group	Associated undertakings		Other investments	Total
	Loans £m	Share of retained earnings £m	£m	£m
At 1 April 1994	4.0	0.1	0.2	4.3
Additions	2.0	—	—	2.0
Repayments	(0.2)	—	—	(0.2)
Profit and loss account	—	(0.1)	—	(0.1)
At 31 March 1995	5.8	—	0.2	6.0

Company	Subsidiary undertakings		Associated undertakings		Other investments	Total
	Debentures £m	Shares £m	Loans £m	Share of retained earnings £m	£m	£m
At 1 April 1994	1.6	4.6	4.0	0.1	0.2	10.5
Additions	—	—	2.0	—	—	2.0
Repayments	(1.6)	—	(0.2)	—	—	(1.8)
Profit and loss account	—	—	—	(0.1)	—	(0.1)
At 31 March 1995	—	4.6	5.8	—	0.2	10.6

Subsidiary undertakings	Country of registration and operation	Class of share capital held by group and company	Nature of business
East Worcester Water Plc	England	100% ordinary 100% non voting ordinary 100% 10.75% preference shares	Water undertaking
Severn Trent Water Utilities Finance Plc	England	100% ordinary	Finance company
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

## 9 Debtors

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Trade debtors	57.9	63.0	57.9	63.0
Amounts owed by fellow subsidiary undertakings	0.8	0.7	0.8	0.7
Amounts owed by subsidiary undertaking	—	—	0.8	0.4
Other debtors	9.6	6.5	9.4	6.5
Prepayments and accrued income	47.8	48.5	47.8	48.5
	116.1	118.7	116.7	119.1

Included within group and company debtors is £1.5 million (1994: £2.2 million) which falls due after more than one year.

## 10 Creditors: amounts falling due within one year

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Debentures (unsecured)	—	1.9	—	—
Loans	2.6	1.6	2.6	1.6
Obligations under finance leases (note 15c)	11.6	13.7	11.6	13.7
Trade creditors	31.2	27.5	31.2	27.5
Amounts owed to parent undertaking	8.3	4.8	8.3	4.8
Amounts owed to fellow subsidiary undertakings	5.3	6.6	5.3	6.6
Amounts owed to subsidiary undertaking	—	—	5.5	5.5
Other creditors	2.2	1.4	2.2	1.4
Taxation and social security	3.6	4.0	3.6	3.9
Corporation tax payable	3.3	0.7	3.3	0.3
Accruals and deferred income	166.6	172.3	166.6	172.2
	234.7	234.5	240.2	237.5

## 11 Creditors: amounts falling due after more than one year

	Range of interest rates %	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
European Investment Bank loans – 1996-2003	4.9–10.9	295.4	297.6	295.4	297.6
Local authority loans – 1996-2035	6.0–10.0	15.4	15.8	15.4	15.8
Other	3.0– 5.0	0.2	0.2	0.1	0.1
		311.0	313.6	310.9	313.5
Obligations under finance leases (note 15c)		166.6	142.6	166.6	142.6
Other creditors		23.5	9.9	23.5	9.9
		501.1	466.1	501.0	466.0
Loans outstanding are repayable as follows:		1995 £m	1994 £m	1995 £m	1994 £m
Between one and two years		27.9	2.5	27.9	2.5
Between two and five years		172.4	169.0	172.4	169.0
After five years – by instalment		34.7	43.2	34.7	43.2
– other than by instalment		76.0	98.9	75.9	98.8
		311.0	313.6	310.9	313.5
Aggregate amount of loans repayable by instalment, of which any instalment is due for repayment after five years		60.5	62.3	60.5	62.3

## 12 Provisions

a Liabilities and charges	Group and company			
	Balance 1 April 1994 £m	Charged to profit and loss account £m	Utilised £m	Balance at 31 March 1995 £m
Infrastructure renewals	51.6	51.8	(62.1)	41.3
Restructuring	—	55.0	(11.4)	43.6
Other	3.9	—	(3.9)	—
	55.5	106.8	(77.4)	84.9

The utilisation of the infrastructure renewals provision is shown net of grants and contributions of £3.5 million (1994: £4.7 million)

### b Deferred income

	Group and company				
	Balance at 1 April 1994 £m	Transfer from fixed assets £m	Released to profit and loss account £m	Received £m	Balance at 31 March 1995 £m
	52.6	0.3	(3.0)	13.7	63.6

### c Deferred taxation

In accordance with the accounting policy there is no requirement for a provision for deferred taxation at 31 March 1995.

The full potential deferred taxation liability, calculated under the liability method at a tax rate of 33% is:

	Group and company	
	1995 £m	1994 £m
Accelerated capital allowances	224.1	200.3
Other timing differences	(43.9)	(24.7)
Available tax losses	—	(41.3)
	180.2	134.3

As infrastructure assets are not depreciated, deferred taxation will crystallise only in the event of a disposal of such assets at amounts in excess of their tax written down value. In the opinion of the Directors, the likelihood of a liability crystallising in the foreseeable future is remote. Accelerated capital allowances on infrastructure assets of £333.4 million have therefore been excluded from the amounts set out above, assuming a tax rate of 33%.

Comparative figures have been restated to exclude capital allowances on infrastructure assets of £296.9 million and also to take account of computations submitted to the Inland Revenue.

## 13 Share capital

	Company	
Authorised:	1995	1994
	£m	£m
1,000,000,000 Ordinary Shares of £1 each	1,000.0	1,000.0
Issued and fully paid:	1995	1994
	£m	£m
1,000,000,000 Ordinary Shares of £1 each	1,000.0	1,000.0

The ultimate parent undertaking is Severn Trent Plc which is registered in England. Copies of the annual report and accounts of Severn Trent Plc, which are the only accounts within which the results of the group and company are consolidated, are obtainable from the Company Secretary, Severn Trent Plc, 2308 Coventry Road, Birmingham B26 3JZ.

## 14 Profit and loss account

	Group	Company
	£m	£m
At 1 April 1994	1,258.4	1,257.9
Retained profit for the year	129.0	129.2
At 31 March 1995	1,387.4	1,387.1

At 31 March 1995 cumulative goodwill written off against reserves amounted to £29.2 million (1994: £29.2 million).

## 15 Commitments and contingent liabilities

## a Investment expenditure commitments

	Group and company	
	1995	1994
	£m	£m
Contracted for but not provided in the financial statements	83.8	160.5
Authorised but not yet contracted for	57.6	139.9

In addition to these commitments, the group and company has longer term expenditure plans which include investments to achieve 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 1995 the group and company was committed to making the following payments during the next year in respect of operating leases which expire:

	Land and buildings	Other
	£m	£m
Within one year	0.1	0.1
Between one and five years	0.1	0.2
After five years	0.4	—
	0.6	0.3



15 Commitments and contingent liabilities (continued)

c Finance lease commitments

	Group and company	
	1995 £m	1994 £m
Amounts due under finance leases are payable as follows :		
Within one year (note 10)	11.6	13.7
Between one and two years	7.6	11.6
Between two and five years	1.3	8.9
After more than five years	157.7	122.1
	<b>178.2</b>	<b>156.3</b>

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. Under these arrangements participating companies guarantee each other's overdrawn balances, to the extent of their credit balances and the credit balances may be offset against overdrawn balances of participating companies.

16 Group cash flow statement

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

	1995 £m	1994 £m
Operating profit	300.5	316.3
Share of results of associated undertakings	0.1	(0.1)
Restructuring provision	55.0	—
Profit on disposal of tangible fixed assets	(1.5)	(3.3)
Depreciation charge (note 7 iv)	87.2	77.2
Infrastructure renewals charge (note 12a)	51.8	72.3
Utilisation of infrastructure renewals provision (note 12a)	(65.6)	(65.1)
Deferred income received (note 12b)	13.7	14.1
Deferred income released (note 12b)	(3.0)	(2.1)
Working capital (note 16b)	19.2	22.3
Other	(7.9)	(5.3)
Net cash inflow from operating activities	<b>449.5</b>	<b>426.3</b>

b Working capital

	1995 £m	1994 £m
Decrease in stocks	1.3	2.3
Decrease in debtors	1.1	11.3
Increase in creditors	16.8	8.7
	<b>19.2</b>	<b>22.3</b>

c Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking

	1995 £m	1994 £m
Cash paid in respect of acquisition	—	(33.4)
Net outflow of cash and cash equivalents in respect of purchase of subsidiary undertaking	<b>—</b>	<b>(33.4)</b>

## 16 Group cash flow statement (continued)

d Analysis of the balances of cash and cash equivalents as shown in the balance sheet	Change in year £m	1995 £m	1994 £m
Cash at bank and in hand	6.9	76.7	69.8

e Analysis of changes in financing during year	1995		1994	
	Share capital £m	Loans and finance lease obligations £m	Total £m	Total £m
At 1 April 1994	1,000.0	473.4	1,473.4	1,375.1
Cash (outflow)/inflow from financing	—	(17.9)	(17.9)	35.7
Inception of finance lease contracts	—	36.3	36.3	62.6
At 31 March 1995	1,000.0	491.8	1,491.8	1,473.4

## 17 Pensions

The group and company participate in two schemes, the Severn Trent Mirror Image Scheme (STMIS) 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. Employer's contributions during the year, before the exceptional restructuring provision, for the group was £9.2 million (1994: £9.1 million), and for the company £9.2 million (1994: £9.0 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 used was that the investment return would exceed future salary 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. The market value of the scheme's assets at the date of valuation was £188.0 million. The employers' contribution to STWPS continues unchanged at the rate of 8.8%, 7.35% or 4.4% respectively of pensionable pay of STWPS members, whose contributions are at the rate of 6%, 5% or 3% of pensionable pay according to their choice.

## STMIS

The most recent actuarial valuation of STMIS was carried out at 31 March 1994 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 used 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 £51.7 million, which exceeded by 11% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings. The market value of the the scheme's assets at the date of valuation was £58.3 million.

As recommended by the actuary, with effect from 1 April 1994 the employers' contribution to STMIS has been increased to the rate of 9.54% or 7.95% of pensionable pay of STMIS members, whose contributions are at the rate of 6% or 5% respectively.

# Historical cost financial statements

## Group profit and loss account

Year ended 31 March 1995

	1995	1994
	£m	£m
Turnover	847.0	789.8
Operating costs before exceptional item	(492.9)	(476.9)
Restructuring provision	(55.0)	—
Total operating costs	(547.9)	(476.9)
Share of results of associated undertakings	(0.1)	0.1
Other operating income	1.5	3.3
Operating profit	300.5	316.3
Net interest payable	(25.2)	(22.2)
Profit on ordinary activities before taxation	275.3	294.1
Taxation on profit on ordinary activities	(6.3)	(5.3)
Profit for the financial year	269.0	288.8
Dividends	(140.0)	(135.0)
Retained profit for the financial year	129.0	153.8

# Historical cost financial statements

## Group balance sheet

As at 31 March 1995

	1995 £m	1994 £m
<b>Fixed assets</b>		
Tangible assets	3,067.1	2,867.2
Investments	6.0	4.3
	3,073.1	2,871.5
<b>Current assets</b>		
Stocks	5.8	7.1
Debtors	116.1	118.7
Cash at bank and in hand	76.7	69.8
	198.6	195.6
Creditors: amounts falling due within one year	(234.7)	(234.5)
<b>Net current liabilities</b>	(36.1)	(38.9)
<b>Total assets less current liabilities</b>	3,037.0	2,832.6
Creditors: amounts falling due after more than one year	(501.1)	(466.1)
Provisions for liabilities and charges	(84.9)	(55.5)
Provision for deferred income	(63.6)	(52.6)
<b>Net assets</b>	2,387.4	2,258.4
<b>Capital and reserves</b>		
Called up share capital	1,000.0	1,000.0
Profit and loss account	1,387.4	1,258.4
<b>Shareholders' funds</b>	2,387.4	2,258.4

# Current cost financial statements

Group profit and loss account

Year ended 31 March 1995

	Notes	1995 £m	1994 £m
Turnover	2a	847.0	789.8
Current cost operating costs before exceptional item	2d	(542.7)	(536.7)
Restructuring provision	2d	(55.0)	—
Total current cost operating costs		(597.7)	(536.7)
Share of results of associated undertakings		(0.1)	0.1
Other operating income	2b	4.2	3.7
		253.4	256.9
Working capital adjustment	2c	5.0	2.4
Current cost operating profit		258.4	259.3
Net interest payable		(25.2)	(22.2)
Financing adjustment		14.6	7.5
Current cost profit before taxation		247.8	244.6
Taxation on profit on ordinary activities		(6.3)	(5.3)
Current cost profit attributable to shareholders		241.5	239.3
Dividends		(140.0)	(135.0)
Current cost profit retained		101.5	104.3

# Current cost financial statements

## Group balance sheet

As at 31 March 1995

	Notes	1995 £m	1994 £m
<b>Fixed assets</b>			
Tangible assets	3	23,308.9	22,329.4
Third party contributions since 1989/90		(382.5)	(310.1)
Working capital	4	(137.9)	(143.1)
<b>Net operating assets</b>		<b>22,788.5</b>	<b>21,876.2</b>
Cash and investments		82.7	74.1
Non-trade debtors		13.2	10.5
Non-trade creditors due within one year		(31.6)	(30.7)
Creditors due after one year		(501.1)	(466.1)
Provisions for liabilities and charges		(43.6)	(3.9)
<b>Net assets employed</b>		<b>22,308.1</b>	<b>21,460.1</b>
<b>Capital and reserves</b>			
Called up share capital		1,000.0	1,000.0
Profit and loss account		690.5	589.0
Current cost reserve	5	20,617.6	19,871.1
		<b>22,308.1</b>	<b>21,460.1</b>

# Current cost financial statements

## Group cash flow statement

Year ended 31 March 1995

	Notes	1995 £m	1994 £m
Net cash inflow from operating activities	6	449.5	426.3
<b>Returns on investments and servicing of finance</b>			
Interest received		9.6	4.0
Interest paid		(20.5)	(18.6)
Interest element of finance lease rental payments		(2.2)	(3.4)
Dividends paid		(140.0)	(151.7)
Net cash outflow from returns on investments and servicing of finance		(153.1)	(169.7)
Tax paid		(0.2)	(0.3)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(301.3)	(326.9)
Grants received		25.5	24.6
Purchase of subsidiary undertaking		—	(33.4)
Loans advanced to associated undertakings		(2.0)	(3.2)
Loans repaid by associated undertakings		0.2	2.4
Disposal of fixed assets		6.2	7.9
Net cash outflow from investing activities		(271.4)	(328.6)
Net cash inflow/(outflow) before financing		24.8	(72.3)
<b>Financing</b>			
Loans repaid		(3.5)	(3.1)
Loans advanced		—	53.0
Finance lease capital repaid		(14.4)	(14.2)
Net cash (outflow)/inflow from financing		(17.9)	35.7
Increase/(decrease) in cash and cash equivalents		6.9	(36.6)

# Notes to the current cost financial statements

Year ended 31 March 1995

## 1 Accounting policies

### a Basis of preparation

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

The regulatory financial statements have been prepared in accordance with the requirements contained in Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers, and Regulatory Accounting Guideline 3.03 issued by the Office of Water Services in May 1992.

The regulatory financial statements have been prepared on a group basis for Severn Trent Water Limited and its subsidiary undertaking East Worcester Water Plc to meet the requirements of the Director General of Water Services.

### b 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 specialised operational and infrastructure assets.

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

### c 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 replacements 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.

An Asset Management Plan (AMP) survey of existing assets as at 31 March 1993 was undertaken last year and the adjustment to asset values, as a result of that exercise, was included within the tangible fixed asset note. In the intervening years, between AMP surveys, values are restated to take account of changes in the general level of inflation, as measured by changes in Retail Price Index (RPI), and any other significant changes in asset records identified during the year.

#### i Non infrastructure assets

Specialised operational assets:

The gross replacement cost of specialised operational assets has been derived using the latest cost information provided by the AMP. This value has been adjusted for inflation during the year as measured by changes in the RPI.

The unamortised portion of third party contributions received is deducted in arriving at net operating assets (as described below in note 1d).

Non specialised operational assets:

Non specialised operational assets were 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 unit cost data provided by the AMP.

#### iii Other assets

All other assets are valued on the basis of data provided by the AMP.

#### iv Surplus land

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

### d 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.



1 Accounting policies (continued)

e 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 change 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 and dividend payable.

2 Analysis of current cost turnover and operating costs

a Analysis of turnover

	1995			1994		
	Water services £m	Sewerage services £m	Total £m	Water services £m	Sewerage services £m	Total £m
Measured	124.4	130.9	255.3	116.0	124.8	240.8
Unmeasured	217.9	309.5	527.4	201.7	285.1	486.8
Trade effluent	—	38.9	38.9	—	37.2	37.2
Revenue grants	0.1	—	0.1	0.1	—	0.1
Third parties	9.2	0.7	9.9	8.8	0.8	9.6
Other sources	8.7	6.7	15.4	8.7	6.6	15.3
<b>Total turnover</b>	<b>360.3</b>	<b>486.7</b>	<b>847.0</b>	<b>335.3</b>	<b>454.5</b>	<b>789.8</b>

Measured sewerage service charges now includes both metered and non-metered charges to measured sewerage customers. This change has been made to ensure consistency with the Principal Statement on charges sent each year by the company to the Director General of Water Services. Prior year comparatives have been restated accordingly.

b Other operating income

Current cost profit on disposal of tangible fixed assets

	2.4	1.8	4.2	1.1	2.6	3.7
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c Working capital adjustment

	(0.9)	5.9	5.0	(0.9)	3.3	2.4
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## 2 Analysis of current cost turnover and operating costs (continued)

## d Analysis of operating costs and tangible fixed assets

1995

	Water supply			Sewerage services					Business analysis		
	Resources and treatment £m	Distribution £m	Water supply sub-total £m	Sewerage £m	Sewage treatment £m	Sludge treatment and disposal £m	Sewage treatment/disposal sub-total £m	Sewerage services sub-total £m	Customer services £m	Scientific services £m	Cost of regulation £m
<b>Direct costs</b>											
Employment costs	6.9	15.4	22.3	1.2	11.9	6.5	18.4	19.6			
Power	7.7	13.9	21.6	0.9	9.5	1.7	11.2	12.1			
Agencies	—	—	—	18.5	—	—	—	18.5			
Hired and contracted	2.4	4.8	7.2	0.9	1.0	4.0	5.0	5.9			
Associated companies	0.6	1.6	2.2	0.5	0.2	1.0	1.2	1.7			
Materials and consumables	5.1	2.1	7.2	0.2	1.8	2.8	4.6	4.8			
Service charges	10.2	0.2	10.4	1.1	3.3	0.1	3.4	4.5			
Other direct costs	0.4	0.8	1.2	0.2	0.4	0.1	0.5	0.7			
<b>Total direct costs</b>	<b>33.3</b>	<b>38.8</b>	<b>72.1</b>	<b>23.5</b>	<b>28.1</b>	<b>16.2</b>	<b>44.3</b>	<b>67.8</b>	<b>20.2</b>	<b>11.4</b>	<b>2.7</b>
General and support	19.4	20.8	40.2	3.7	25.1	12.7	37.8	41.5	8.6	5.3	1.1
Functional expenditure	52.7	59.6	112.3	27.2	53.2	28.9	82.1	109.3	28.8	16.7	3.8
<b>Capital costs</b>											
Current cost depreciation	20.4	11.9	32.3	6.4	48.5	8.8	57.3	63.7			
<b>Infrastructure renewals:</b>											
Expenditure	1.6	44.0	45.6	16.3	0.2	—	0.2	16.5			
Accrual	(0.1)	(5.3)	(5.4)	(4.7)	(0.2)	—	(0.2)	(4.9)			
<b>Functional costs</b>	<b>74.6</b>	<b>110.2</b>	<b>184.8</b>	<b>45.2</b>	<b>101.7</b>	<b>37.7</b>	<b>139.4</b>	<b>184.6</b>	<b>28.8</b>	<b>16.7</b>	<b>3.8</b>
Business analysis recharge			22.0					27.3	(28.8)	(16.7)	(3.8)
Rates			22.2					13.4			
Doubtful debts			4.6					5.5			
Exceptional provision			26.1					28.9			
Tariff rebalancing costs			—					23.5			
Business activity capital costs			20.0					17.8			
<b>Service costs</b>			<b>279.7</b>					<b>301.0</b>			
Services for third parties			14.6					2.3			
Services for third parties depreciation			0.1					—			
<b>Total</b>			<b>294.4</b>					<b>303.3</b>			
<b>Analysis of tangible fixed assets</b>											
Service activities	1,421.5	4,039.7	5,461.2	15,895.2	1,319.1	218.9	1,538.0	17,433.2			
Business activities			117.3	17.4			86.4	103.8			
<b>Service totals</b>			<b>5,578.5</b>	<b>15,912.6</b>			<b>1,624.4</b>	<b>17,537.0</b>			
Service for third parties			193.4					—			
<b>Total</b>			<b>5,771.9</b>					<b>17,537.0</b>			

2 Analysis of current cost turnover and operating costs (continued)

d Analysis of operating costs and tangible fixed assets

1994

	Water supply			Sewerage services					Business analysis		
	Resources and treatment £m	Distribution £m	Water supply sub-total £m	Sewerage £m	Sewage treatment £m	Sludge treatment and disposal £m	Sewage treatment/disposal sub-total £m	Sewerage services sub-total £m	Customer services £m	Scientific services £m	Cost of regulation £m
<b>Direct costs</b>											
Employment costs	6.9	16.1	23.0	1.3	13.1	6.6	19.7	21.0			
Power	8.7	13.9	22.6	0.9	9.9	1.7	11.6	12.5			
Agencies	—	—	—	17.5	—	—	—	17.5			
Hired and contracted	1.6	4.8	6.4	1.1	1.1	3.7	4.8	5.9			
Associated companies	0.5	1.4	1.9	0.5	0.2	0.8	1.0	1.5			
Materials and consumables	4.1	1.9	6.0	0.2	1.6	2.6	4.2	4.4			
Service charges	11.5	0.4	11.9	1.7	3.1	—	3.1	4.8			
Other direct costs	0.4	0.9	1.3	0.2	0.4	0.1	0.5	0.7			
<b>Total direct costs</b>	<b>33.7</b>	<b>39.4</b>	<b>73.1</b>	<b>23.4</b>	<b>29.4</b>	<b>15.5</b>	<b>44.9</b>	<b>68.3</b>	<b>19.5</b>	<b>11.5</b>	<b>3.9</b>
General and support	19.2	20.0	39.2	4.3	25.8	12.4	38.2	42.5	8.0	4.8	1.5
Functional expenditure	52.9	59.4	112.3	27.7	55.2	27.9	83.1	110.8	27.5	16.3	5.4
<b>Capital costs</b>											
Current cost depreciation	13.6	12.4	26.0	5.8	59.6	9.9	69.5	75.3			
<b>Infrastructure renewals:</b>											
Expenditure	2.0	35.3	37.3	23.0	0.1	—	0.1	23.1			
Accrual	5.3	(20.4)	(15.1)	27.1	(0.1)	—	(0.1)	27.0			
<b>Functional costs</b>	<b>73.8</b>	<b>86.7</b>	<b>160.5</b>	<b>83.6</b>	<b>114.8</b>	<b>37.8</b>	<b>152.6</b>	<b>236.2</b>	<b>27.5</b>	<b>16.3</b>	<b>5.4</b>
Business analysis recharge			24.2					25.0	(27.5)	(16.3)	(5.4)
Rates			21.5					11.4			
Doubtful debts			3.7					4.0			
Exceptional provision			—					—			
Business activity capital costs			18.1					15.5			
<b>Service costs</b>			<b>228.0</b>					<b>292.1</b>			
Services for third parties			14.2					2.4			
Services for third parties depreciation			—					—			
<b>Total</b>			<b>242.2</b>					<b>294.5</b>			
<b>Analysis of tangible fixed assets</b>											
Service activities	1,267.0	3,898.7	5,165.7	15,283.5	1,227.0	240.1	1,467.1	16,750.6			
Business activities			120.3	18.1			88.6	106.7			
<b>Service totals</b>			<b>5,286.0</b>	<b>15,301.6</b>			<b>1,555.7</b>	<b>16,857.3</b>			
Service for third parties			186.1					—			
<b>Total</b>			<b>5,472.1</b>					<b>16,857.3</b>			

## 2 Analysis of current cost turnover and operating costs (continued)

## e Non appointed business

The group has not identified for the purpose of its 1994/95 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:

Sales of stores to third parties

External sales of energy

Computing and payroll services to the National Rivers Authority

## 3 a Tangible fixed assets analysis by service

	Water supply	Sewerage	Sewage treatment and disposal	Total
	£m	£m	£m	£m
Gross replacement cost:				
At 1 April 1994	6,209.4	15,474.1	3,096.6	24,780.1
RPI adjustment	205.8	538.6	103.3	847.7
Additions	176.5	91.2	96.7	364.4
Disposals and amounts written off	(34.8)	(7.0)	(46.4)	(88.2)
At 31 March 1995	6,556.9	16,096.9	3,250.2	25,904.0
Depreciation:				
At 1 April 1994	737.3	172.5	1,540.9	2,450.7
RPI adjustment	27.0	6.3	55.9	89.2
Charge for year	53.3	10.6	72.3	136.2
Disposals and amounts written off	(32.6)	(5.1)	(43.3)	(81.0)
At 31 March 1995	785.0	184.3	1,625.8	2,595.1
Net book value:				
At 31 March 1995	5,771.9	15,912.6	1,624.4	23,308.9
At 31 March 1994	5,472.1	15,301.6	1,555.7	22,329.4

3 b Tangible fixed assets analysis by asset type

	Specialised operational assets	Non specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
Gross replacement cost:					
At 1 April 1994	4,715.2	199.5	19,605.3	260.1	24,780.1
RPI adjustment	152.8	6.8	682.6	5.5	847.7
Additions	185.6	3.2	143.0	32.6	364.4
Disposals and amounts written off	(68.1)	(2.6)	(1.5)	(16.0)	(88.2)
<b>At 31 March 1995</b>	<b>4,985.5</b>	<b>206.9</b>	<b>20,429.4</b>	<b>282.2</b>	<b>25,904.0</b>
Depreciation:					
At 1 April 1994	2,285.8	54.3	—	110.6	2,450.7
RPI adjustment	81.9	1.9	—	5.4	89.2
Charge for year	97.8	2.6	—	35.8	136.2
Disposals and amounts written off	(66.0)	(1.4)	—	(13.6)	(81.0)
<b>At 31 March 1995</b>	<b>2,399.5</b>	<b>57.4</b>	<b>—</b>	<b>138.2</b>	<b>2,595.1</b>
Net book value:					
At 31 March 1995	2,586.0	149.5	20,429.4	144.0	23,308.9
At 31 March 1994	2,429.4	145.2	19,605.3	149.5	22,329.4

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

	Specialised operational assets	Non specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
Water supply	923.0	69.4	4,699.2	80.3	5,771.9
Sewerage	163.3	7.4	15,729.8	12.1	15,912.6
Sewage treatment and disposal	1,499.7	72.7	0.4	51.6	1,624.4
<b>At 31 March 1995</b>	<b>2,586.0</b>	<b>149.5</b>	<b>20,429.4</b>	<b>144.0</b>	<b>23,308.9</b>

## 4 Working capital

	1995 £m	1994 £m
Stocks	5.8	7.1
Trade debtors	57.9	63.0
Trade creditors	(6.2)	(6.5)
Short term capital creditors	(25.0)	(21.0)
Infrastructure renewals accrual	(41.3)	(51.6)
Accruals	(113.0)	(107.5)
Payments in advance	(39.5)	(52.0)
Tax and social security	(3.6)	(4.0)
Group trade debtors/(creditors)	(12.8)	(10.7)
Other trade debtors/(creditors)	5.0	2.1
Prepayments	34.8	38.0
	<u>(137.9)</u>	<u>(143.1)</u>

## 5 Reserves – current cost reserve

	1995 £m	1994 £m
At 1 April 1994	19,871.1	18,985.1
AMP adjustment	–	444.3
RPI adjustments:		
Fixed assets	758.5	487.6
Working capital	(5.0)	(2.4)
Financing	(14.6)	(7.5)
Grants and third party contributions	(10.9)	(5.7)
Other adjustments	18.5	(30.3)
At 31 March 1995	<u>20,617.6</u>	<u>19,871.1</u>

## 6 Reconciliation of current cost operating profit to net cash inflow from operating activities

	1995 £m	1994 £m
Current cost operating profit	258.4	259.3
Working capital adjustment	(5.0)	(2.4)
Share of results of associated undertakings	0.1	(0.1)
Decrease in stocks	1.3	2.3
Current cost depreciation	136.2	137.0
Current cost profit on disposal of tangible fixed assets	(4.2)	(3.7)
Decrease in debtors	1.1	11.3
Increase in creditors	16.8	8.7
Release of provisions	(13.8)	7.2
Restructuring provision	55.0	–
Effect of other deferrals and accruals on operating activity cash flow	3.6	6.7
Net cash inflow from operating activities	<u>449.5</u>	<u>426.3</u>

# Current cost financial statements

## Profit and loss account

Five year summary at 1994/95 out-turn prices	1995	1994	1993	1992	1991
	£m	£m	£m	£m	£m
Turnover	847.0	811.9	775.7	746.1	687.7
Current cost operating costs	(597.7)	(551.7)	(543.6)	(572.3)	(518.4)
Share of results of associated undertakings	(0.1)	0.1	—	—	—
Other operating income	4.2	3.8	6.8	1.7	4.5
	253.4	264.1	238.9	175.5	173.8
Working capital adjustment	5.0	2.5	3.0	6.6	10.6
Current cost operating profit	258.4	266.6	241.9	182.1	184.4
Net interest (payable)/receivable	(25.2)	(22.8)	(9.9)	20.1	52.3
Financing adjustment	14.6	7.7	0.9	(8.2)	(28.0)
Current cost profit before taxation	247.8	251.5	232.9	194.0	208.7
Taxation	(6.3)	(5.4)	—	—	—
Current cost profit attributable to shareholders	241.5	246.1	232.9	194.0	208.7
Dividends	(140.0)	(138.8)	(757.0)	(107.8)	(108.5)
Current cost profit/(loss) retained	101.5	107.3	(524.1)	86.2	100.2

## Balance sheet

Five year summary at 1994/95 out-turn prices	1995	1994	1993	1992	1991
	£m	£m	£m	£m	£m
Fixed assets					
Tangible assets	23,308.9	23,110.9	22,871.3	22,364.7	21,965.9
Third party contributions since 1989/90	(382.5)	(321.0)	(260.9)	(180.3)	(81.4)
Working capital	(137.9)	(148.1)	(112.4)	(165.8)	(170.6)
Net operating assets	22,788.5	22,641.8	22,498.0	22,018.6	21,713.9
Cash and investments	82.7	76.7	116.3	202.6	321.0
Non-trade debtors	13.2	10.9	1.3	2.4	15.9
Non-trade creditors due within one year	(31.6)	(31.8)	(104.0)	(14.4)	(27.1)
Creditors due after one year	(501.1)	(482.4)	(365.9)	(231.4)	(102.4)
Provision for liabilities and charges	(43.6)	(4.0)	(8.7)	(9.7)	(8.2)
Net assets employed	22,308.1	22,211.2	22,137.0	21,968.1	21,913.1
Capital and reserves					
Called up share capital	1,000.0	1,035.0	1,059.0	431.6	449.2
Profit and loss account	690.5	609.6	513.3	1,064.1	1,017.9
Current cost reserve	20,617.6	20,566.6	20,564.7	20,472.4	20,446.0
	22,308.1	22,211.2	22,137.0	21,968.1	21,913.1

# Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 25 to 37, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Water Industry Act 1991

Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the company as a Water and Sewerage Undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Office of Water Services. This additionally requires the Directors to:

- a Confirm that, in their opinion, the company has sufficient financial and management resources for the next twelve months;
- b Confirm that, in their opinion, the company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the company;
- c Report to the Director General of Water Services changes in the company's activities which may be material in relation to the company's ability to finance its regulated activities;
- d Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arms length;
- e Keep proper accounting records which comply with Condition F.

## Diversification and the protection of the core business-Condition F6a

Severn Trent Water Limited hereby advise:

- a 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
- b 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.

B. Duckworth

B Duckworth  
Managing Director  
For and on behalf of the Board  
12 June 1995



# Report of the Auditors to the Director General of Water Services

We have audited the regulatory financial statements on pages 25 and 26 which have been prepared under the historical cost convention and the accounting policies set out on page 13 and 14, and the regulatory financial statements on pages 27 to 37 which have been prepared under the current cost convention and the accounting policies set out on page 30 and 31.

## Respective responsibilities of Directors and Auditors

As described on page 38 the company's Directors are responsible for the preparation of regulatory financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the regulatory financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the regulatory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the regulatory financial statements.

## Opinion

In our opinion, the regulatory financial statements contain the information for the year to 31 March 1995 required to be published and submitted to you by Severn Trent Water Limited, and its subsidiary undertaking East Worcester Water Plc (together 'the group' or the 'appointees'), to comply with Condition F of the Instruments of Appointment granted by the Secretary of State for the Environment of the group as Water and Sewerage Undertakers under the Water Industry Act 1991.

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

- a Proper accounting records have been kept by the Appointees as required by paragraph 3 of Condition F of the Instruments of Appointment;
- b The information is in agreement with the Appointees' accounting records, complies with the requirements of Condition F of the Instruments of Appointment and has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services;
- c The regulatory financial statements on pages 25 and 26 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointees and their Appointed Businesses; and
- d The current cost financial information on pages 27 to 37 has been properly prepared in accordance with 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 Auditors

Cornwall Court

19 Cornwall Street

Birmingham B3 2DT

12 June 1995

**Price Waterhouse**



*Price Waterhouse*

# Financial and operating statistics

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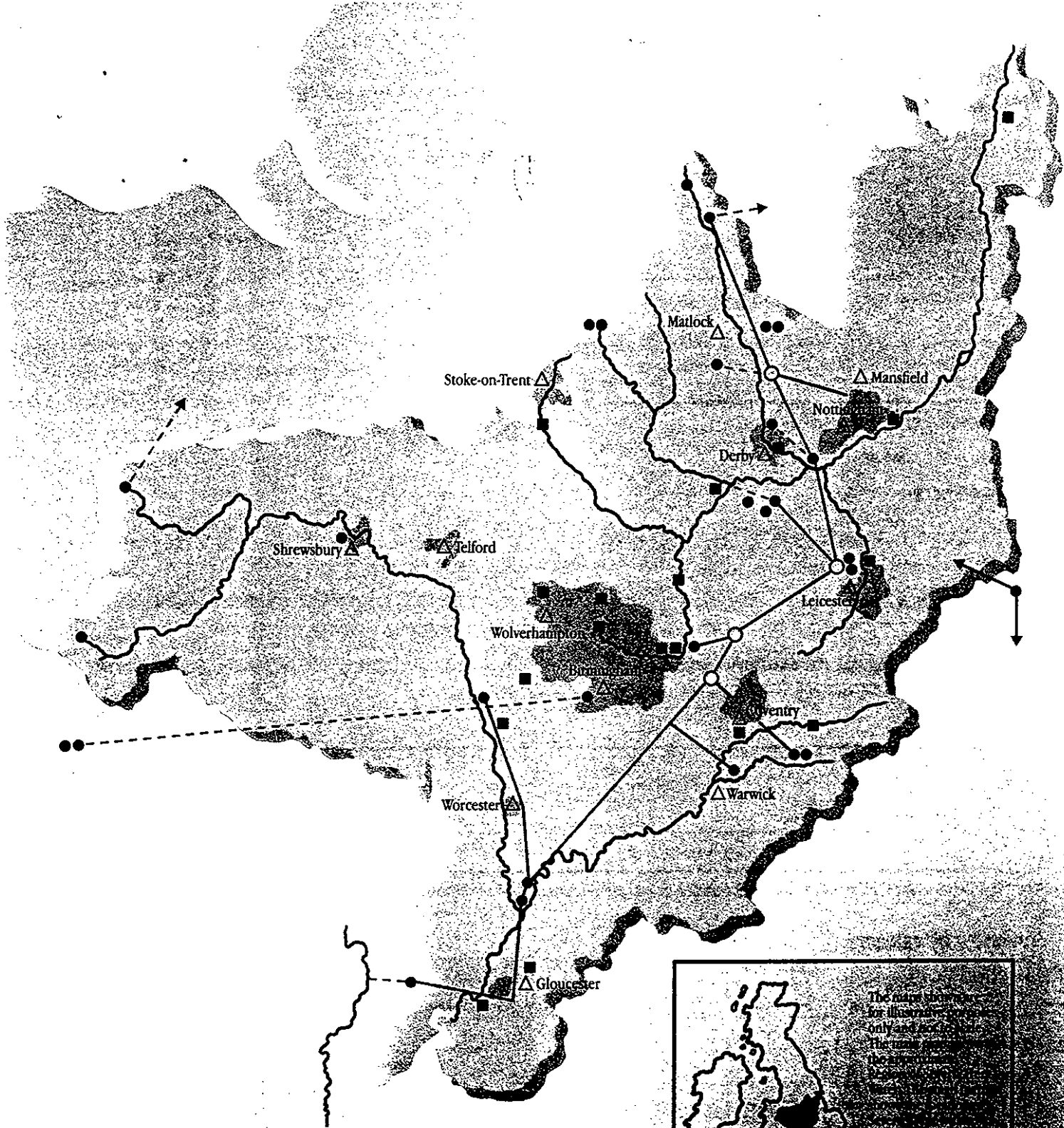
## Introduction

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 1995.

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 submitted to the Director General of Water Services as part of the 1995 July return. Copies of the Water Quality Report are available from the Director of Marketing whose address appears on the inside front cover of this publication

Unless otherwise stated all information prior to 31 March 1993 relates to Severn Trent Water Limited. Statistics relating to East Worcester Water Plc have been incorporated since 19 March 1993, the date of its acquisition.



The map below is for illustration only and does not represent the actual road network.

**Key**

- Major town
- Major town
- Major town
- △ Major town
- Road
- Road

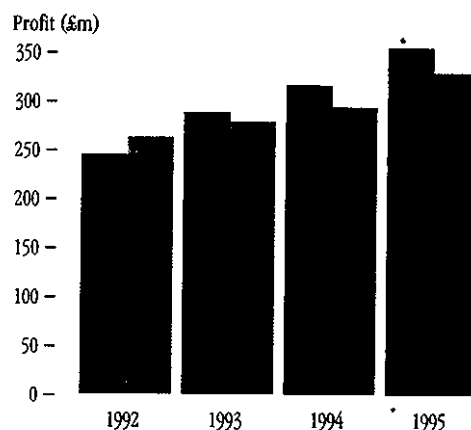
## Financial

## Profit and loss accounts

	1992 £m	1993 £m	1994 £m	1995 £m
Turnover	692.1	742.3	789.8	847.0
Operating profit	244.3	287.9	316.3	300.5*
Net interest (payable)/ receivable	18.6	(9.5)	(22.2)	(25.2)
Profit for the financial year	262.9	278.4	294.1	275.3*
Taxation	-	-	(5.3)	(6.3)
Dividends	(100.0)	(724.4)	(135.0)	(140.0)
Retained profit/(loss)	162.9	(446.0)	153.8	129.0*

\*After restructuring provision of £55 million

■ Operating profit    ▣ Profit for the financial year



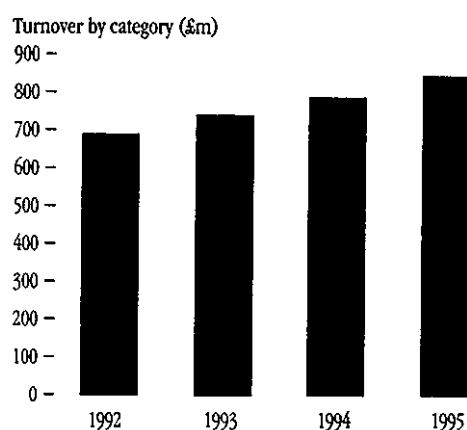
## Balance sheets

	1992 £m	1993 £m	1994 £m	1995 £m
Fixed assets	2,208.7	2,593.6	2,871.5	3,073.1
Net current (liabilities)/assets	79.6	(53.2)	(38.9)	(36.1)
	2,288.3	2,540.4	2,832.6	3,037.0
Creditors: amounts falling due after more than one year	(214.5)	(345.5)	(466.1)	(501.1)
Provisions for liabilities, charges and deferred income	(94.1)	(89.3)	(108.1)	(148.5)
	1,979.7	2,105.6	2,258.4	2,387.4
Capital and reserves				
Called up share capital	400.0	1,000.0	1,000.0	1,000.0
Profit and loss account	1,579.7	1,105.6	1,258.4	1,387.4
	1,979.7	2,105.6	2,258.4	2,387.4

The 1993 Balance sheet information has been restated to include the results of East Worcester Water Plc

## Turnover by category

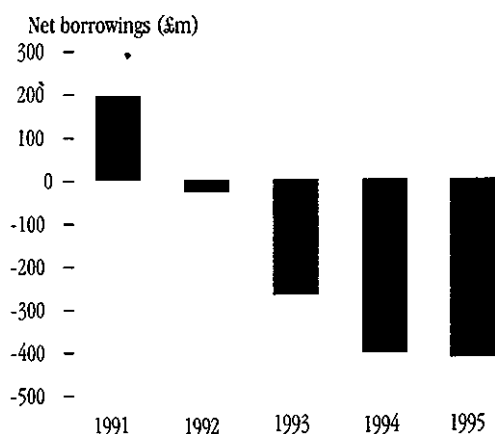
	1992 £m	1993 £m	1994 £m	1995 £m
Measured charges	} 631.7	} 680.1	240.8	255.3
Unmeasured charges			486.8	527.4
Trade effluent	32.4	36.1	37.2	38.9
Other	28.0	26.1	25.0	25.4
	692.1	742.3	789.8	847.0



Measured sewerage service charges now include both metered and non-metered charges to measured sewerage customers. This change has been made to ensure consistency with the Principal Statement on charges sent each year by the company to the Director General of Water Services. Only the comparative for 1994 has been restated.

## Financial

### Net borrowings

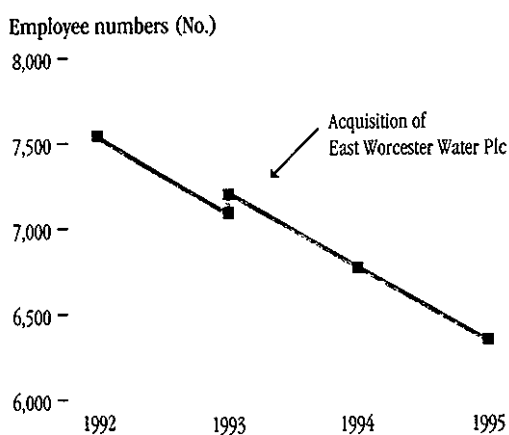


	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m
Cash at bank and in hand	283.4	185.1	106.4	69.8	76.7
Borrowings	(87.3)	(214.0)	(375.1)	(473.4)	(491.8)
	196.1	(28.9)	(268.7)	(403.6)	(415.1)

### Key ratios

	1991	1992	1993	1994	1995
<b>Liquidity</b>					
Current ratio (times)	2.03	1.35	0.82	0.83	0.85
<b>Profitability</b>					
Gross profit margin (%)	32.62	35.30	38.78	40.05	35.48
Return on capital employed (%) : Historic cost	9.90	10.68	11.33	11.17	9.89
Return on fixed assets (%) : Historic cost	11.00	11.06	11.10	11.02	9.78
Return on fixed assets (%) : Current cost	0.83	0.83	1.09	1.16	1.11
<b>Gearing</b>					
Debt to equity (%)	4.80	10.81	17.81	20.96	20.60
<b>Other</b>					
Turnover per employee (£)	86,277	92,825	99,704	113,575	129,689
Operating profit per employee (£)	28,140	32,765	38,670	45,485	46,011

### Employee numbers

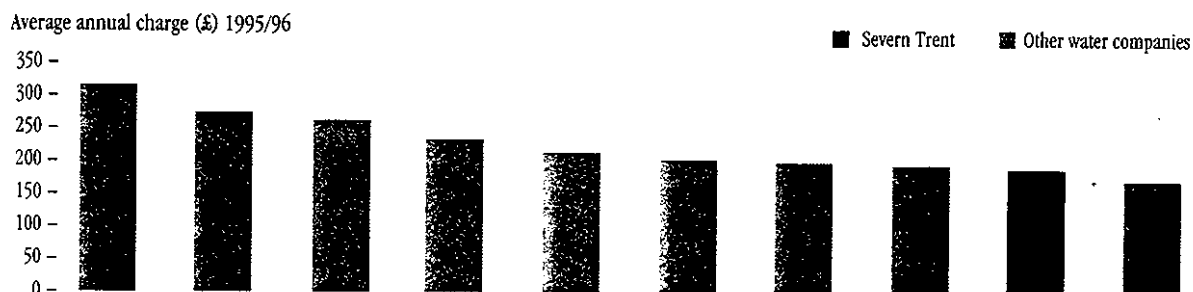


	1992 No.	1993 No.	1994 No.	1995 No.
Employee numbers (average)	7,456	7,445	6,954	6,531
Employee numbers (year-end)	7,529	7,196	6,757	6,324

## Customer service Charges (1995/96)

	Water £	Sewerage £	Total £
Average annual unmeasured water charges			
Severn Trent	82	105	187
Average of other 9 water and sewerage companies	106	127	233

Comparison of average annual charges for 1995/96  
(unmeasured charges)



Source: OFWAT

Equivalent cost per day per household

Severn Trent

51 pence

Other water and sewerage companies average

64 pence

Measured water charges

Water Supply (excluding former East Worcester Water Plc area)

62.9 pence/cubic metre

Sewerage

53.07 pence/cubic metre

Average household bill (including measured and unmeasured charges)

Severn Trent

£189

Average of other 9 water and sewerage companies

£231

## 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)

	1992 %	1993 %	1994 %	1995 %
(DG1) Raw water availability				
Percentage of the population who live in areas where resources are adequate to meet demands.	58.89	99.17	99.20	94.50
(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.	99.21	99.38	99.53	99.40
(DG3) Interruption to supply				
Percentage of properties not experiencing loss of supply for five or more interruptions for five hours or three interruptions for twelve hours.	99.97	99.99	99.99	99.87
(DG4) Water usage restrictions				
Percentage of properties not affected by:				
Ban on hosepipes	100.00	100.00	100.00	99.10
Drought orders	100.00	100.00	100.00	100.00
(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.	99.95	99.95	99.95	99.95

## Customer service

### Levels of service (continued)

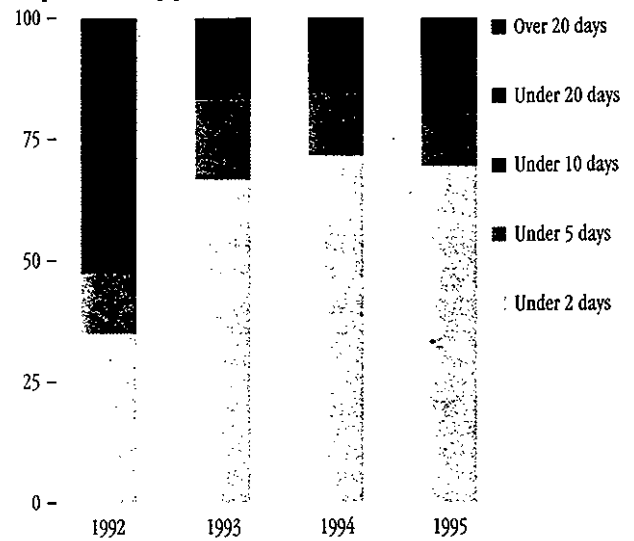
#### (DG6) Response to billing queries

##### Response time for replies to billing queries

	1992	1993	1994	1995
	%	%	%	%
Under 2 days	35.0	66.6	71.5	69.3
Under 5 days	47.5	83.2	84.5	80.1
Under 10 days	69.8	92.5	92.8	92.2
Under 20 days	97.4	98.9	99.0	99.0
Over 20 days	2.6	1.1	1.0	1.0

In 1995 there were 2.2 million customer contacts. The company has achieved for 1995 the 'Good' classification as measured against OFWAT's illustrative profiles.

Response to billing queries (%)



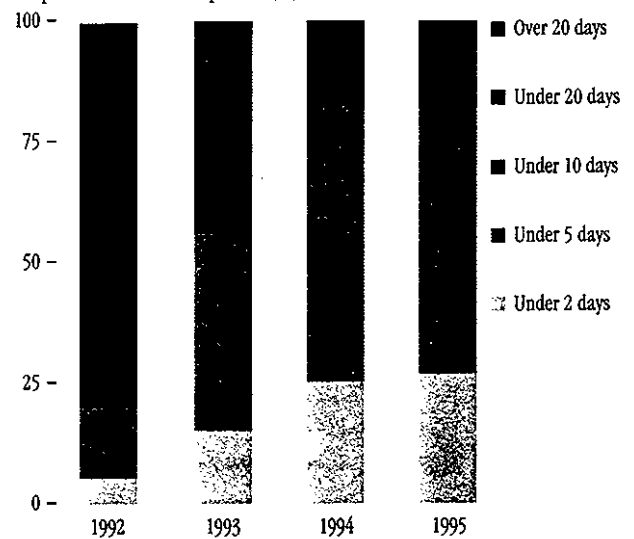
#### (DG7) Response to written complaints

##### Response time for replies to written complaints

	1992	1993	1994	1995
	%	%	%	%
Under 2 days	5.4	15.2	25.3	26.9
Under 5 days	20.1	56.0	82.1	81.7
Under 10 days	59.3	96.7	97.9	98.0
Under 20 days	99.4	99.8	99.9	99.8
Over 20 days	0.6	0.2	0.1	0.2

The number of customer complaints received in 1995 has fallen by 2% from those received in 1994. The company has achieved for 1995 the 'Very good' classification as measured against OFWAT's illustrative profiles.

Response to written complaints (%)



#### Guaranteed standards scheme

Complaints answered within the guaranteed standards scheme time period

Number of claims automatically accepted for guaranteed standard payments

	1992	1993	1994	1995
Complaints answered within the guaranteed standards scheme time period	98.5%	99.1%	99.5%	99.3%
Number of claims automatically accepted for guaranteed standard payments	n/a	n/a	51	63

## Customer service

### Customer contacts

	1992	1993	1994	1995
	No.	No.	No.	No.
	'000	'000	'000	'000
By correspondence	1,149	1,014	1,042	966
By telephone	1,053	1,143	1,109	1,252
<b>Total</b>	<b>2,202</b>	<b>2,157</b>	<b>2,151</b>	<b>2,218</b>

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

### Customer payment statistics

	1992	1993	1994	1995
	'000	'000	'000	'000
Number of customers paying by instalments	798	837	943	1,121
Number of summonses	103	37	71	90
Percentage of unmeasured customers summonsed (%)	3.9	1.4	2.7	3.3
Number of disconnections	No.	No.	No.	No.
Domestic	1,284	1,215	590	557
Non domestic	290	410	269	220
Percentage of customers disconnections (%)	0.05	0.05	0.03	0.03

### Customer complaints

	1992	1993	1994	1995
	'000	'000	'000	'000
	22	14	9	9

### Population (Water Services)

Water Supply	6,891	6,909	7,201	7,224
Sewerage	8,175	8,201	8,226	8,262

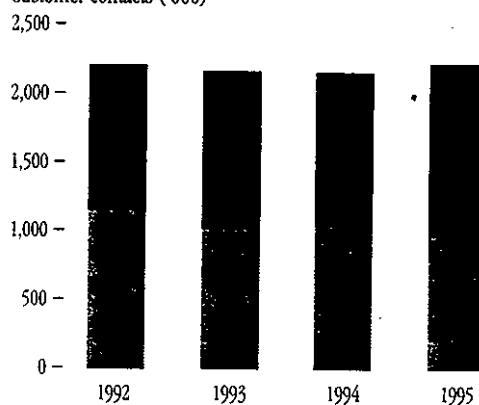
### Billed properties

Water				
Unmeasured domestic	2,544	2,541	2,592	2,582
Unmeasured non-domestic	62	59	59	53
<b>Sub-total</b>	<b>2,606</b>	<b>2,600</b>	<b>2,651</b>	<b>2,635</b>
Measured domestic	92	119	170	210
Measured non-domestic	182	176	177	168
<b>Sub-total</b>	<b>274</b>	<b>295</b>	<b>347</b>	<b>378</b>
<b>Total</b>	<b>2,880</b>	<b>2,895</b>	<b>2,998</b>	<b>3,013</b>
Sewerage	3,323	3,355	3,383	3,376

### New connections during year

Water supply	22	23	25	26
Sewerage	27	27	28	29

Customer contacts ('000)





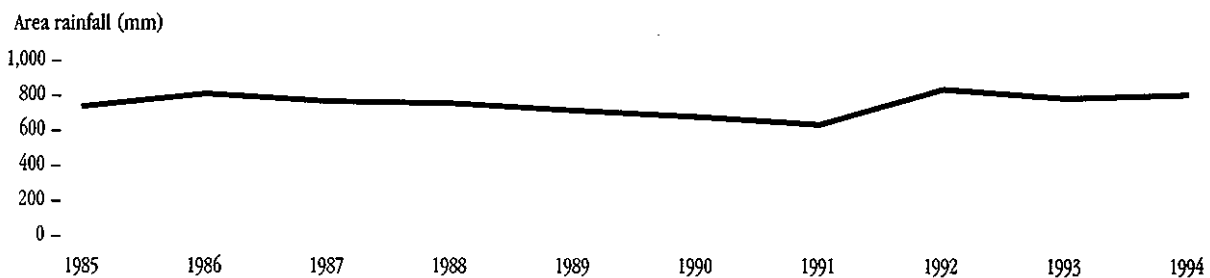
## Operational

### Rainfall

Severn Trent Region – Area Rainfall	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Severn Trent region											
Rainfall (mm)	777	741	814	769	759	718	683	639	842	792	814
% long term average	99	96	105	99	98	93	88	83	110	102	105
Severn Basin											
Rainfall (mm)	842	813	856	805	811	777	732	702	872	797	844
% long term average	102	98	103	97	98	94	88	87	108	99	104
Trent Basin											
Rainfall (mm)	715	685	790	747	723	676	647	576	808	781	785
% long term average	97	93	103	101	98	92	88	78	110	106	107

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

### Severn Trent region – area rainfall

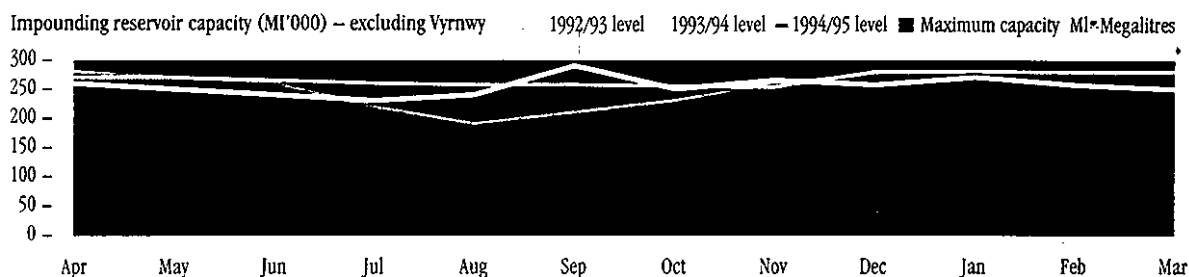


### Analysis of water into supply

	1992 ML/d	1993 ML/d	1994 ML/d	1995 ML/d
Impounding reservoirs	571	567	576	587
River abstractions	703	724	726	782
Groundwater	702	694	773	770
<b>Total production</b>	<b>1,976</b>	<b>1,985</b>	<b>2,075</b>	<b>2,139</b>
Treated water imports	19	18	17	17
Treated water exports	(16)	(16)	(9)	(9)
<b>Total water into supply</b>	<b>1,979</b>	<b>1,987</b>	<b>2,083</b>	<b>2,147</b>

## Operational

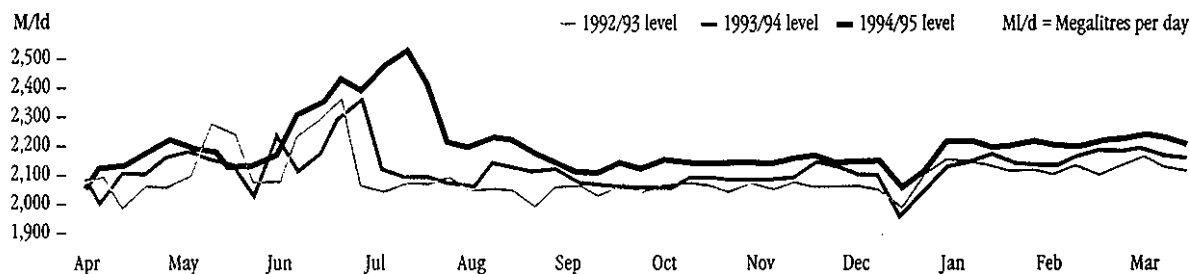
### Impounding reservoir capacities



### Water into supply

	1992 Ml/d	1993 Ml/d	1994 Ml/d	1995 Ml/d
Household demand	1,005	1,023	1,047	1,059
Non-household demand	560	539	543	548
Water delivered to billed customers	1,565	1,562	1,590	1,607
Total water into supply	1,979	1,987	2,083	2,147
Company unaccounted for water as % of total water supplied	21%	21%	24%	25%

### Average weekly water demand



### Quality — water supply

	1991	1992	1993	1994
Overall quality of drinking water				
Number of samples	86,239	84,761	84,808	86,524
% compliance with standards	99.6%	99.7%	99.8%	99.8%
Microbiological quality of drinking water				
Water leaving treatment works				
Number of samples	27,265	28,391	29,745	29,502
% compliance with standards	99.9%	99.9%	99.9%	99.9%
Water at service reservoirs				
Number of samples	34,773	33,577	34,249	35,914
% compliance with standards	99.9%	99.8%	99.8%	99.9%
Water at customers' taps				
Number of samples	24,201	22,793	20,814	21,108
% compliance with standards	99.6%	99.6%	99.7%	99.8%

## Operational

### Quality-Water supply (continued)

	1991	1992	1993	1994
Physical and chemical quality of drinking water				
Water at customers' taps				
Number of samples	24,201	22,793	20,814	21,108
% compliance with standards	99.4%	99.7%	99.7%	99.8%

#### 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 424,700 being made during 1994.

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

### Sewage treatment

	1992	1993	1994	1995
<b>Overall compliance with standards</b>				
Total number of sewage treatment works	1,026	1,015	1,014	1,013
Number of sewage treatment works failing consents	19	20	15	9
Number of time limited consents	1	0	0	0
<b>Number of prosecutions by NRA resulting in convictions</b>				
Discharge of sewage	4	1	1	2
Sewage treatment works	3	0	0	0
Water treatment works	1	1	3	0
Other	1	0	1	1

### Compliance of numerically consented works

	1991	1992	1993	1994
Number of works within numeric consents	746	743	740	739
Overall quality of sewage works effluent				
By works	97.3%	97.8%	97.0%	97.8%
By tests to measure quality	98.7%	99.0%	99.0%	99.3%
Compliance with sanitary standards (percentile)				
By works	98.9%	98.9%	98.8%	99.1%
By tests to measure quality	98.5%	99.0%	99.0%	99.4%
Compliance with sanitary standards (upper tier)				
By works	97.1%	96.4%	95.6%	98.9%
By tests to measure quality	99.9%	99.9%	99.9%	99.9%
Compliance with non-sanitary standards				
By works	80.3%	90.0%	88.2%	86.7%
By tests to measure quality	99.3%	98.9%	99.2%	99.1%

#### Notes:

Overall compliance with standards relates to financial year.

Compliance of numerically consented works figures are based on calendar years.

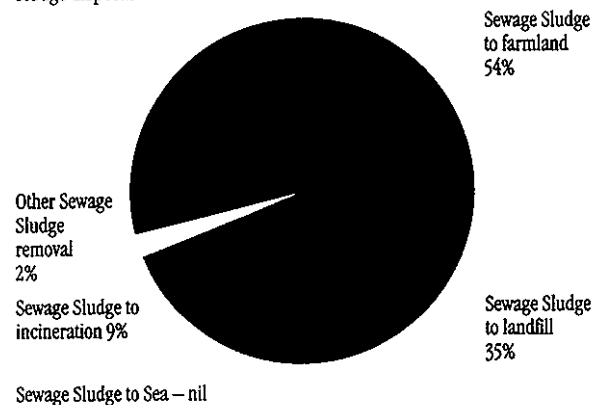
### Sludge disposal

Method of sludge disposal	1992 tds	1993 tds	1994 tds	1995 tds
Farmland	65,000	83,000	85,000	86,000
Landfill	41,000	51,000	43,000	56,000
Incineration	29,000	27,000	28,000	14,000
Sea	0	0	0	0
Other	30,000	9,000	9,000	3,000
<b>Total</b>	<b>165,000</b>	<b>170,000</b>	<b>165,000</b>	<b>159,000</b>

tds = tonnes dry solids.

In 1993 the definition of dedicated land was amended; this has resulted in an increase in the amount shown as disposal to farmland.

#### Sludge disposal



## Investment Investment expenditure

	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m
Resources and treatment	57	96	116	117	89
Distribution	97	161	137	107	104
Sewerage	67	108	90	76	73
Sewage treatment	126	152	147	108	85
Recreation and amenity	1	11	4	2	2
Operational support	38	46	49	32	30
Other	9	11	7	3	3
	395	585	550	445	386

### Analysis of investment expenditure

Capital expenditure	348	482	462	380	320
Gross infrastructure expenditure	47	103	88	65	66
	395	585	550	445	386

### Cumulative investment

since 1991	395	980	1,530	1,975	2,361
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## Physical outputs

	1991	1992	1993	1994	1995
Mains – added (Km)	252	506	673	293	309
– renewals (Km)	363	562	511	408	392
– relined (Km)	1,034	1,305	969	1,016	878
– Number of communication pipes replaced	37,600	84,799	72,631	37,147	31,011
Sewers – added (Km)	65	160	168	86	224
– improved (Km)	10	35	21	8	4
Approximate number of schemes in programme	4,100	5,000	5,000	5,500	5,000
Approximate number of new starts during year	1,000	1,000	1,200	800	650
Approximate number of schemes completed during year	900	1,000	1,300	1,200	1,600
Approximate number of properties where problems of poor pressure alleviated by investment	16,000	6,000	10,000	7,000	5,000
Number of properties where risk of flooding from sewers has been removed	602	535	325	210	190

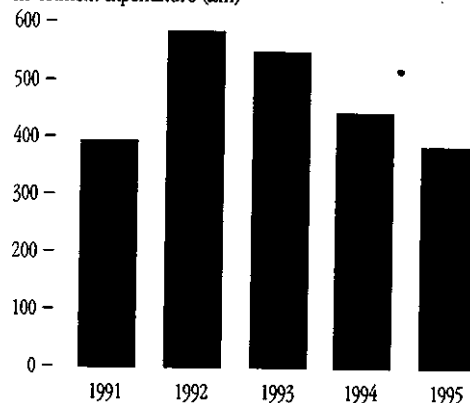
## Major operational schemes carried out during year

	1994/95 £m	Total projected costs £m
Melbourne water treatment works	18.4	35.6
Mythe water treatment works	11.2	30.8
Coleshill sludge disposal plant	9.2	25.7
Trimpley to Worcester mains	10.0	19.5
Trimpley water treatment works	7.9	15.9
Ogston water treatment works	8.4	15.8
Draycote water treatment works	8.8	14.5
Mansfield sewer outfall	6.4	10.4
Stoke Bardolph sewage treatment works	6.5	9.9
Crankley Point sewage treatment works	5.2	6.9

## Operational assets

	1995 No.
Impounding reservoirs	41
Groundwater sources	185
River water intakes	23
Surface water treatment works	25
Water supply booster stations	630
Service reservoirs	585
Mains (Km)	41,120
Sewers (Km)	51,500
Sewage treatment works	1,013
Sewage pumping stations	2,300

Investment expenditure (£m)



# Education centres

## Education centres

The company is committed to enhancing school children's knowledge about water, the environment and the company's long standing policy on conservation. The company's education centres permit a completely flexible approach to learning about the local environment from first hand practical experience.

## Programmes

Programmes have been developed for both indoor and outdoor activities and to support work at varying key stage levels. The activities are designed to stimulate pupils to investigate areas such as:

Water supply

Sewage treatment and sludge disposal

Waste management and recycling

Farming and food production

Investigating habitats

Human influences on the environment

Water and the community

The seasons

## Facilities

Each centre offers a fully equipped classroom with full audio visual facilities with seating for a maximum of 40 children. All activities are organised and led through a resident teacher and are without charge to the school. Some disabled facilities are provided.

## Aims

To create opportunities for children to investigate the working environment on those sites where education units are situated under the guidance of expert tutors using purpose built investigative programmes.

## Objectives

In a partnership between the visiting school and the company, to develop a day's activities based on the National Curriculum and integrating with the pupils school project work.

To extend the children's knowledge and understanding of the environment.

To introduce the children to new skills and develop their existing skills.

To promote positive attitudes to environmental issues.

To promote an understanding of the various treatment processes employed by the company.

## Centres

Education centres are located at the following sites.

Cropston water treatment works, Leicestershire

Stoke Bardolph sewage treatment works, Nottinghamshire

Minworth sewage treatment works, West Midlands

Casington reservoir, Derbyshire

Hayden sewage treatment works, Gloucestershire (opening spring 1996)

Two other centres are in the planning stage for 1996.

	1993	1994	1995
	No.	No.	No.
Number of classes conducted at education centres	75	683	747
Number of pupils attending programmes	2,005	18,602	20,749
Number of teachers attending in service training programmes	305	2,739	2,191
Number of other adults attending in service training programmes	310	1,516	2,248

# Visitor centres

## Visitor centres

In response to requests from our customers for information about the company, its investment and levels of service, we have opened a number of visitor centres throughout the region.

At these specially equipped venues, usually on operational sites, our experienced guides explain in everyday terms, the processes we use to treat water for drinking, or to clean used water before returning it to the environment.

Visits usually involve a tour of the works, audio visual presentations and the opportunity to ask our staff questions relating to the industry.

Visitor centres are currently situated at the following sites:

### Tittesworth water treatment works

is north of Leek in the glorious Staffordshire moorlands. The adjacent reservoir boasts a fishery, nature trail, picnic area and other visitor facilities.

### Carsington water

near Ashbourne has a visitor centre with exhibition, restaurant, shops, and water sports/cycle hire facilities. Close to the Peak District, Carsington is the latest tourist attraction in Derbyshire.

### Church Wilne water treatment works

can be seen from the M1 between Nottingham and Derby. Recently enlarged, it supplies water to parts of Nottingham and into the Severn Trent 'grid'.

### Derby sewage treatment works

in the heart of Derby is one of the company's largest works in the East Midlands and is also home to a variety of wildlife.

### Shelton water treatment works

is situated in the historic town of Shrewsbury where its water tower is a local landmark. The works has been upgraded and includes the very latest treatment processes.

### Cannock sewage treatment works

completed in 1994 using modern treatment processes, is situated close to the beauty of Cannock Chase.

### Cropston visitor centre

is housed in a listed Victorian pumping station situated in parkland near Bradgate Park, Leicester. A state of the art water treatment works, also on site, presents a striking contrast.

### Minworth sewage treatment works

is not only our largest but one of the largest in Europe. We generate our own electricity and sell some to the national grid. It is located near to Sutton Coldfield at junction 9 of the M42.

### Trimpley water treatment works

in the Wyre Forest near Bewdley, has the Severn Valley Railway running through it.

### Campion Hills water treatment works

is in the attractive Spa town of Leamington in rural Warwickshire. This site was our first to use ozone to disinfect water.

### Southwick Park (to August 1995)

is in parkland on the outskirts of Tewkesbury at the site of the former grammar school.

### Hayden sewage treatment works (opening late 1995)

this new centre near Cheltenham will replace the visitor centre at Southwick Park, and will also incorporate an education centre.

	1993	1994	1995
	No.	No.	No.
Number of conducted tours of visitor centres	13,607	38,922	42,020

For further information on how to arrange a visit to one of our visitor centres or to arrange for a group of pupils to attend at one of our education centres, please contact the Marketing department whose address appears on the inside front cover.

# Main offices

Information on the company may be obtained at any of the following Severn Trent offices:

## Head Office

Severn Trent Water Limited  
2297 Coventry Road  
Birmingham B26 3PU  
Tel: 0121-722 4000

Vic Cocker Chairman  
Brian Duckworth Managing Director  
John Banyard Director of Asset Management.  
Engineering and Technology  
Alan Costin Director  
Mike Lily Director of Information Technology  
(from 1 July 1995)  
David Mattin Director and Company Secretary  
Gerald Noone Director of Marketing  
Austin Todd Director of Human Resources and Logistics  
Terry Tricker Director of Customer Service  
Mark Wilson Director of Finance and Regulation  
(from 1 July 1995)

## Coventry and North Warwickshire District

Severn Trent Water Limited  
Sherbourne House  
St Martin's Road  
Finham, Coventry CV5 6PR  
Tel: Coventry (01203) 693333  
Manager: Jim Robinson

## Stoke District

Severn Trent Water Limited  
Westport Road  
Burslem  
Stoke-on-Trent ST6 4JT  
Tel: Stoke (01782) 836336  
Manager: Craig Reid

## Nottingham District

Severn Trent Water Limited  
Hucknall Road  
Nottingham NG5 1FH  
Tel: Nottingham (0115) 9608161  
Manager: Gren Messham

## East Shropshire District

Severn Trent Water Limited  
Hortonwood 33  
Telford  
Shropshire TF1 4EX  
Tel: Telford (01952) 670270  
Manager: Jo Foster

## South Warwickshire District

Severn Trent Water Limited  
Longbridge Depot  
Stratford Road  
Warwick CV34 6QW  
Tel: Warwick (01926) 496221  
Manager: Geoff Robinson

## North Derbyshire District

Severn Trent Water Limited  
43 Dimple Road  
Matlock  
Derby DB4 3LQ  
Tel: Matlock (01629) 57789  
Manager: Tony Seddon

## Sherwood District

Severn Trent Water Limited  
Great Central Road  
Mansfield  
Nottingham NG18 2RJ  
Tel: Mansfield (01623) 421321  
Manager: Dave Morris

## West Shropshire and Montgomeryshire District

Severn Trent Water Limited  
Shelton  
Shrewsbury SY3 8BJ  
Tel: Shrewsbury  
(01743) 265000  
Manager: Eric Ashcroft

## Worcester District

Severn Trent Water Limited  
Bromwich Road  
Lower Wick  
Worcester WR2 4BN  
Tel: Worcester (01905) 748484  
Manager: Mike Fowle

## Derby District

Severn Trent Water Limited  
PO Box 5T  
Raynesway  
Derby DE21 7JA  
Tel: Derby (01332) 661481  
Manager: Peter Stanton

## Birmingham Water District

Severn Trent Water Limited  
Edgbaston Depot  
Waterworks Road  
Birmingham B16 9DD  
Tel: Birmingham (0121) 4561011  
Manager: Larry Barnes

## Tame District

Severn Trent Water Limited  
Park Lane  
Minworth  
Sutton Coldfield  
Birmingham B76 9BL  
Tel: Birmingham (0121) 3131000  
Manager: Alan Boyd

## Gloucester District

Severn Trent Water Limited  
Staverton Depot  
Staverton Airport  
Cheltenham Road East  
Gloucester GL2 9QY  
Tel: Gloucester (01452) 712795  
Manager: Jonathan Bailey

## Leicestershire District

Severn Trent Water Limited  
Leicester Water Centre  
Gorse Hill  
Anstey  
Leicester LE7 7GU  
Tel: Leicester (0116) 2340340  
Manager: Richard Bell

## Wolverhampton District

Severn Trent Water Limited  
Tettenhall Depot  
Regis Road  
Wolverhampton WV6 8RU  
Tel: Wolverhampton (01902) 754144  
Manager: Richard Martin

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# Severn Trent Water

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SEVERN TRENT WATER LIMITED  
225 COVENTRY ROAD  
BIRMINGHAM B26 4PU  
TELEPHONE 0121-722 4000

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