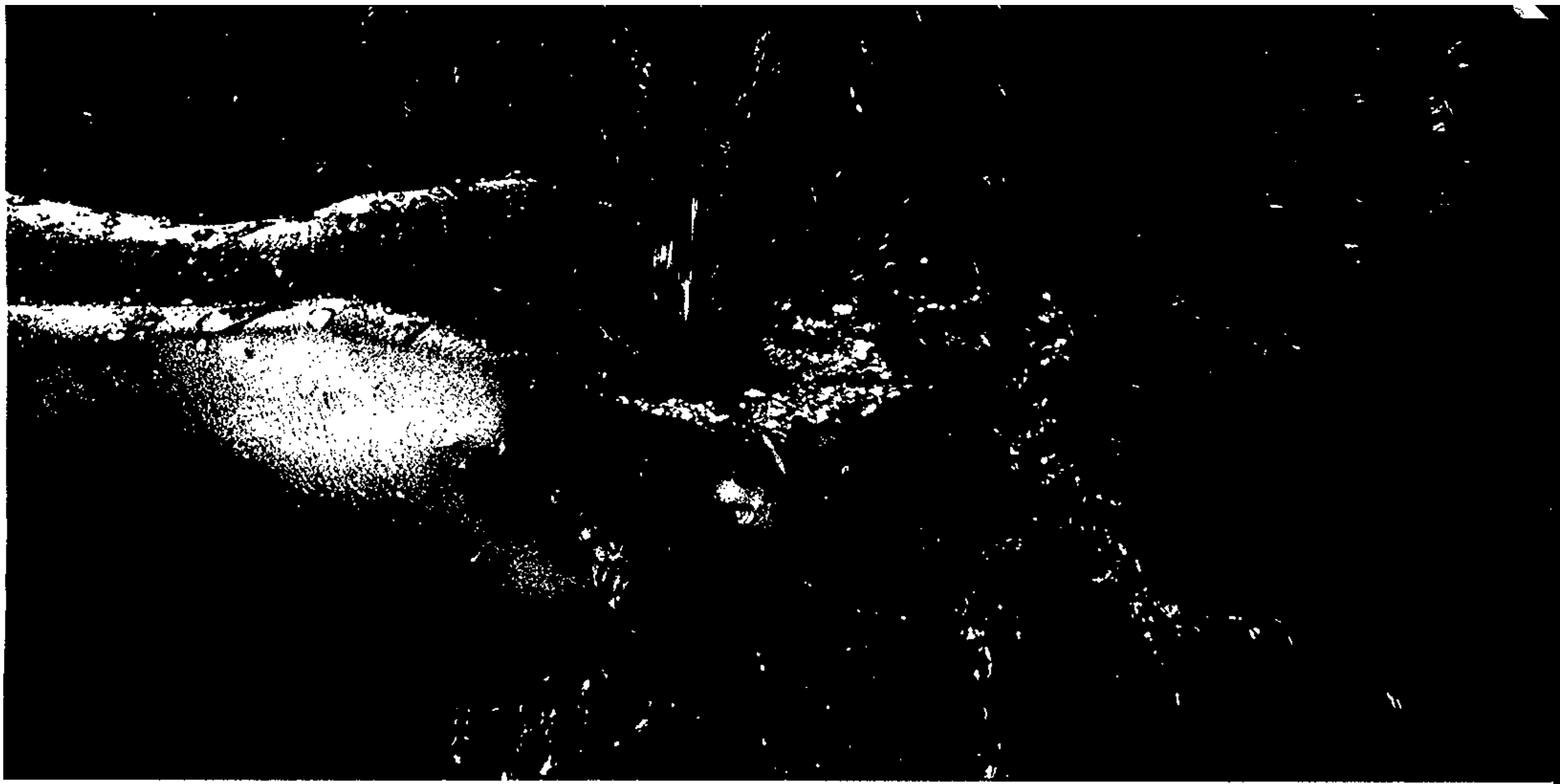

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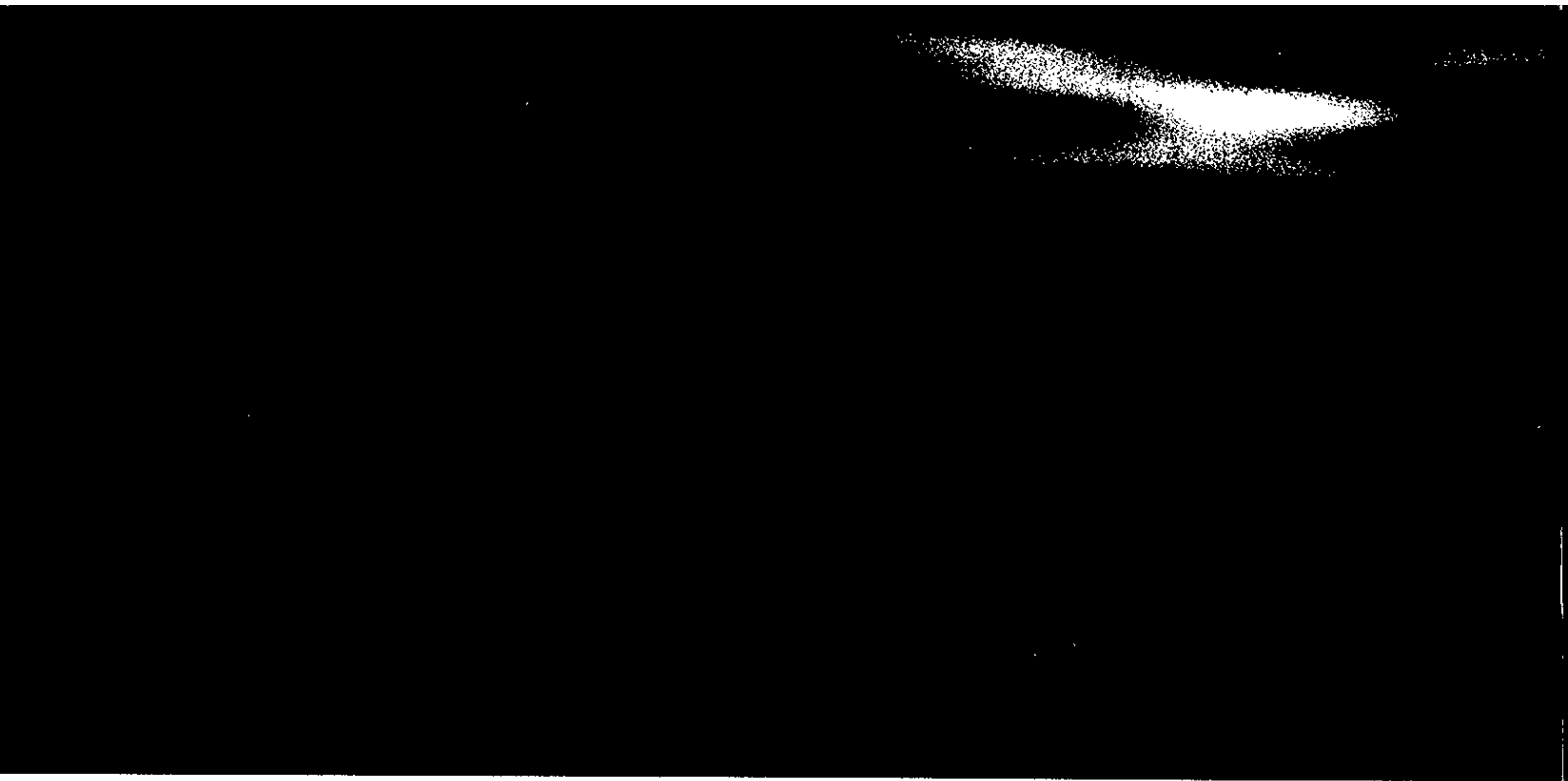
Annual report and accounts 1996

Severn Trent Water

COMPANY NUMBER 2366686

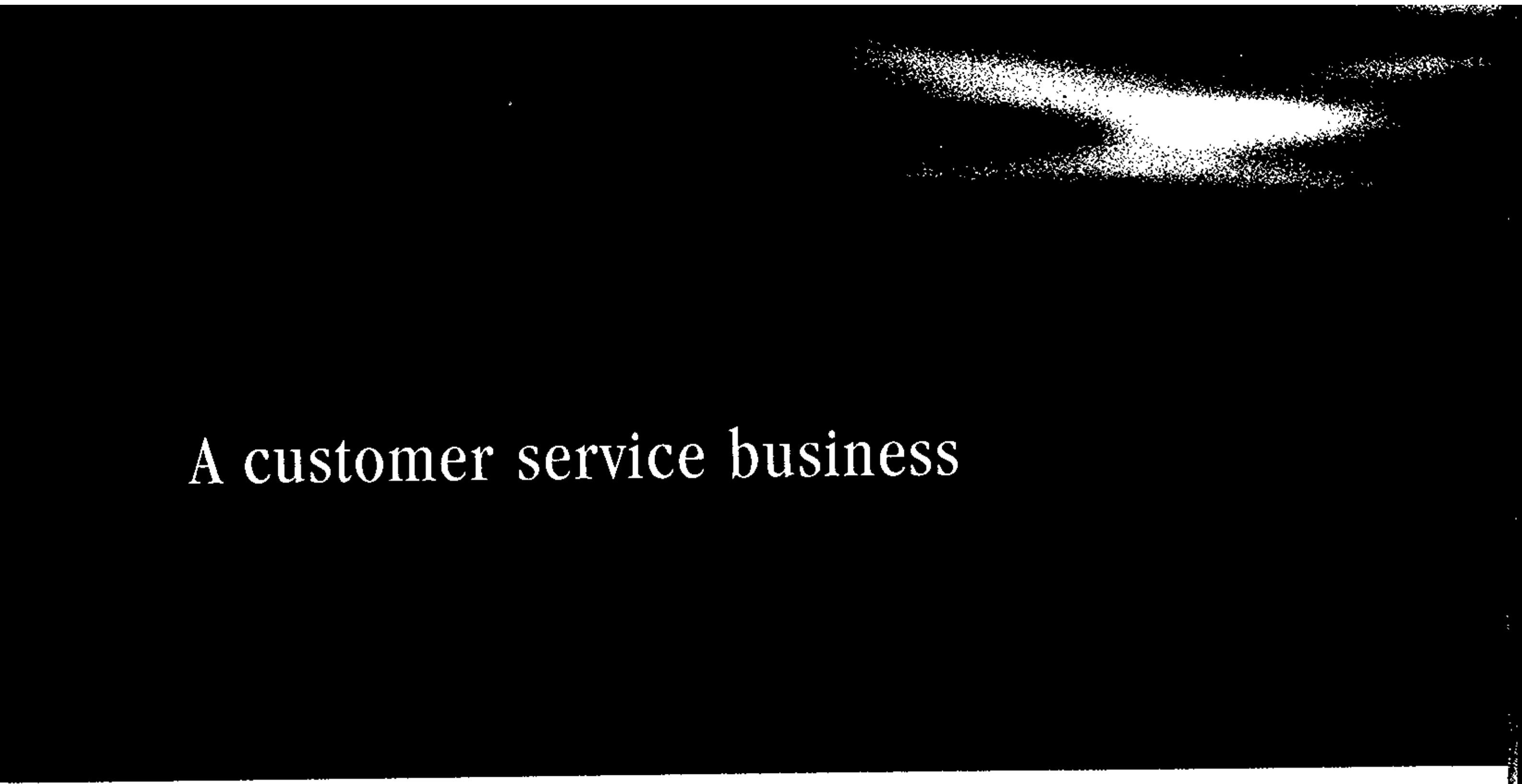


Contents

Severn Trent Water Limited, part of the Severn Trent Plc group, serves eight million people in the heart of Britain. It provides drinking water to the highest standards, then takes away the waste water for treatment before disposing of it safely back to the environment.

Financial highlights

	1996	[illegible]
Turnover (£m)	**896**	847
Operating costs (£m)	**(501)**	(491)
Profit before restructuring (£m)	**395**	356
Restructuring provision (£m)	**—**	(55)
Profit before interest (£m)	**395**	301
Profit before tax (£m)	**360**	276



A customer service business

UK operations

Severn Trent Water major water treatment works

Severn Trent Water major sewage treatment works

Severn Trent Water sewage treatment area

Last year,

99.8%

of all samples

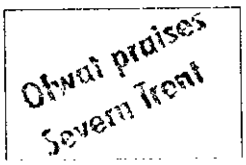
of drinking water provided by the company passed stringent quality tests — a record which is not bettered by any of the ten leading water services companies.

Every day, Severn Trent Water supplies an average of

2,100

million litres of drinking water

to over seven million people. That's the equivalent of over 1,000 Olympic-size swimming pools.



The OFWAT

'very good'

classification

has been achieved for the response time to written complaints received by the company.

Every year,

2,200,000

customer queries

about changes of address or payment details, are received at the main Customer Accounting centre in Birmingham.

Severn Trent Water Limited provides drinking water and waste water services twenty four hours a day, 365 days a year. Since privatisation over £2,700 million has been invested in water and sewage treatment, water mains and sewers, and systems to improve further the service it provides for its customers.

A programme of

£150m

was announced

to improve water resource security by reducing leakage, upgrading water mains and finding new sources of drinking water.

A fixed fee of

£99

plus VAT

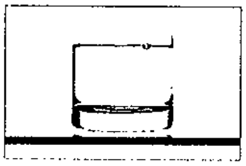
to repair a customer's outside supply pipe. Over 100 repairs a week are now being made, saving money and trouble for the customer and helping to reduce water wastage.

Over

30,000

applications for a meter

have been received since the company offered to supply and fit a water meter for free in December 1995.



A pint of water costs

0.042p

for the average family

who receive about 580 pints of water a day. That includes collecting, treating and delivering the water; and taking it away again for treatment. Severn Trent Water has the second lowest average household charge for water services in England and Wales.

Almost

17,000

free 'Leakline' calls

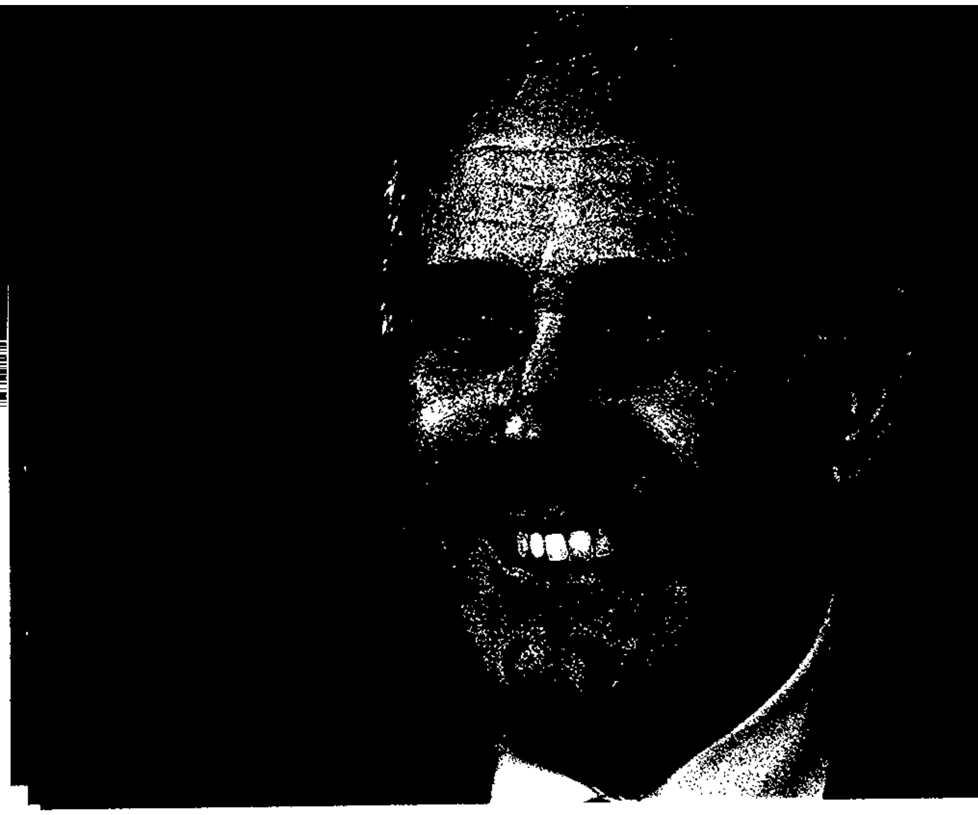
were made by customers reporting a leak in the first four months of our scheme.

Over

80,000

pupils

have attended classes at one of the company's network of education centres. The centres each have a teacher in attendance with programmes teaching all age groups about the water cycle and its role in the environment.



Managing resources, improving service

Brian Duckworth, Managing Director

Coping with a drought

The drought of 1995 and 1996 saw record hours of sunshine, record low levels of rainfall and record demands for water. Rainfall in the Severn Trent Water region in the twelve months to 31 March 1996 was the second lowest experienced by the ten major UK water and sewerage companies and less than 70 per cent of the long-term average.

We appreciate that no matter what weather conditions prevail, our customers expect us to supply all their legitimate needs for water. We understand that expectation and we intend that it will be fulfilled.

The £150 million voluntary additional investment package has enabled us to meet demand this summer. Our seven point Drought Plan aims to increase the water resources available to supply by 5 per cent and reduce demand by 10 per cent. This involves locating additional resources, transferring resources across our strategic network and increasing leakage detection and repair. For the first time we are planning to use the River Trent as a source of drinking water. This has only become possible as a result of our investment at sewage works, in association with the former National Rivers Authority, to improve significantly the quality of river water.

Over last winter we did everything we could to make sure our customers had all the water they needed; we will continue with this aim. We are helped considerably in this process by the response of our customers to reduce water use wherever possible.

At the same time, we have continued our investment in maintaining quality, whilst controlling our costs to ensure value for money for our customers.

The long hot summer of 1995 brought the subject of water leakage into sharp focus in the UK. Hosepipe bans and drought conditions encouraged many customers to use water with restraint, but the national press accused water companies of being unconcerned about water leaking from their networks.

This level of leakage could not be allowed to continue, and we are tackling the problem. We now employ an additional 160 people specifically in this area and will spend a total of £25 million in 1996/97 on leakage detection and repair of our 41,000 km distribution system.

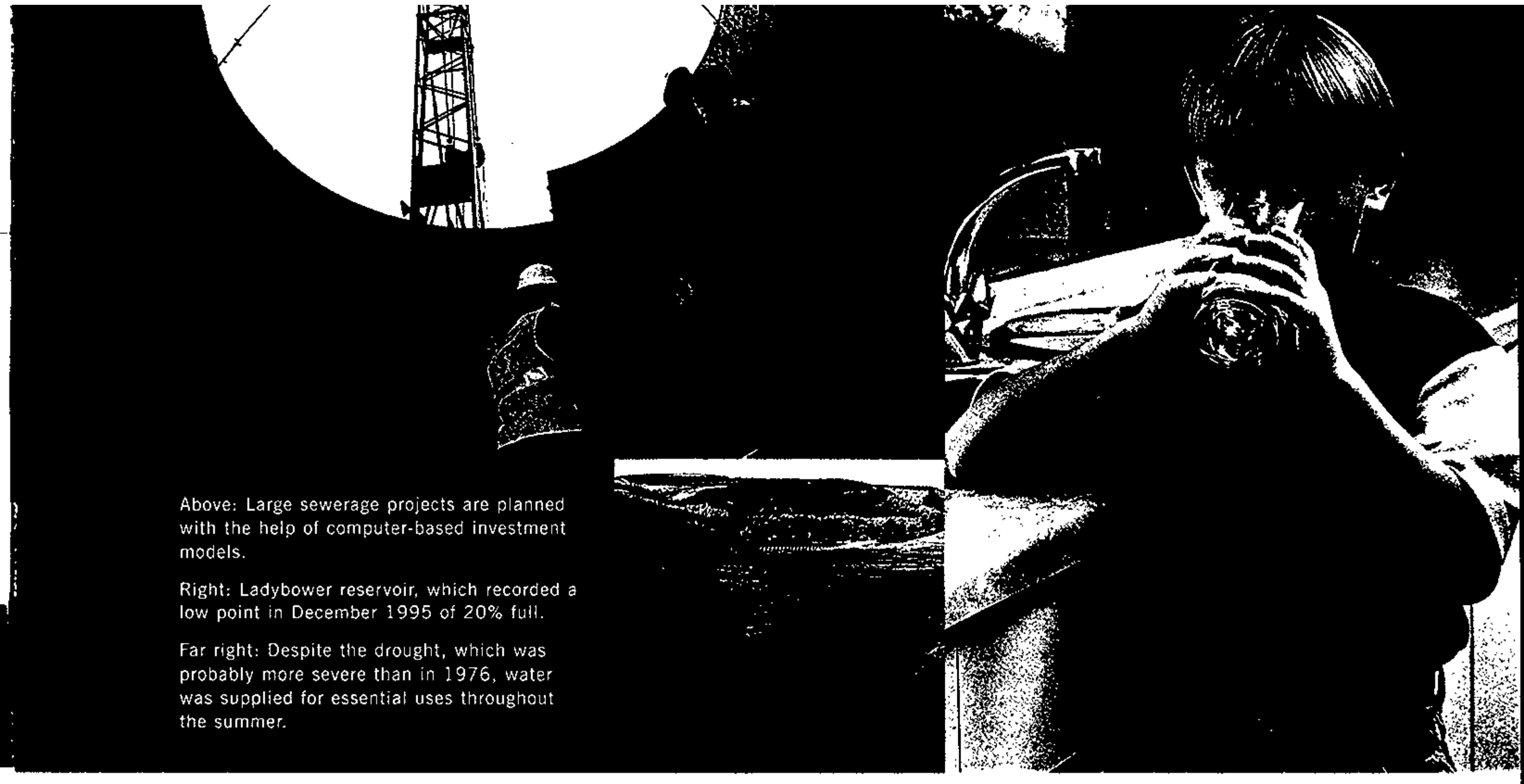
By April 1996, leakage had dropped by 12 per cent compared with the previous year as a result of a series of measures:

- a 'Leakline' free call number encourages customers to report leaks
- repairs carried out each month to the company's water mains have increased by 70 per cent
- response times have halved so that repairs are now tackled within 48 hours on average
- an innovative fixed fee scheme for mending leaks on private property was introduced; consequently, the number of repairs to customers' supply pipes carried out by us has increased six fold.

Despite a lower than average winter rainfall in 1995/96, we were able to replenish the reservoirs to the maximum possible extent. To achieve this, for several months we supplied one third of Birmingham's water from the River Severn instead of its normal reservoir supply source.

Meanwhile, the drought was especially severe and prolonged in the Derwent Valley in Derbyshire, but a remarkable series of measures ensured supplies to the areas normally served by its reservoirs. These included sending water back up the Derwent Valley aqueduct to Derby – a feat not previously attempted during the 80 years in which it has operated.

Yield at some reservoirs was increased by enhancements to treatment works and a better control of water distribution.



Above: Large sewerage projects are planned with the help of computer-based investment models.

Right: Ladybower reservoir, which recorded a low point in December 1995 of 20% full.

Far right: Despite the drought, which was probably more severe than in 1976, water was supplied for essential uses throughout the summer.

The result of all these measures was that total reservoir storage increased from 35 per cent in late autumn to 87 per cent six months later.

To alleviate problems of low pressure experienced by a minority of customers at times of peak demand, we analysed and designed a variety of new schemes using network modelling. Network analysis software simulates the supply network and shows how the system operates under different conditions – ensuring that the most efficient and cost effective solution is found quickly.

Within our region over 170 new schemes will soon be complete. By July 1996, over 225 km of new mains will have been laid, and areas previously most affected by distribution problems will receive the greatest benefit.

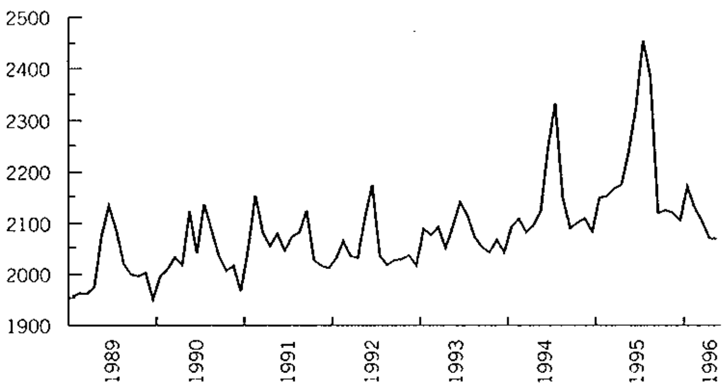
We realised from our detailed monitoring of the distribution system that the major cause of the peak supply problems during the summer of 1995 was excessive sprinkler use. In many areas, the amount of water put on gardens was double the normal consumption, and in some cases as much as five times normal domestic water use.

Accordingly, anyone who wishes to water their garden using a sprinkler must take their supply through a water meter. We also recognised that water awareness and wise and sensible use of water was a necessary part of our campaign. Direct mail, media, education centres and advice to industrial consumers all formed part of this need to improve conservation awareness.

We will continue our programmes for developing water conservation awareness. For example, a number of low use water gardens are being developed at Stoneleigh, Cheltenham and Nottingham and a display site was shown at the recent Gardener's World Exhibition held at the National Exhibition Centre.

Total water demand since 1989

Megalitres per day (monthly average)



1995 saw the highest-ever demands placed upon the water supply system

Managing our surface assets

We have over 6,000 surface installations in addition to our underground assets. These include sewage works, water treatment works, pumping stations and reservoirs. Water companies need to have a clear understanding of the nature and state of their assets if they are to make sound investment decisions, and asset management planning therefore requires a high degree of innovation and consistency of approach.

In just six years since privatisation, we have delivered one of the largest water utility investment programmes in the world. In our second five years, of the total investment of about £2 billion,

we will invest around £1 billion in our surface assets, covering more than 2,000 separate construction projects. Our success in asset management is evidenced by our ability to deliver high quality services at charges which remain among the lowest in the UK, whilst consistently achieving compliance standards among the highest in Europe. Overall compliance with UK and European drinking water standards remained at 99.8 per cent.

We have developed specialised computer investment models for asset management planning. They hold detailed information on the company's asset inventory, condition and performance. These systems are so powerful that we are using them centrally to define our capital programme for schemes of all sizes.

Investing in quality

Our surface assets investment model was used to plan investment projects such as the new water treatment works at Tittesworth, Staffordshire which opened in September 1995. A major investment of £16 million which has improved the quality of drinking water for 125,000 customers in north Staffordshire.

Water in Tittesworth reservoir has always been of a very high quality, but it contains trace amounts of manganese from winter flood waters from surrounding moorlands. Although it is not harmful, manganese can sometimes cause slight discolouration in water.

To remove this problem and modernise the whole treatment works, a development programme began in 1992. The treatment process now has two separate stages of filtration, resulting in outstanding water quality with the added benefit that up to 4.5 million litres of water per day are now more readily available.

The level of sewage treatment that we provide is already amongst the highest in the country, and we have already substantially met the main objectives of the European Directive on Urban Waste Water Treatment, well ahead of the target date of 2005.

Financial performance

Turnover for the year increased by 5.7 per cent to £895.6 million compared with average price increases of 3.1 per cent. The number of properties in the region recorded as unoccupied reduced by nearly 10 per cent, largely as a result of initiatives to investigate those empty properties to ensure that we are collecting all the income due to us.

Upward pressures on costs, for example those associated with the operation of new plant and equipment, increased pension contributions, and increased abstraction charges payable to the former National Rivers Authority, were held in check by further operating efficiencies. Those efficiencies arose through continuing tight control, including the implementation of the first year of a two year programme for restructuring central support costs. In total, direct operating costs decreased by 1.8 per cent in real terms, before an additional £12 million of special expenditure occurred as a result of the 1995 drought and increased revenue expenditure on leakage control. This resulted in an overall increase in operating profit of 10.9 per cent to £394.3 million (on a like for like basis excluding last years provision for restructuring.)

Manpower numbers reduced from 6,324 at the start of the year to 5,862 at the end of the year as a result of these efficiencies.

The depreciation charge continues to increase as a result of our continuing

Left: In the last five years, Severn Trent Water has renewed or upgraded almost 9,000km of its water main network.

Above: Industrial customers such as Royal Doulton rely on a constant supply of high quality water in their processes.

Right: Part of the control room at the new Coleshill sewage sludge destruction plant built to dispose safely of sludge in high-temperature incinerators.

Above right: The company supports the Staffordshire air ambulance service.

Far right: Over 300,000 tests were taken to establish Severn Trent's position as second to none in the water quality, with a pass rate of 99.8%.

investment in above ground assets.

Ordinary dividends payable amounted to £120 million, which is consistent with the approach recommended by the Director General of Water Services. In addition, we paid an exceptional dividend of £386 million, being the net cash saving arising from the efficiencies achieved in the five year period up to the first periodic review. Consistent with our policy of benefit sharing, interest on this sum is to be shared equally between shareholders and customers, yielding a total customer benefit over the five years to March 2000 of £87 million. The basis of the exceptional dividend has been discussed and agreed with the Director General of Water Services as being "consistent with, and acceptable within, the current regulatory framework".

With investment in the year of £322 million, we have successfully completed the first year of a new five year programme. Investment levels in future years will increase as the project cycle moves from appraisal and planning to design and construction.

Our average household charge during the year was £186, after the reduction of a special £4 rebate. That rebate was the first instalment of a total of £30 of rebates which we expect to pay to customers to the year 2000, funded out of the £87 million efficiency saving referred to earlier.

Our charges remain the second lowest of the ten leading water and sewerage service companies, and independent research shows that British water charges remain among the lowest in Europe.

Customer Service

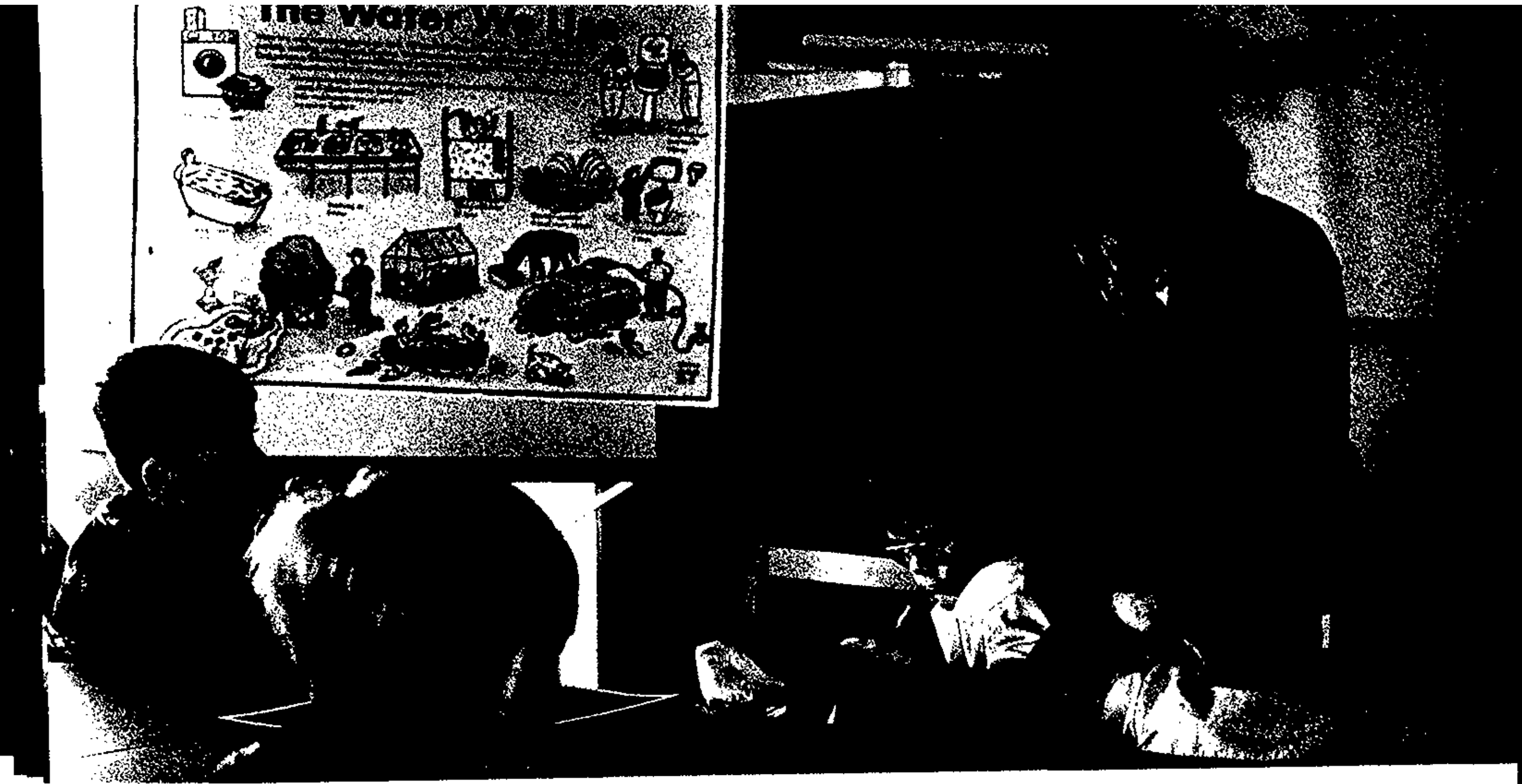
Each year we receive about 2.2 million billing enquiries from our customers covering general queries on their bills, change of address and requests to pay by instalment or direct debit. Our response times based on Office of Water Services (OFWAT) criteria meant that we maintained our 'Good' position this year, only just failing to meet the 'Very Good' category.

Any letter we receive that draws attention to a fault or poor level of service, including billing, is recorded as a complaint. During the year we maintained a 'Very Good' response level for written complaints. Whilst slightly up on last year at 10,361, complaints remain at a relatively low level.

The majority of our 55,000 kilometres of sewers are generally in good condition. In a very small number of properties there is a low, but nevertheless distressing risk of foul flooding at times of heavy rain. We are putting additional resources into addressing this problem, over and above that required to meet the target set by OFWAT. In cases where foul flooding does regrettably occur, we have arrangements in place to refund sewerage charges under the Guaranteed Standards Scheme and for voluntary payments under our Floodcare Scheme.

We are committed to improving our services to customers, whether they are individual householders or large industrial clients.

For the 17 per cent of British people who are deaf or hard of hearing, simple everyday tasks like paying bills or using the telephone can be fraught with difficulties. To improve staff understanding of these difficulties and enable better communication with hearing-impaired customers, we have initiated a programme of deaf awareness training for frontline staff. These staff have learned basic sign language skills, and all offices visited by customers have a quiet room where signing and lip-reading are easier because background distractions are minimised.



Many visitor centres and offices where customers can go to pay bills have been fitted with induction loops to allow customers with hearing aids to tune in directly to a voice or other sound. Textphones have also been installed in district and customer accounting offices which aid communication with customers who have textphones in their homes. These phones have a keyboard and a small screen which allows the user to type and read calls via an ordinary telephone line.

All these measures are recommended by the Royal National Institute for Deaf People and we became the first water and sewerage company to endorse the Institute's 'Louder than Words' charter in August 1995.

Large industrial customers need a different approach and we seek to work in partnership with major customers in order to achieve long-term sustainable commercial relationships.

Each customer has a locally based designated account manager who acts as the focal point for delivering all the support and development services available from us as well as advising on other services available from companies within the group.

We now welcome in excess of five million visitors to our sites each year.

A network of visitor and education centres is specially designed to show how water and sewage is cleaned to meet the very high standards set by Britain and Europe.

Carsington Water in Derbyshire attracts over a million visitors every year. The more active can hire or bring their own cycles, canoes or sailboards, while anglers can fish in the reservoir which has excellent brown trout fishing. Enthusiastic nature lovers can study birds and wildlife from the comfort of two purpose-built bird hides and a turf roofed wildlife centre. A fully equipped classroom with a full time resident teacher has proved extremely popular with local schools, teachers and parents.

The future

As this report is published, Severn Trent Plc's bid for the acquisition of South West Water Plc is under review by the Monopolies and Mergers Commission. Whatever the result of that bid, there will be no reduction in our commitment and ability to deliver continuing improved services to customers in the Severn Trent Water area. Our massive additional £150 million investment to manage the 1995 drought demonstrates our commitment to ensure that supplies will continue to be safe in our hands.

After a very difficult year for Severn Trent Water, I would like to place on record my sincere thanks to all employees of the company for the support they have given to me and their continued commitment to ensuring that our customers receive excellent service at prices that continue to remain amongst the lowest in the country.

Brian Duckworth
Managing Director

Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 March 1996.

Principal activities

The principal activities of the company and its subsidiary undertakings are the supply of water and the treatment and disposal of sewage.

Results

The company's turnover was £895.6 million (1995: £847.0 million) and operating profit was £394.3 million (1995: £300.6 million). Profit on ordinary activities before taxation was £359.9 million (1995: £275.9 million).

Business review and future developments

A review of business activities and future developments is contained within the Managing Director's review on pages 4 to 8.

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, 2297 Coventry Road, Birmingham B26 3PU. There is no charge for this publication.

Dividends and reserves

Dividends of £506.0 million (1995: £140.0 million) were paid during the year. This included an exceptional dividend of £386.0 million in respect of cash savings arising from efficiencies achieved during the first five years since privatisation. This dividend was immediately reinvested in the company by Severn Trent Plc by issue of a loan, half of which was interest free, thus enabling the savings to be shared between customers and shareholders. Proposed transfers to reserves are set out in note 15 to the financial statements on page 24.

Directors

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

J K Banyard	
V Cocker	
R A S Costin	Resigned 25 July 1995
B Duckworth	
G P Noone	
D W Mattin	Appointed 1 April 1995
M Lily	Appointed 1 July 1995
A Q Todd	
T D A Tricker	Appointed 1 April 1995
M P Upstone	Resigned 30 June 1995
M R Wilson	Appointed 1 July 1995

Mr V Cocker became Chairman of the company on 31 March 1995, 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 18.

Policy on the payment of creditors

The company operates to a code of practice for paying all of its suppliers. The code of practice is called 'General Conditions of Contract relating to the Supply of Goods/Services or the Execution of Work' ("the code"). Additionally, the company operates under the terms and conditions of contract defined by ICE 6th Edition for Civil Engineering Works and G90 Terms and Conditions for Mechanical and Electrical Works. Copies of the code are available from the Purchasing or Legal departments, Severn Trent Water Limited, 2297 Coventry Road, Birmingham B26 3PU.

Each order issued by the company has stated on it the terms of payment. Suppliers are able to negotiate their own payments terms which can differ to the code, as part of the tender process. Suppliers are aware of the code as it is stated on all purchase orders issued by the company.

Research and development

In 1995/96, the company's expenditure on research and development activities was £4.0 million (1995: £4.4 million). The company's research activities are focused on the improvement of treatment technologies to provide cost-effective solutions to the needs of tightening regulatory standards.

Several recent initiatives are already in full-scale use, and in particular unconventional approaches to the removal of nutrients from sewage effluent have already led to significant savings in capital and running costs. At the same time new technologies to remove colour from sewage works effluents in the East Midlands are also in development. The efficient management of the water distribution network is being helped by the development of company-wide standardised telemetry technology, which both monitors and assists control of resources.

Employees

The company employed 5,862 people on 31 March 1996 (1995: 6,324), a reduction of 7.3%. The company's policy is to plan as far as possible to safeguard the interests of its employees although competitive factors, efficiency gains, regulatory pressures and a rationalisation of central support staff have resulted in a reduction in manpower levels.

The company continues to operate a profit-related pay scheme as part of the group 'STEPS' enhanced pay scheme, in which almost all employees participate. During the year employees also benefited from the group's Sharesave and profit sharing share allocation schemes. Over 90% of the company's eligible employees participate in one or both schemes.

An active programme of internal communication keeps employees informed through 'Hot News' bulletins, the in-house newspaper 'Newstream' which was redesigned and relaunched during the year and regular briefings. Almost one third of the company's employees attended an employee meeting at the National Exhibition Centre which provided a forum to review progress and to focus on plans for the future.

From 1 January 1996 the company and trade unions commenced an innovative 'single table bargaining' agreement to simplify negotiations between the company and unions representing both manual and non-manual staff. The company places great importance on the development of good industrial relations for the mutual benefit of the company and its employees.

Equal opportunities and disabled persons

The company continues to be committed to the provision of equal opportunities for all. Our recently updated policy ensures that none of our employees or prospective employees are disadvantaged because of colour, race, nationality, ethnic or national origin, gender, marital status or disability.

In addition we are continually reviewing and improving the facilities we offer to our disabled and older customers.

As part of this commitment we have an ongoing training programme to raise awareness of the issues affecting our customers.

In keeping with this, we were extremely pleased to be the first Water and Sewerage company to endorse the 'Louder than Words' Charter from the Royal National Institute for Deaf People confirming our commitment to improving communication with our hearing impaired customers.

The company has now acquired its own Braille machine which enables us to provide a range of customer service information, as well as bills in this format. Information is also available in large print.

Regulation: 'Ring fencing'

In accordance with the requirements of the Director General of Water Services, the Board confirms that as at 31 March 1996 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
10 June 1996

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 12 to 26, 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.

Auditors' report to the shareholders of Severn Trent Water Limited

We have audited the financial statements on pages 12 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 15 and 16.

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 as at 31 March 1996 and of the profit and cash flows of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse

Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

10 June 1996

Profit and loss account

Year ended 31 March 1996

	Notes	1996 £m	Before exceptional restructuring provision 1995 £m	Exceptional provision 1995 £m	Total 1995 £m
Turnover		**895.6**	847.0	–	847.0
Operating costs before exceptional item		**(501.3)**	(491.4)	–	(491.4)
Restructuring provision		**–**	–	(55.0)	(55.0)
Total operating costs	2	**(501.3)**	(491.4)	(55.0)	(546.4)
Operating profit		**394.3**	355.6	(55.0)	300.6
Share of results of associated undertakings		**–**			(0.1)
Income from shares in subsidiary undertakings		**0.4**			0.4
Profit before interest		**394.7**			300.9
Net interest payable	4	**(34.8)**			(25.0)
Profit on ordinary activities before taxation		**359.9**			275.9
Taxation on profit on ordinary activities	5	**(29.9)**			(6.7)
Profit for the financial year		**330.0**			269.2
Dividend	6	**(120.0)**			(140.0)
Exceptional dividend	6	**(386.0)**			–
Retained (loss)/profit for the financial year	15	**(176.0)**			129.2

All activities are continuing operations.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit for the year.

Historical cost profit and loss account

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

Reconciliation of movements in shareholders' funds

	1996 £m	1995 £m
Profit for the financial year	**330.0**	269.2
Dividends	**(506.0)**	(140.0)
Net (reduction in)/addition to shareholders' funds	**(176.0)**	129.2
Shareholders' funds at 1 April 1995	**2,387.1**	2,257.9
Shareholders' funds at 31 March 1996	**2,211.1**	2,387.1

Balance sheet

As at 31 March 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Tangible assets	7	**3,197.6**	3,067.1
Investments	8	**11.9**	10.6
		3,209.5	3,077.7
Current assets			
Stocks		**6.6**	5.8
Debtors	9	**119.5**	116.7
Cash at bank and in hand		**166.7**	76.6
		292.8	199.1
Creditors: amounts falling due within one year	10	**(332.6)**	(240.2)
Net current liabilities		**(39.8)**	(41.1)
Total assets less current liabilities		**3,169.7**	3,036.6
Creditors: amounts falling due after more than one year	11	**(846.4)**	(501.0)
Provisions for liabilities and charges	13a	**(49.0)**	(84.9)
Provision for deferred income	13b	**(63.2)**	(63.6)
Net assets		**2,211.1**	2,387.1
Capital and reserves			
Called up share capital	14	**1,000.0**	1,000.0
Profit and loss account	15	**1,211.1**	1,387.1
Shareholders' funds		**2,211.1**	2,387.1

Signed on behalf of the board who approved the accounts on 10 June 1996.

V Cocker
Chairman

M R Wilson
Finance and Regulation Director

Cash flow statement

Year ended 31 March 1996

	Notes	1996 £m	1995 £m
Net cash inflow from operating activities	18a	**452.8**	449.6
Returns on investments and servicing of finance			
Interest received		**14.6**	9.5
Interest paid		**(32.2)**	(20.1)
Interest element of finance lease rental payments		**(1.2)**	(2.2)
Dividends paid		**(506.0)**	(140.0)
Net cash outflow from returns on investments and servicing of finance		**(524.8)**	(152.8)
Tax paid		**(1.7)**	–
Investing activities			
Purchase of tangible fixed assets		**(230.4)**	(301.3)
Grants received		**19.7**	25.5
Loans advanced to associated undertakings		**(1.5)**	(2.0)
Loans repaid by associated undertakings		**0.2**	0.2
Loan repaid by subsidiary undertaking		**–**	1.6
Sale of tangible fixed assets		**7.1**	6.2
Net cash outflow from investing activities		**(204.9)**	(269.8)
Net cash (outflow)/inflow before financing		**(278.6)**	27.0
Financing			
Loans advanced		**386.0**	–
Loans repaid		**(2.5)**	(1.6)
Finance lease capital repaid		**(14.8)**	(14.4)
Net cash inflow/(outflow) from financing	18c	**368.7**	(16.0)
Increase in cash and cash equivalents	18b	**90.1**	11.0

Notes to the financial statements

Year ended 31 March 1996

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 the policy on grants and contribution below.

b) Basis of preparation

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

c) Turnover

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

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:

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

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 accounted for as operating leases. Rental costs arising under operating leases are expensed in the year in which they are incurred.

1 Accounting policies (continued)

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 the company'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 to 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 £120.1 million lower than it would otherwise have been (1995: £104.1 million).

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) 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 with the company.

k) 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. All profits and losses on exchange realised during the year are dealt with through the profit and loss account.

l) Research and development

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

m) 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.

n) 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 profit is stated after charging / (crediting):

	Total 1996 £m	Before exceptional restructuring provision 1995 £m	Exceptional restructuring provision 1995 £m	Total 1995 £m
Wages and salaries	**112.2**	118.5	32.4	150.9
Social security costs	**9.4**	9.8	–	9.8
Pension costs (note 17)	**12.0**	9.2	11.4	20.6
Employee costs	**133.6**	137.5	43.8	181.3
Hired and contracted services	**40.2**	34.1	–	34.1
Power	**37.9**	35.0	–	35.0
Raw materials and consumables	**28.0**	25.9	–	25.9
Rates	**35.2**	35.6	–	35.6
Service charges	**17.6**	14.8	–	14.8
Agencies	**17.7**	18.5	–	18.5
Bad debt provision	**15.0**	10.1	–	10.1
Other operating costs	**53.1**	50.9	2.0	52.9
Infrastructure renewals charge (note 13a)	**55.1**	51.8	–	51.8
Depreciation charge (note 7 iv)	**99.7**	87.2	–	87.2
Deferred income released (note 13b)	**(3.6)**	(3.0)	–	(3.0)
Tariff rebalancing costs	**–**	23.5	–	23.5
Hire of plant and machinery	**1.9**	1.4	–	1.4
Other operating leases	**0.7**	0.9	–	0.9
Audit fees	**0.2**	0.2	–	0.2
Research and development expenditure	**4.0**	4.4	–	4.4
Tangible fixed assets write off	**–**	–	9.2	9.2
Profit on disposal of fixed assets	**(2.9)**	(1.5)	–	(1.5)
	533.4	527.3	55.0	582.3
Own work capitalised	**(32.1)**	(35.9)	–	(35.9)
	501.3	491.4	55.0	546.4

Other fees paid to Price Waterhouse included within other operating costs amounted to £31,000 (1995: £91,000).

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 holdings in ordinary shares		Share options under approved schemes			
	31 March 1996 No. of shares	1 April 1995 No. of shares	**31 March 1996 No. of shares**	Granted during the year No. of shares	Exercised during the year No. of shares	1 April 1995 No. of shares
J K Banyard	**3,799**	3,724	**38,205**	–	–	38,205
G P Noone	**11,921**	16,252	**25,934**	–	–	25,934
D W Mattin	**600**	563	**16,492**	–	–	16,492
M Lily	–	–*	–	–	–	–*
A Q Todd	**3,524**	5,924	**24,696**	–	–	24,696
T D A Tricker	**1,784**	1,635	**30,887**	–	–	30,887
M R Wilson	–	–*	–	–	–	–*

* At date of appointment

Messrs Cocker and Duckworth 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 1996. Share options were granted and exercised in accordance with the Severn Trent Executive Share Scheme and the Severn Trent Sharesave Scheme as appropriate.

b) Emoluments

	1996 £'000	1995 £'000
Emoluments including pension contributions	**929.6**	1,016.2
Performance payments (note ii)	**99.0**	137.8
	1,028.6	1,154.0
Emoluments (excluding pension contributions) of the Chairman	–	–
Emoluments (excluding pension contributions) of the highest paid Director	**153.1**	140.5

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

				1996 No	1995 No
£	0	–	5,000	**2**	2
£	30,001	–	35,000	**2**	–
£	65,001	–	70,000	**1**	–
£	70,001	–	75,000	**1**	–
£	80,001	–	85,000	–	3
£	90,001	–	95,000	**2**	–
£	95,001	–	100,000	**1**	1
£	105,001	–	110,000	**1**	–
£	110,001	–	115,000	–	1
£	115,001	–	120,000	–	1
£	125,001	–	130,000	–	1
£	140,001	–	145,000	–	1
£	150,001	–	155,000	**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, £294,500 (1995:£506,400) including pension contributions of £80,600 (1995:£122,900) has been included above. This represents the appropriate proportion of their remuneration in respect of their service to the company.

3 Information regarding Directors and employees (continued)

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

	1996 No	1995 No
Staff	**3,298**	3,822
Industrial staff	**2,632**	2,709
	5,930	6,531

4 Net interest payable

	1996 £m	1995 £m
Interest receivable and similar income	**12.4**	8.4
Interest payable and similar charges:		
Bank loans and overdrafts	**(21.7)**	(19.9)
Interest due to parent undertaking	**(11.9)**	–
Finance leases	**(11.7)**	(11.9)
Other loans	**(1.9)**	(1.6)
	(34.8)	(25.0)

5 Taxation on profit on ordinary activities

	1996 £m	1995 £m
UK corporation tax		
Current year	**38.6**	8.3
Prior year	**(3.3)**	–
Group relief (receivable)/payable		
Current year	**–**	2.0
Prior year	**(5.4)**	(3.6)
	29.9	6.7

6 Dividends

	1996 £m	1995 £m
Dividend paid	**120.0**	140.0
Exceptional dividend	**386.0**	–
	506.0	140.0

The company paid an exceptional dividend of £386 million to Severn Trent Plc, being the net cash savings arising from efficiencies achieved in the five year period up to the first Periodic Review. The dividend was immediately reinvested in the company by Severn Trent Plc by issue of a five year loan, half of which was interest free, thus enabling the interest savings to be shared equally between customers and shareholders.

The basis of the exceptional dividend has been discussed and agreed with the Director General of Water Services as being "consistent with, and acceptable within, the current regulatory framework".

7 Tangible assets

	Specialised operational properties and structures £m	Non-Specialised operational properties £m	Infra-structure assets £m	Plant machinery and vehicles £m	Other £m	Total £m
Cost:						
At 1 April 1995	1,123.4	93.4	1,375.3	874.4	220.2	3,686.7
Additions	64.1	3.0	79.8	84.5	20.7	252.1
Grants and contributions	–	–	(16.0)	–	–	(16.0)
Assets sold or written off	(2.0)	(1.5)	(1.0)	(15.2)	(5.7)	(25.4)
Reclassification and transfers	(3.0)	0.4	1.0	0.5	1.5	0.4
At 31 March 1996	**1,182.5**	**95.3**	**1,439.1**	**944.2**	**236.7**	**3,897.8**
Depreciation:						
At 1 April 1995	304.2	18.0	–	186.6	110.8	619.6
Charge for year	22.7	3.2	–	46.5	27.3	99.7
Assets sold or written off	(1.3)	(0.4)	–	(12.4)	(5.0)	(19.1)
Reclassification and transfers	(0.1)	–	–	0.1	–	–
At 31 March 1996	**325.5**	**20.8**	**–**	**220.8**	**133.1**	**700.2**
Net book value						
At 31 March 1996	**857.0**	**74.5**	**1,439.1**	**723.4**	**103.6**	**3,197.6**
At 31 March 1995	819.2	75.4	1,375.3	687.8	109.4	3,067.1

i) Included in tangible fixed assets are assets held under finance leases as follows:

	1996 £m	1995 £m
Cost	**193.7**	203.3
Accumulated depreciation	**(41.0)**	(39.9)
Net book value	**152.7**	163.4

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:

	1996 £m	1995 £m
Freehold	**931.2**	893.8
Short leasehold	**0.3**	0.8
	931.5	894.6

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

	1996 £m	1995 £m
Owned assets	**88.3**	78.8
Assets held under finance leases	**11.4**	8.4
	99.7	87.2

7 Tangible assets (continued)

v) Included in the above are the following tangible fixed assets not subject to depreciation:

	1996 £m	1995 £m
Land	**18.1**	17.1
Infrastructure assets	**1,439.1**	1,375.3
Assets in the course of construction	**280.2**	356.6
	1,737.4	1,749.0

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

	Subsidiary undertakings Shares £m	Associated undertakings Loans £m	Other investments £m	Total £m
At 1 April 1995	4.6	5.8	0.2	10.6
Net additions	–	1.3	–	1.3
At 31 March 1996	**4.6**	**7.1**	**0.2**	**11.9**

	Country of registration and operation	Percentage and class of share capital held	Nature of business
Subsidiary undertakings			
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

In the opinion of the Directors the value of the company's investments is not less than the amount at which they are stated in the balance sheet.

9 Debtors

	1996 £m	1995 £m
Trade debtors	**67.3**	57.9
Amounts owed by parent and fellow subsidiary undertakings	**2.0**	0.8
Amounts owed by subsidiary undertakings	**1.1**	0.8
Other debtors	**6.9**	9.4
Prepayments and accrued income	**42.2**	47.8
	119.5	116.7

Debtors include £0.5 million (1995: £1.5 million) which falls due after more than one year.

10 Creditors: amounts falling due within one year

	1996 £m	1995 £m
Bank loans	**27.9**	2.6
Obligations under finance leases	**8.5**	11.6
Borrowings (note 12)	**36.4**	14.2
Trade creditors	**30.3**	31.2
Amounts owed to parent and fellow subsidiary undertakings	**38.2**	13.6
Amounts owed to subsidiary undertakings	**5.5**	5.5
Other creditors	**1.4**	2.2
Taxation and social security	**3.5**	3.6
Corporation tax payable	**15.2**	3.3
Accruals and deferred income	**202.1**	166.6
	332.6	240.2

11 Creditors: amounts falling due after more than one year

	1996 £m	1995 £m
Bank loans	**267.8**	295.4
Loans from parent undertaking	**386.0**	–
Other loans	**15.3**	15.5
Obligations under finance leases	**166.9**	166.6
Borrowings (note 12)	**836.0**	477.5
Other	**10.4**	23.5
	846.4	501.0

12 Borrowings

	Bank and other loans			1996	1995
	Repayable by instalments any of which are payable after five years £m	Other repayment terms £m	Finance leases £m	**Total £m**	Total £m
Within one year (note 10)	3.6	24.3	8.5	**36.4**	14.2
Between one and two years	4.9	22.8	1.3	**29.0**	35.5
Between two and five years	25.3	538.8	–	**564.1**	173.7
After more than five years	24.2	53.1	165.6	**242.9**	268.3
	58.0	**639.0**	**175.4**	**872.4**	491.7

Loans repayable partly or wholly after five years comprise:

	Range of interest %	1996 £m	1995 £m
European Investment Bank loans – 2002-2003	6.4 — 9.0	**95.5**	120.5
Local authority loans – 2010-2035	6.9 — 10.0	**15.5**	15.8
Other loans	3.0 — 5.0	**0.1**	0.1
		111.1	136.4

13 Provisions

a) Liabilities and charges

	Balance at 1 April 1995 £m	Charged to profit and loss account £m	Utilised £m	**Balance at 31 March 1996 £m**
Infrastructure renewals	41.3	55.1	(66.7)	**29.7**
Restructuring	43.6	–	(24.3)	**19.3**
	84.9	55.1	(91.0)	**49.0**

The utilisation of the infrastructure renewals provision is shown net of grants and contributions of £3.5 million (1995:£3.5 million)

b) Deferred income

Balance at 1 April 1995 £m	Transfer from fixed assets £m	Released to profit and loss account £m	Received £m	**Balance at 31 March 1996 £m**
63.6	0.4	(3.6)	2.8	**63.2**

c) Potential deferred taxation liabilities not provided

In accordance with the accounting policy there is no requirement for a provision for deferred taxation at 31 March 1996. The full potential deferred taxation liability, calculated under the liability method at a tax rate of 33% is:

	1996 £m	1995 £m
Capital allowances	**230.1**	213.3
Other timing differences	**(24.3)**	(37.7)
Available tax losses	–	(15.0)
	205.8	160.6

Had provision for deferred taxation been made on the full liability method there would have been an additional tax charge of £45.2 million (1995: £45.9 million).

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 £365.7 million (1995: £330.1 million) have therefore been excluded from the amounts set out above, assuming a tax rate of 33%.

Comparative figures have been restated to take account of computations submitted to the Inland Revenue.

14 Share capital

Authorised:	1996 £m	1995 £m
1,000,000,000 Ordinary Shares of £1 each	**1,000.0**	1,000.0

Issued and fully paid:	1996 £m	1995 £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 company are consolidated, are available from the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham B26 3PU.

15 Profit and loss account

	£m
At 1 April 1995	1,387.1
Retained loss for the year	(176.0)
At 31 March 1996	**1,211.1**

16 Commitments and contingent liabilities

a) Investment expenditure commitments

	1996 £m	1995 £m
Contracted for but not provided in the financial statements	**176.5**	83.8

In addition to these commitments, the 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

The Company is committed to making the following payments during the next year in respect of operating leases which expire as follows:

	1996		1995	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	–	**0.1**	0.1	0.1
Between one and five years	**0.1**	**0.2**	0.1	0.2
After five years	**0.4**	–	0.4	–
	0.5	**0.3**	0.6	0.3

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

d) The banking arrangements of the company operate on a pooled basis with certain other group undertakings. Under these arrangements participating companies guarantee each others' overdrawn balances to the extent of their credit balances and the credit balances can be offset against overdrawn balances of participating companies.

17 Pensions

The company participates in two schemes, the Severn Trent Mirror Image Scheme (STMIS) and the Severn Trent Water Pension Scheme (STWPS), both of which are defined benefit schemes 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 contribution during the year was £12.0 million (1995: £9.2 million before the exceptional restructuring provision).

STWPS

An actuarial valuation of STWPS was carried out at 31 March 1995 by an independent professionally qualified actuary using the projected unit method. The principal assumptions used were as follows:

	% per annum
Investment returns	9
Salary increases	7
Pension increases	5.5
Dividend growth	4.5

The actuarial value of the scheme's assets was £392.9 million, which exceeded by 4% the actuarial value of the benefits accrued to members, after allowing for future increases in earnings. The surplus is being spread over the estimated period of employees' average service lives with the company on the basis of a constant percentage of payroll. The market value of the scheme's assets at the date of valuation was £398.0 million.

As recommended by the actuary, with effect from 1 April 1995, the employer's contribution to STWPS has been increased to the rate of 11.88%, 9.9% or 5.94% (1995: 8.8%, 7.35% or 4.4%) 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 professionally qualified 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 were the same as noted for STWPS above.

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 surplus is being spread over the estimated period of employees' average service lives with the company on the basis of a constant percentage of payroll. The market value of the scheme's assets at the date of valuation was £58.3 million.

The employers' contribution to STMIS continues unchanged at 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.

18 Cash flow statement

a) Reconciliation of profit before interest to net cash inflow from operating activities

	1996 £m	1995 £m
Profit before interest	**394.7**	300.9
Share of results of associated undertakings	**–**	0.1
Income from shares in subsidiary undertaking	**(0.4)**	(0.4)
Depreciation charge (note 7 iv)	**99.7**	87.2
Profit on sale of tangible fixed assets	**(2.9)**	(1.5)
Infrastructure renewals charge (note 13a)	**55.1**	51.8
Utilisation of infrastructure renewals provision (note 13a)	**(70.2)**	(65.6)
Deferred income received (note 13b)	**2.8**	13.7
Deferred income released (note 13b)	**(3.6)**	(3.0)
Restructuring provision	**–**	55.0
Utilisation of restructuring provision	**(22.2)**	(7.9)
(Increase)/decrease in stocks	**(0.8)**	1.3
(Increase)/decrease in debtors	**(4.9)**	1.1
Increase in creditors	**5.5**	16.9
Net cash inflow from operating activities	**452.8**	449.6

b) Analysis of cash and cash equivalents as shown in the balance sheet

	Change in year £m	1996 £m	1995 £m
Cash at bank and in hand	90.1	**166.7**	76.6

c) Analysis of changes in financing during year

	1996 Share capital £m	1996 Loans and finance lease obligations £m	1996 Total £m	1995 Total £m
At 1 April 1995	1,000.0	491.7	**1,491.7**	1,471.4
Cash inflow/(outflow) from financing	–	368.7	**368.7**	(16.0)
Inception of finance lease contracts	–	1.3	**1.3**	26.3
Capitalised finance lease interest	–	10.7	**10.7**	10.0
At 31 March 1996	**1,000.0**	**872.4**	**1,872.4**	1,491.7

Group profit and loss account

Year ended 31 March 1996

	1996 £m	1995 £m
Turnover	**895.6**	847.0
Operating costs before exceptional item	**(504.2)**	(492.9)
Restructuring provision	**–**	(55.0)
Total operating costs	**(504.2)**	(547.9)
Share of results of associated undertakings	**0.1**	(0.1)
Other operating income	**2.9**	1.5
Operating profit	**394.4**	300.5
Net interest payable	**(34.8)**	(25.2)
Profit on ordinary activities before taxation	**359.6**	275.3
Taxation on profit on ordinary activities	**(29.9)**	(6.3)
Profit for the financial year	**329.7**	269.0
Dividend	**(120.0)**	(140.0)
Exceptional dividend	**(386.0)**	—
Retained (loss)/profit for the financial year	**(176.3)**	129.0

The group results presented are for Severn Trent Water Limited and its subsidiary and associated undertakings.

Group balance sheet

As at 31 March 1996

	1996 £m	1995 £m
Fixed assets		
Tangible assets	**3,197.6**	3,067.1
Investments	**7.4**	6.0
	3,205.0	3,073.1
Current assets		
Stocks	**6.6**	5.8
Debtors	**118.3**	116.1
Cash at bank and in hand	**167.0**	76.7
	291.9	198.6
Creditors: amounts falling due within one year	**(327.1)**	(234.7)
Net current liabilities	**(35.2)**	(36.1)
Total assets less current liabilities	**3,169.8**	3,037.0
Creditors: amounts falling due after more than one year	**(846.5)**	(501.1)
Provisions for liabilities and charges	**(49.0)**	(84.9)
Provision for deferred income	**(63.2)**	(63.6)
Net assets	**2,211.1**	2,387.4
Capital and reserves		
Called up share capital	**1,000.0**	1,000.0
Profit and loss account	**1,211.1**	1,387.4
Shareholders' funds	**2,211.1**	2,387.4

Group profit and loss account

Year ended 31 March 1996

	Notes	1996 £m	1995 £m
Turnover	2a	**895.6**	847.0
Current cost operating costs before exceptional item	2d	**(547.0)**	(542.7)
Restructuring provision	2d	**-**	(55.0)
Total current cost operating costs		**(547.0)**	(597.7)
Share of results of associated undertakings		**0.1**	(0.1)
Other operating income	2b	**4.4**	4.2
		353.1	253.4
Working capital adjustment	2c	**3.7**	5.0
Current cost operating profit		**356.8**	258.4
Net interest payable		**(34.8)**	(25.2)
Financing adjustment		**13.0**	14.6
Current cost profit before taxation		**335.0**	247.8
Taxation on profit on ordinary activities		**(29.9)**	(6.3)
Current cost profit attributable to shareholders		**305.1**	241.5
Dividend		**(120.0)**	(140.0)
Exceptional dividend		**(386.0)**	—
Current cost (loss)/profit retained		**(200.9)**	101.5

Group balance sheet

As at 31 March 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Tangible assets	3	**24,071.9**	23,308.9
Third party contributions since 1989/90		**(453.3)**	(382.5)
Working capital	4	**(150.9)**	(137.9)
		23,467.7	22,788.5
Net operating assets			
Cash and investments		**174.4**	82.7
Non-trade debtors		**6.6**	13.2
Non-trade creditors due within one year		**(89.0)**	(31.6)
Creditors due after one year		**(846.5)**	(501.1)
Provisions for liabilities and charges		**(19.3)**	(43.6)
Net assets employed		**22,693.9**	22,308.1
Capital and reserves			
Called up share capital		**1,000.0**	1,000.0
Profit and loss account		**489.6**	690.5
Current cost reserve	5	**21,204.3**	20,617.6
		22,693.9	22,308.1

Group cash flow statement

Year ended 31 March 1996

	Notes	1996 £m	1995 £m
Net cash inflow from operating activities	6	**452.8**	449.5
Returns on investments and servicing of finance			
Interest received		**14.6**	9.6
Interest paid		**(32.2)**	(20.5)
Interest element of finance lease rental payments		**(1.2)**	(2.2)
Dividends paid		**(506.0)**	(140.0)
Net cash outflow from returns on investments and servicing of finance		**(524.8)**	(153.1)
Tax paid		**(1.5)**	(0.2)
Investing activities			
Purchase of tangible fixed assets		**(230.4)**	(301.3)
Grants received		**19.7**	25.5
Loans advanced to associated undertakings		**(1.5)**	(2.0)
Loans repaid by associated undertakings		**0.2**	0.2
Disposal of fixed assets		**7.1**	6.2
Net cash outflow from investing activities		**(204.9)**	(271.4)
Net cash (outflow)/inflow before financing		**(278.4)**	24.8
Financing			
Loans advanced		**386.0**	—
Loans repaid		**(2.5)**	(3.5)
Finance lease capital repaid		**(14.8)**	(14.4)
Net cash inflow/(outflow) from financing		**368.7**	(17.9)
Increase in cash and cash equivalents		**90.3**	6.9

Notes to the current cost financial statements

Year ended 31 March 1996

1 Accounting policies

a) Basis of preparation

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 the 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 on pages 15 to 26, 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 during 1994/95 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 are valued on the basis of open market value for existing use at 31 March 1991 and have been expressed in real terms by indexing using RPI since that date.

ii) Infrastructure assets

Mains, sewers, impounding and pumped raw water storage reservoirs, dams and sludge pipelines are valued at replacement cost, determined principally on the basis of 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.

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

			1996			1995
	Water services £m	**Sewerage services £m**	**Total £m**	Water services £m	Sewerage services £m	Total £m
Measured	**136.7**	**137.9**	**274.6**	124.4	130.9	255.3
Unmeasured	**225.5**	**327.4**	**552.9**	217.9	309.5	527.4
Trade Effluent	**–**	**43.1**	**43.1**	–	38.9	38.9
Revenue Grants	**0.1**	**–**	**0.1**	0.1	–	0.1
Third Parties	**8.9**	**0.8**	**9.7**	9.2	0.7	9.9
Other sources	**8.6**	**6.6**	**15.2**	8.7	6.7	15.4
Total Turnover	**379.8**	**515.8**	**895.6**	360.3	486.7	847.0
b) Other operating income Current cost profit on disposal of tangible fixed assets	**2.3**	**2.1**	**4.4**	2.4	1.8	4.2
c) Working capital adjustment	**(0.8)**	**4.5**	**3.7**	(0.9)	5.9	5.0

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

d) Analysis of operating costs and tangible fixed assets

1996

	Water services			Sewerage services					Business analysis		
	Resources and treatment £m	Distribution £m	Water services 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
Direct costs											
Employment costs	7.0	17.8	24.8	1.2	11.5	6.0	17.5	18.7			
Power	10.3	14.5	24.8	0.8	9.3	1.8	11.1	11.9			
Agencies	–	–	–	18.1	–	–	–	18.1			
Hired and contracted	0.9	8.9	9.8	0.9	1.6	4.9	6.5	7.4			
Associated companies	0.4	1.0	1.4	0.4	0.2	1.0	1.2	1.6			
Materials and consumables	5.5	3.7	9.2	0.2	1.8	2.3	4.1	4.3			
Service charges	12.5	0.3	12.8	1.0	3.7	–	3.7	4.7			
Other direct costs	1.2	0.4	1.6	0.2	0.3	0.4	0.7	0.9			
Total direct costs	37.8	46.6	84.4	22.8	28.4	16.4	44.8	67.6	21.6	11.3	2.3
General and support	20.6	20.9	41.5	4.7	25.7	12.7	38.4	43.1	8.7	4.8	0.9
Functional expenditure	58.4	67.5	125.9	27.5	54.1	29.1	83.2	110.7	30.3	16.1	3.2
Capital costs											
Current cost depreciation	20.5	11.6	32.1	7.5	51.6	11.3	62.9	70.4			
Infrastructure renewals:											
Expenditure	1.0	53.3	54.3	12.2	0.2	–	0.2	12.4			
Accrual	0.5	(14.4)	(13.9)	2.5	(0.2)	–	(0.2)	2.3			
Functional costs	80.4	118.0	198.4	49.7	105.7	40.4	146.1	195.8	30.3	16.1	3.2
Business analysis recharge			23.6					26.0	(30.3)	(16.1)	(3.2)
Rates			22.4					12.8			
Doubtful debts			6.6					8.4			
Amortisation of deferred income			(1.3)					(1.5)			
Business activity capital costs			20.7					18.3			
Service costs			270.4					259.8			
Services for third parties			14.4					2.2			
Services for third parties depreciation			0.2					–			
Total			285.0					262.0			
Analysis of tangible fixed assets											
Service activities	1,527.6	4,169.9	5,697.5	16,391.0	1,341.0	227.3	1,568.3	17,959.3			
Business activities			114.7	17.2			84.5	101.7			
Service totals			5,812.2	16,408.2			1,652.8	18,061.0			
Services for third parties			198.7					–			
Total			6,010.9					18,061.0			

	1995										
	Water services			Sewerage services					Business analysis		
	Resources and treatment £m	Distribution £m	Water services 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
Direct costs											
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			
Total direct costs	33.3	38.8	72.1	23.5	28.1	16.2	44.3	67.8	20.2	11.4	2.7
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
Capital costs											
Current cost depreciation	20.8	12.3	33.1	7.5	48.5	8.8	57.3	64.8			
Infrastructure renewals:											
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)			
Functional costs	75.0	110.6	185.6	46.3	101.7	37.7	139.4	185.7	28.8	16.7	3.8
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			
Amortisation of deferred income			(1.0)					(1.2)			
Business activity capital costs			20.2					17.9			
Service costs			279.7					301.0			
Services for third parties			14.6					2.3			
Services for third parties depreciation			0.1					–			
Total			294.4					303.3			
Analysis of tangible fixed assets											
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			
Service totals			5,578.5	15,912.6			1,624.4	17,537.0			
Services for third parties			193.4					–			
Total			5,771.9					17,537.0			

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

e) Non appointed business

The group has not identified for the purpose of its 1995/96 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

Repairs carried out to customer's supply pipes

Computing services to the former National Rivers Authority

3 a) Tangible fixed assets analysis by service

Gross replacement cost:	Water supply £m	Sewerage £m	Sewage treatment and disposal £m	Total £m
At 1 April 1995	6,556.9	16,096.9	3,250.2	25,904.0
RPI adjustment	168.4	430.8	82.2	681.4
Additions	147.5	80.6	70.6	298.7
Disposals and amounts written off	(19.7)	(3.3)	(47.1)	(70.1)
At 31 March 1996	**6,853.1**	**16,605.0**	**3,355.9**	**26,814.0**
Depreciation:				
At 1 April 1995	785.0	184.3	1,625.8	2,595.1
RPI adjustment	22.2	5.1	44.8	72.1
Charge for year	53.0	10.5	78.2	141.7
Disposals and amounts written off	(18.0)	(3.1)	(45.7)	(66.8)
At 31 March 1996	**842.2**	**196.8**	**1,703.1**	**2,742.1**
Net book value:				
At 31 March 1996	**6,010.9**	**16,408.2**	**1,652.8**	**24,071.9**
At 31 March 1995	5,771.9	15,912.6	1,624.4	23,308.9

b) Tangible fixed assets analysis by asset type

Gross replacement cost:	Specialised operational assets £m	Non specialised operational assets £m	Infra-structure assets £m	Other assets £m	Total £m
At 1 April 1995	4,985.5	206.9	20,429.4	282.2	25,904.0
RPI adjustment	125.7	5.4	545.9	4.4	681.4
Additions	148.4	3.5	119.1	27.7	298.7
Disposals and amounts written off	(48.1)	(5.6)	-	(16.4)	(70.1)
At 31 March 1996	**5,211.5**	**210.2**	**21,094.4**	**297.9**	**26,814.0**
Depreciation:					
At 1 April 1995	2,399.5	57.4	-	138.2	2,595.1
RPI adjustment	65.9	1.6	-	4.6	72.1
Charge for year	102.0	2.8	-	36.9	141.7
Disposals and amounts written off	(48.1)	(4.3)	-	(14.4)	(66.8)
At 31 March 1996	**2,519.3**	**57.5**	**-**	**165.3**	**2,742.1**
Net book value:					
At 31 March 1996	**2,692.2**	**152.7**	**21,094.4**	**132.6**	**24,071.9**
At 31 March 1995	2,586.0	149.5	20.429.4	144.0	23,308.9

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

	Specialised operational assets £m	Non specialised operational assets £m	Infra-structure assets £m	Other assets £m	Total £m
Water supply	993.0	71.1	4,873.0	73.8	6,010.9
Sewerage	168.4	7.5	16,221.0	11.3	16,408.2
Sewage treatment and disposal	1,530.8	74.1	0.4	47.5	1,652.8
At 31 March 1996	**2,692.2**	**152.7**	**21,094.4**	**132.6**	**24,071.9**

4 Working capital

	1996 £m	1995 £m
Stocks	**6.6**	5.8
Trade debtors	**67.3**	57.9
Trade creditors	**(8.0)**	(6.2)
Short term capital creditors	**(22.3)**	(25.0)
Infrastructure renewals accrual	**(29.7)**	(41.3)
Accruals	**(146.9)**	(113.0)
Payments in advance	**(41.2)**	(39.5)
Tax and social security	**(3.5)**	(3.6)
Group trade debtors/(creditors)	**(12.9)**	(12.8)
Other trade debtors/(creditors)	**4.1**	5.0
Prepayments	**35.6**	34.8
	(150.9)	(137.9)

5 Reserves – current cost reserve

	1996 £m	1995 £m
At 1 April 1995	**20,617.6**	19,871.1
RPI adjustments :		
Fixed assets	**609.3**	758.5
Working capital	**(3.7)**	(5.0)
Financing	**(13.0)**	(14.6)
Grants and third party contributions	**(10.4)**	(10.9)
Other adjustments	**4.5**	18.5
At 31 March 1996	**21,204.3**	20,617.6

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

	1996 £m	1995 £m
Current cost operating profit	**356.8**	258.4
Working capital adjustment	**(3.7)**	(5.0)
Share of results of associated undertakings	**(0.1)**	0.1
(Increase)/decrease in stocks	**(0.8)**	1.3
Current cost depreciation	**141.7**	136.2
Current cost profit on disposal of tangible fixed assets	**(4.4)**	(4.2)
(Increase)/decrease in debtors	**(4.9)**	1.1
Increase in creditors	**5.5**	16.8
Release of provisions	**(15.1)**	(13.8)
Restructuring provision	**-**	55.0
Effect of other deferrals and accruals on operating activity cash flow	**(22.2)**	3.6
Net cash inflow from operating activities	**452.8**	449.5

Profit and loss account

Five year summary at 1995/96 out-turn prices

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Turnover	**895.6**	875.0	838.0	800.9	770.3
Current cost operating costs	**(547.0)**	(617.4)	(569.4)	(561.3)	(590.9)
Share of results of associated undertakings	**0.1**	(0.1)	0.1	–	–
Other operating income	**4.4**	4.3	3.9	7.0	1.8
	353.1	261.8	272.6	246.6	181.2
Working capital adjustment	**3.7**	5.2	2.5	3.1	6.8
Current cost operating profit	**356.8**	267.0	275.1	249.7	188.0
Net interest (payable)/receivable	**(34.8)**	(26.0)	(23.6)	(10.3)	20.7
Financing adjustment	**13.0**	15.1	8.0	1.0	(8.5)
Current cost profit before taxation	**335.0**	256.1	259.5	240.4	200.2
Taxation	**(29.9)**	(6.5)	(5.6)	–	–
Current cost profit attributable to shareholders	**305.1**	249.6	253.9	240.4	200.2
Dividend	**(120.0)**	(144.6)	(143.2)	(134.2)	(111.3)
Exceptional dividends	**(386.0)**	–	–	(647.4)	–
Current cost (loss)/profit retained	**(200.9)**	105.0	110.7	(541.2)	88.9

Balance sheet

Five year summary at 1995/96 out-turn prices

	1996 £m	1995 £m	1994 £m	1993 £m	1992 £m
Fixed assets					
Tangible assets	**24,071.9**	23,938.2	23,736.0	23,481.2	22,965.3
Third party contributions since 1989/90	**(453.3)**	(392.8)	(329.6)	(268.1)	(185.1)
Working capital	**(150.9)**	(141.6)	(152.1)	(115.4)	(170.3)
Net operating assets	**23,467.7**	23,403.8	23,254.3	23,097.7	22,609.9
Cash and investments	**174.4**	84.9	78.8	119.5	208.1
Non-trade debtors	**6.6**	13.6	11.2	1.3	2.4
Non-trade creditors due within one year	**(89.0)**	(32.5)	(32.6)	(106.8)	(14.7)
Creditors due after one year	**(846.5)**	(514.6)	(495.5)	(376.0)	(237.7)
Provision for liabilities and charges	**(19.3)**	(44.8)	(4.1)	(8.9)	(10.0)
Net assets employed	**22,693.9**	22,910.4	22,812.1	22,726.8	22,558.0
Capital and reserves					
Called up share capital	**1,000.0**	1,027.0	1,063.0	1,088.0	443.2
Profit and loss account	**489.6**	709.1	626.1	527.4	1,092.7
Current cost reserve	**21,204.3**	21,174.3	21,123.0	21,111.4	21,022.1
	22,693.9	22,910.4	22,812.1	22,726.8	22,558.0

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 27 to 39, 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.

BDuckworth

B Duckworth
Managing Director
For and on behalf of the board

10 June 1996

Report of the Auditors to the Director General of Water Services

We have audited the regulatory financial statements on pages 27 and 28 which have been prepared under the historical cost convention and the accounting policies set out on pages 15 and 16, and the regulatory financial statements on pages 29 to 39 which have been prepared under the current cost convention and the accounting policies set out on page 32 and 33.

Respective responsibilities of Directors and Auditors

As described on page 40 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 judgements 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 1996 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 27 and 28 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 29 to 39 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

10 June 1996

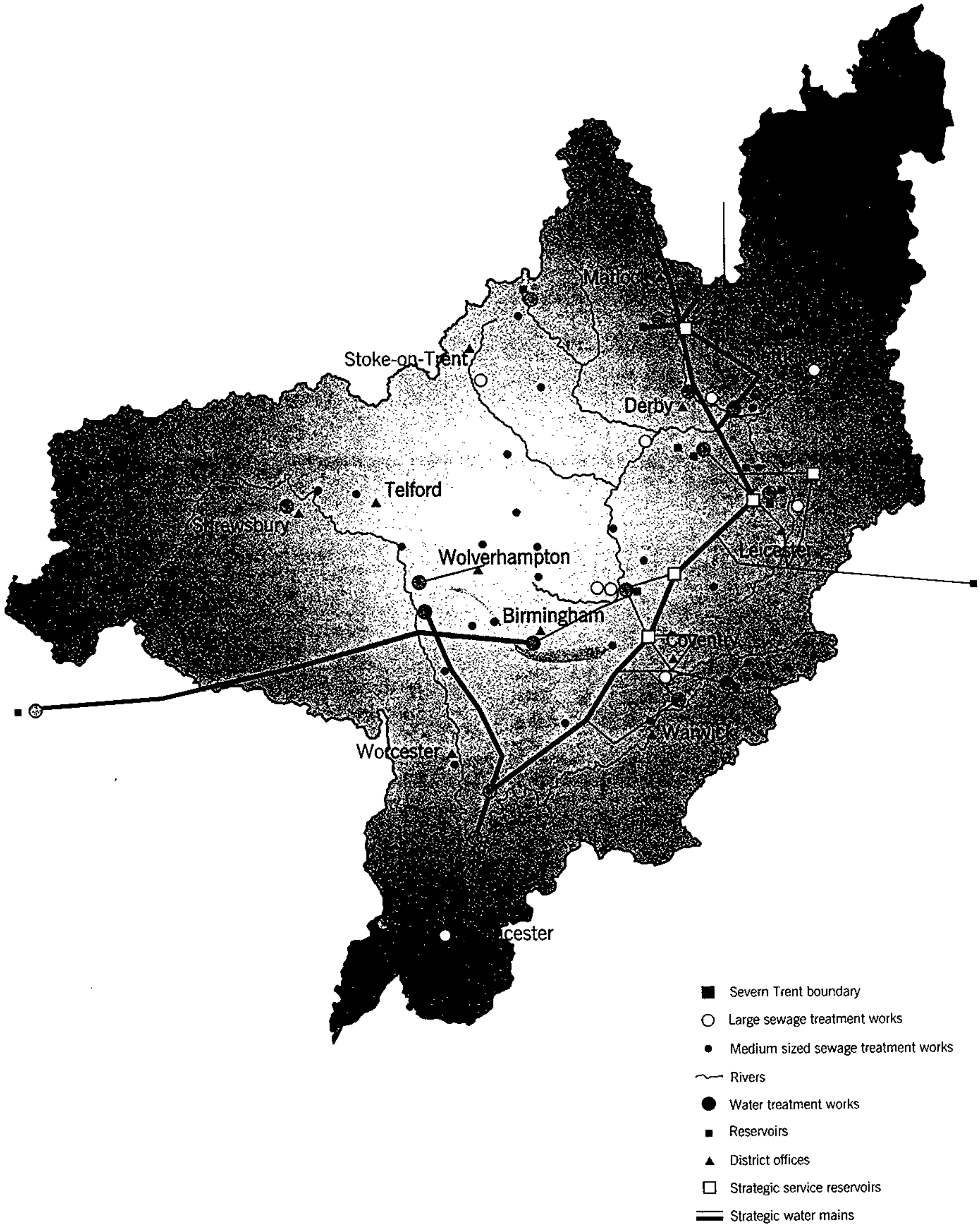
Financial and operating statistics

Severn Trent Water has made a commitment to publish information on its financial, customer service, operational and quality performance. This statistics section uses information primarily from this report and accounts, the company's annual drinking water quality report and information submitted to the Director General of Water Services as part of the company's July 1996 return.

The financial information contained in this section does not constitute 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 an unqualified report from the auditor.

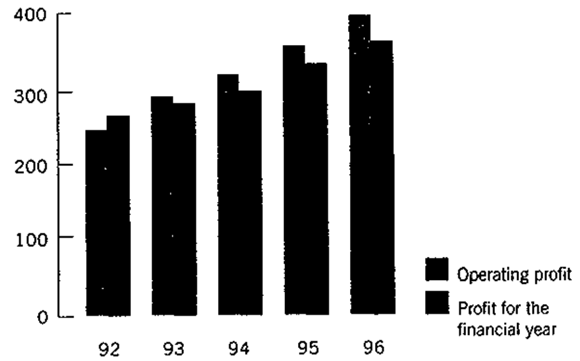
Unless otherwise stated, all information prior to 31 March 1993 relates to Severn Trent Water Limited. Statistics relating to the former East Worcester Water Plc have been incorporated as from 19 March 1993, the date of its acquisition.

Contents

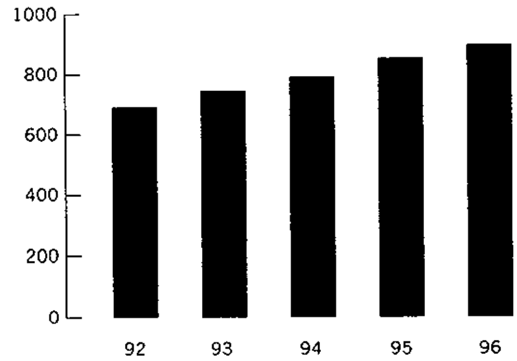

Stoke-on-Trent
Derby
Telford
Shrewsbury
Wolverhampton
Birmingham
Leicester
Coventry
Warwick
Worcester
Severn Trent boundary
Large sewage treatment works
Medium sized sewage treatment works
Rivers
Water treatment works
Reservoirs
District offices
Strategic service reservoirs
Strategic water mains

Financial

Profit (excluding restructuring) (£m)



Turnover (£m)



Profit and loss accounts

	1992 £m	1993 £m	1994 £m	1995 £m	**1996 £m**
Turnover	692.1	742.3	789.8	847.0	**895.6**
Operating profit	244.3	287.9	316.3	300.5*	**394.4**
Net interest receivable/(payable)	18.6	(9.5)	(22.2)	(25.2)	**(34.8)**
Profit for the financial year	262.9	278.4	294.1	275.3*	**359.6**
Taxation	–	–	(5.3)	(6.3)	**(29.9)**
Dividends	(100.0)	(124.4)	(135.0)	(140.0)	**(120.0)**
Exceptional dividends	–	(600.0)	–	–	**(386.0)**
Retained profit/(loss)	162.9	(446.0)	153.8	129.0*	**(176.3)**

* After restructuring provision of £55 million

Turnover by category

	1992 £m	1993 £m	1994 £m	1995 £m	**1996 £m**
Measured charges	631.7	680.1	240.8	255.3	**274.6**
Unmeasured charges			486.8	527.4	**552.9**
Trade effluent	32.4	36.1	37.2	38.9	**43.1**
Other	28.0	26.1	25.0	25.4	**25.0**
	692.1	742.3	789.8	847.0	**895.6**

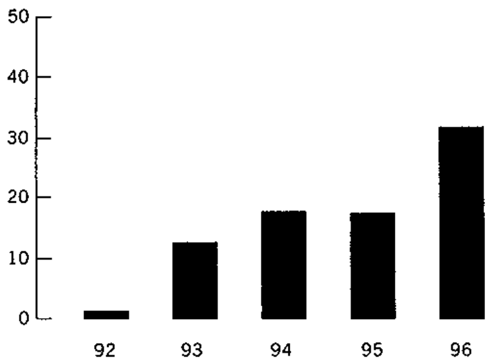
Measured sewerage service charges now include both metered and non-metered charges to measured sewerage customers. This change has been made to ensure consistency with the Principal Statement on charges sent each year by the company to the Director General of Water Services. Only the comparatives since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

Balance sheets

	1992 £m	1993 £m	1994 £m	1995 £m	**1996 £m**
Fixed assets	2,208.7	2,593.6	2,871.5	3,073.1	**3,205.0**
Net current assets/(liabilities)	79.6	(53.2)	(38.9)	(36.1)	**(35.2)**
	2,288.3	2,540.4	2,832.6	3,037.0	**3,169.8**
Creditors: amounts falling due after more than one year	(214.5)	(345.5)	(466.1)	(501.1)	**(846.5)**
Provisions for liabilities, charges and deferred income	(94.1)	(89.3)	(108.1)	(148.5)	**(112.2)**
	1,979.7	2,105.6	2,258.4	2,387.4	**2,211.1**
Capital and reserves					
Called up share capital	400.0	1,000.0	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	**1,211.1**
	1,979.7	2,105.6	2,258.4	2,387.4	**2,211.1**

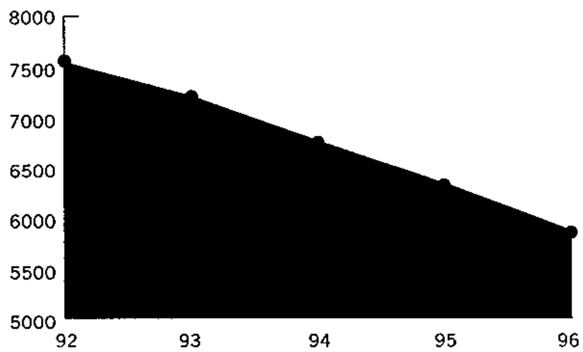
The 1992 Balance Sheet excludes East Worcester Water Plc

Gearing (%)



Gearing is the ratio of debt to the company's equity, ie shareholders' funds. It is used as an indicator of the amount of debt in proportion to the equity of the company.

Employee numbers



The company's 'Towards 2000' overheads reduction programme has had an impact on staff numbers, primarily in headquarters and support functions.

Net borrowings

	1992 £m	1993 £m	1994 £m	1995 £m	**1996 £m**
Cash at bank and in hand	185.1	106.4	69.8	76.7	**167.0**
Borrowings	(214.0)	(375.1)	(473.4)	(491.8)	**(872.5)**
	(28.9)	(268.7)	(403.6)	(415.1)	**(705.5)**

Employee numbers

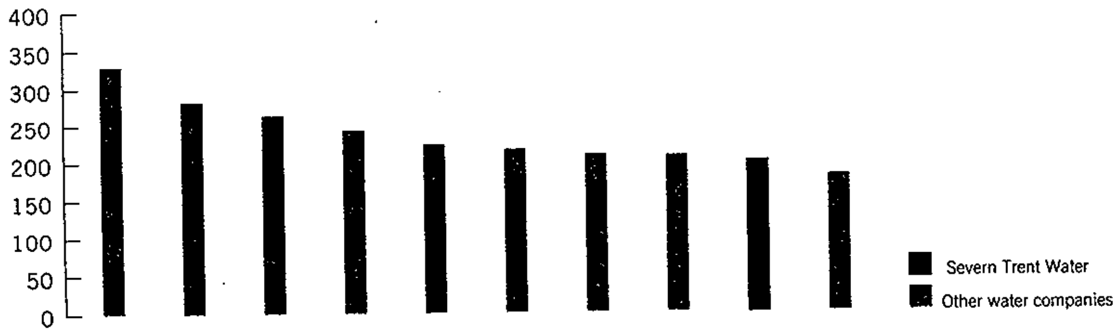
	1992 No.	1993 No.	1994 No.	1995 No.	**1996 No.**
Employee numbers (average)	7,456	7,445	6,954	6,531	**5,930**
Employee numbers (year-end)	7,529	7,196	6,757	6,324	**5,862**

Key ratios

	1992	1993	1994	1995	**1996**
Liquidity					
Current ratio (times)	1.35	0.82	0.83	0.85	**0.89**
Profitability					
Gross profit margin (%)	35.30	38.78	40.05	35.48	**44.04**
Return on capital employed (%): Historic cost	10.68	11.33	11.17	9.89	**12.44**
Return on fixed assets (%): Historic cost	11.06	11.10	11.02	9.78	**12.31**
Return on fixed assets (%): Current cost	0.83	1.09	1.16	1.11	**1.48**
Gearing					
Debt to equity (%)	1.46	12.76	17.87	17.39	**31.91**
Other					
Turnover per employee (£)	92,825	99,704	113,575	129,689	**151,029**
Operating profit per employee (£)	32,765	38,670	45,485	46,011	**66,509**

Customer service

Average annual household bill for 1996/97 (£)



Severn Trent Water has the second lowest annual average household charge of the ten leading water service companies.

Charges (1996/97)

Average annual unmeasured water charges (including customer rebates)

	Water £	Sewerage £	Total £
Severn Trent	**86**	**106**	**192**
Average of other 9 water and sewerage companies	109	133	242

Equivalent cost per day per household	
Severn Trent	**53 pence**
Other water and sewerage companies average	66 pence
Measured water charges	
Water Supply	**65.16 pence/cubic metre**
Sewerage.	**58.93 pence/cubic metre**
Average household bill (including measured, unmeasured water charges and customer rebates	
Severn Trent	**£194**
Average of other 9 water and sewerage companies	£239

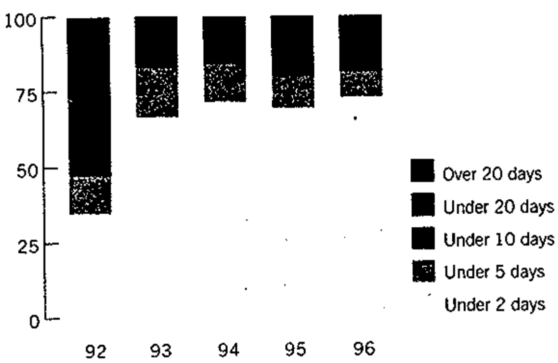
Customer payment statistics

	1992 '000	1993 '000	1994 '000	1995 '000	**1996 '000**
Number of customers paying by instalments	798	837	943	1,121	**1,345**
Number of summonses	103	37	71	90	**90**
Percentage of unmeasured customers summonsed (%)	3.9	1.4	2.7	3.3	**2.8**
Disconnections	No.	No.	No.	No.	**No.**
Domestic	1,284	1,215	590	557	**462**
Non domestic	290	410	269	220	**159**
Percentage of customers disconnected (%)	0.05	0.05	0.03	0.03	**0.02**

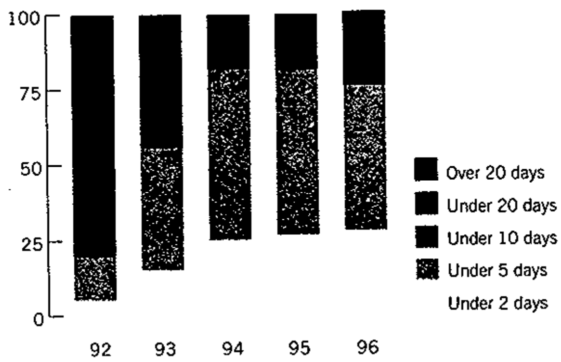
Customer complaints

	'000	'000	'000	'000	**'000**
	22	14	9	9	**10**

Response to billing queries (%)



Response to written complaints (%)



Improvements in recent years are due primarily to investment in new customer service technology

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.

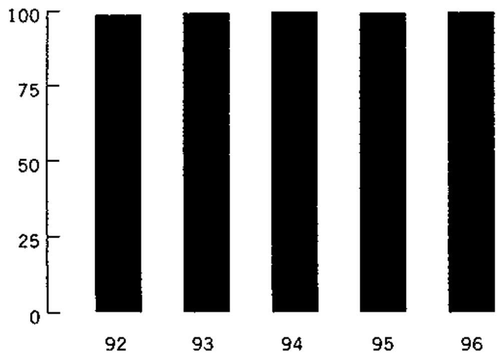
Company performance against OFWAT service indicators (properties/population meeting DG reference levels)

	1992 %	1993 %	1994 %	1995 %	**1996 %**
(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	**99.80**
(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	**98.90**
(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	**99.70**
(DG4) Water usage restrictions Percentage of properties not affected by:					
Ban on hosepipes	100.00	100.00	100.00	99.10	**0.00**
Drought orders	100.00	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	**99.95**
(DG6) Response to billing queries Response time for replies to billing queries					
Under 2 days	35.0	66.6	71.5	69.3	**72.8**
Under 5 days	47.5	83.2	84.5	80.1	**81.5**
Under 10 days	69.8	92.5	92.8	92.2	**91.6**
Under 20 days	97.4	98.9	99.0	99.0	**99.4**
Over 20 days	2.6	1.1	1.0	1.0	**0.6**

In 1996 there were 2.2 million customer contacts. The company has achieved for 1996 the 'Good' classification as measured against OFWAT's illustrative profiles.

Customer service (continued)

Complaints answered within guaranteed standards scheme time period (%)



Complaints not answered within the guaranteed standards time period receive an automatic £10 payment.

Levels of service

(DG7) Response to written complaints

Response time for replies to written complaints	1992 %	1993 %	1994 %	1995 %	**1996** **%**
Under 2 days	5.4	15.2	25.3	26.9	**28.3**
Under 5 days	20.1	56.0	82.1	81.7	**76.5**
Under 10 days	59.3	96.7	97.9	98.0	**96.6**
Under 20 days	99.4	99.8	99.9	99.8	**99.4**
Over 20 days	0.6	0.2	0.1	0.2	**0.6**

The number of customer complains received in 1996 has increased by 11% from those received in 1995. The company has achieved for 1996 the 'Very Good' classification as measured against OFWAT's illustrative profiles.

(DG8) Billing of metered customers

This is a new indicator for 1995/96 and the purpose of it is to identify the proportion of customers who receive bills for metered accounts during the year based on actual readings as opposed to those based on estimates.

(DG9) Telephone contacts

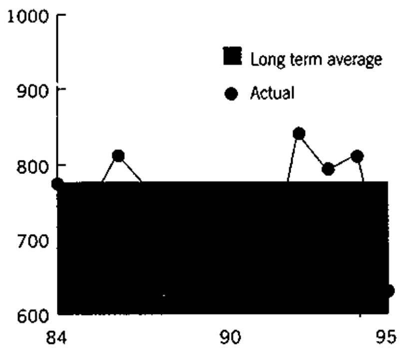
This is also a new indicator for 1995/96 and the purpose of it is to identify the ease with which customers can make telephone contact with the company.

Data relating to DG8 and DG9 will be published in 1996/97.

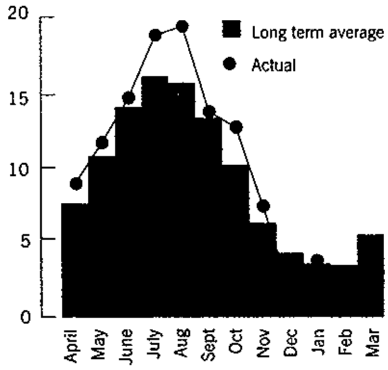
Guaranteed standards scheme	1992 %	1993 %	1994 %	1995 %	**1996** **%**
Complaints answered within the guaranteed standards scheme time period	98.5	99.1	99.5	99.3	**98.5**
Number of claims automatically accepted for guaranteed standard payments	n/a	n/a	51	63	**157**

Climate

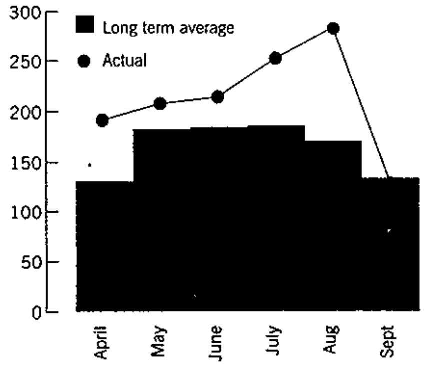
Area rainfall (mm)



Average mean temperature (°C)



Average hours of sunshine



For most of 1995 and especially during the summer, rainfall in the Severn Trent region was significantly below the long term average.

For most of 1995, temperature and sunshine hours were higher than in the previous drought of 1976.

Severn Trent Region – Area Rainfall

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	**1995**
Severn Trent region												
Rainfall (mm)	777	741	814	769	759	718	683	639	842	792	814	**631**
% long term average	99	96	105	99	98	93	88	83	110	102	105	**81**
Severn Basin												
Rainfall (mm)	842	813	856	805	811	777	732	702	872	797	844	**674**
% long term average	102	98	103	97	98	94	88	87	108	99	104	**83**
Trent Basin												
Rainfall (mm)	715	685	790	747	723	676	647	576	808	781	785	**585**
% long term average	97	93	103	101	98	92	88	78	110	106	107	**80**

Notes:

% long term average is based on figures from 1941 to 1970.

Figures relate to calendar year.

Average mean temperature (°C) recorded at Birmingham airport

	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1995/96	**8.9**	**11.6**	**14.5**	**18.6**	**19.2**	**13.6**	**12.6**	**7.4**	**1.7**	**3.8**	**2.4**	**4.3**
Long term average	7.6	10.8	14.0	16.0	15.6	13.3	10.2	6.3	4.3	3.6	3.5	5.5

Long term average is based on figures from 1961 to 1990.

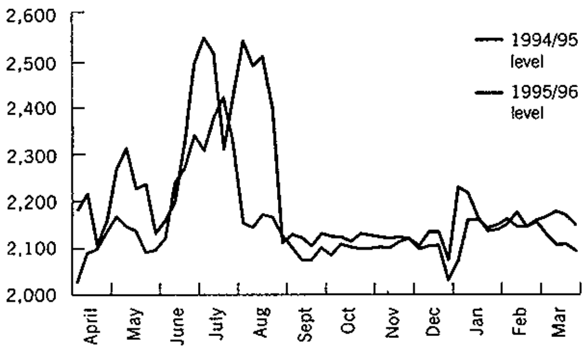
Hours of sunshine recorded at Birmingham airport

	Apr	May	June	July	Aug	Sep
1995	**191.3**	**207.6**	**214.3**	**252.5**	**283.2**	**128.1**
Long term average	130.9	183.1	185.4	187.0	171.8	134.7

Long term average is based on figures from 1961 to 1990.

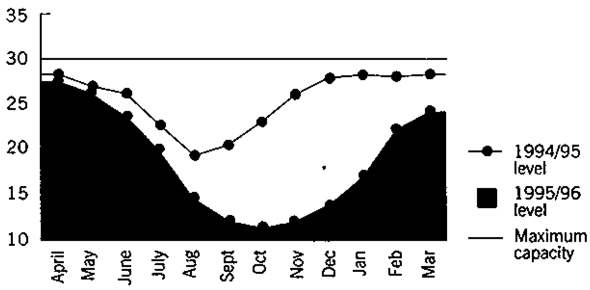
Demand

Average weekly water demand (Ml/d)



1995 saw the highest-ever demands placed upon the water supply system.

Impounding reservoir levels (Ml'000)



The high temperature and sunshine levels resulting in increased demand coupled with low rainfall caused reservoir levels to fall much further than normal. This was compounded by low rainfall in the winter of 1995/6 although resource management measures helped minimise the rate at which reservoirs were drawn down.

Analysis of water supply sources

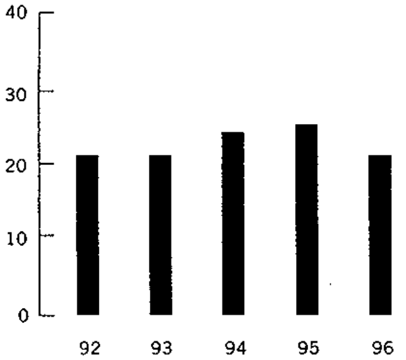
	1992 Ml/d	1993 Ml/d	1994 Ml/d	1995 Ml/d	**1996 Ml/d**
Reservoirs	571	567	576	587	**526**
River intakes	703	724	726	782	**876**
Groundwater	702	694	773	770	**788**
Total production	1,976	1,985	2,075	2,139	**2,190**
Treated water imports	19	18	17	17	**21**
Treated water exports	(16)	(16)	(9)	(9)	**(9)**
Total water into supply	1,979	1,987	2,083	2,147	**2,202**

Water demand

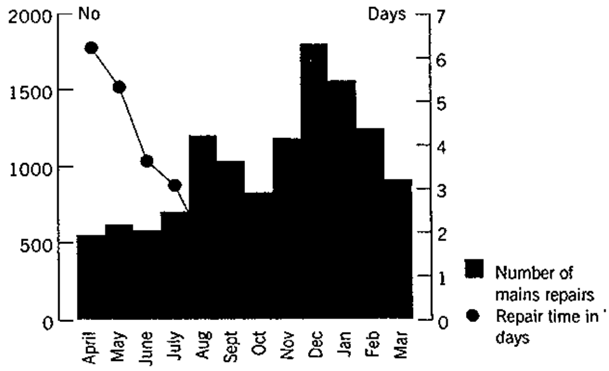
	1992 Ml/d	1993 Ml/d	1994 Ml/d	1995 Ml/d	**1996 Ml/d**
Household demand	1,005	1,023	1,047	1,059	**1,166**
Non-household demand	560	539	543	548	**551**
Water delivered to billed customers	1,565	1,562	1,590	1,607	**1,717**
Total water into supply	1,979	1,987	2,083	2,147	**2,202**
Company unaccounted for water as % of total water supplied	21	21	24	25	**21**

Drought measures

Company leakage (%)



Number of and time taken to repair bursts on mains

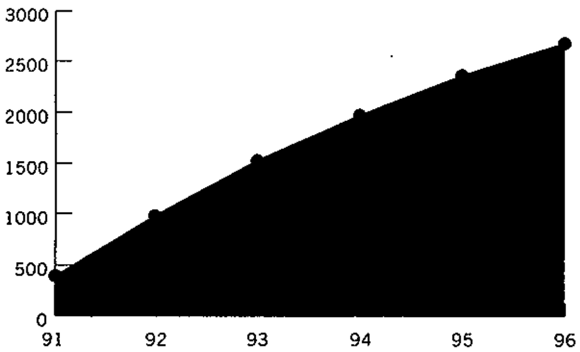


The company's programme to increase resources allocated to leak detection and repair saw significant improvements by the end of the year.

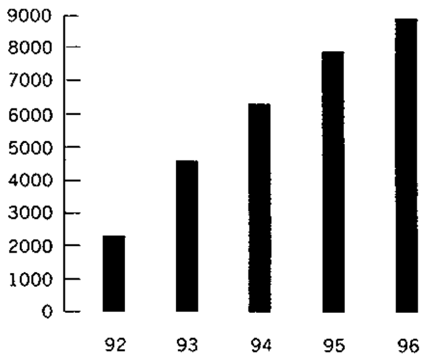
	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Number of repairs carried out on mains pipes 1994/95	476	532	538	817	710	647	658	618	956	1,079	558	709
1995/96	**550**	**616**	**582**	**702**	**1,202**	**1,035**	**829**	**1,183**	**1,805**	**1,561**	**1,249**	**914**
Average time taken to repair bursts on mains pipes (days) 1995/96	**6.21**	**5.31**	**3.82**	**3.06**	**1.79**	**2.41**	**2.37**	**1.80**	**0.99**	**2.48**	**1.41**	**2.55**
Number of repairs carried out on communication pipes 1995/96	**947**	**1,107**	**1,171**	**1,255**	**1,398**	**1,290**	**1,192**	**1,033**	**904**	**1,293**	**1,209**	**1,448**
Average time taken to repair bursts on communication pipes (days) 1995/96	**6.94**	**8.81**	**8.39**	**5.91**	**5.14**	**7.67**	**8.06**	**7.84**	**4.45**	**6.80**	**4.33**	**6.57**
Number of repairs carried out on customers supply pipes 1994/95										51	50	87
1995/96	**46**	**58**	**52**	**49**	**82**	**104**	**108**	**211**	**122**	**243**	**406**	**453**
Number of applications for free meter installation service 1995/96										**2,862**	**3,542**	**4,796**
Number of calls to 'Leakline' service 1995/96									**5,354**	**6,145**	**2,601**	**2,603**

Investment

Cumulative investment expenditure (£m)



Cumulative improvements to mains network (Km)



Includes mains added, renewed and relined.

Investment expenditure

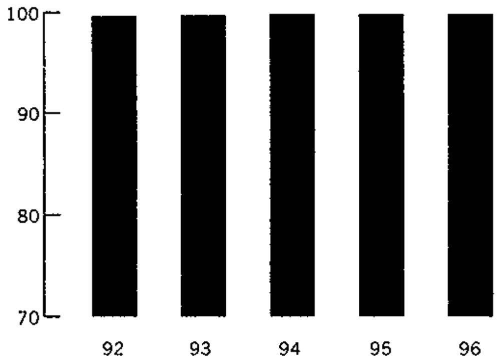
	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m	**1996 £m**
Resources and treatment	57	96	116	117	89	**79**
Distribution	97	161	137	107	104	**97**
Sewerage	67	108	90	76	73	**45**
Sewage treatment	126	152	147	108	85	**61**
Recreation and amenity	1	11	4	2	2	**1**
Operational support	38	46	49	32	30	**16**
Other	9	11	7	3	3	**23**
	395	585	550	445	386	**322**
Analysis of investment expenditure						
Capital expenditure	348	482	462	380	320	**252**
Gross infrastructure expenditure	47	103	88	65	66	**70**
	395	585	550	445	386	**322**
Cumulative investment since 1991	395	980	1,530	1,975	2,361	**2,683**

Physical outputs

		1992	1993	1994	1995	**1996**
Mains	added (Km)	506	637	293	309	**239**
	renewals (Km)	562	511	408	392	**499**
	relined (Km)	1,305	969	1,016	878	**408**
	number of communication pipes replaced	84,799	72,631	37,147	31,011	**29,985**
Sewers	added (Km)	160	168	86	224	**325**
	improved (Km)	35	21	8	4	**5**
Approximate number of schemes in programme		5,000	5,000	5,500	5,000	**5,900**
Approximate number of new starts during year		1,000	1,200	800	650	**1,800**
Approximate number of schemes completed during year		1,000	1,300	1,200	1,600	**1,950**
Approximate number of properties where problems of poor pressure alleviated by investment		6,000	10,000	7,000	5,000	**15,500**
Number of properties where risk of flooding from sewers has been removed		535	325	210	190	**187**

Investment & Quality

Overall compliance, drinking water (%)



Severn Trent's record on drinking water quality is not bettered amongst any of the top ten leading water service companies.

Major operational schemes carried out during year

	1995/96 £m	Total projected costs £m
Mythe water treatment works	7.1	50.6
Melbourne water treatment works	9.8	46.0
Strensham water treatment works	4.0	43.8
Coleshill sludge disposal plant	6.2	33.1
Trimpley water treatment works	4.1	19.2
Ogston water treatment works	4.4	19.1
The Abbey sewer tunnel Leicester	4.3	17.2
Draycote water treatment works	4.1	15.2
Little Eaton water treatment works	7.1	12.3
Stratford strategic supplies	2.9	3.9

Operational assets

	1996 No.
Impounding reservoirs	41
Groundwater sources	182
River water intakes	25
Surface water treatment works	26
Water supply booster stations	619
Service reservoirs	636
Mains (Km)	41,355
Sewers (Km)	51,820
Sewage treatment works	1,014
Sewage pumping stations	637
Sewerage pumping stations	2,156
Sludge treatment facilities	61

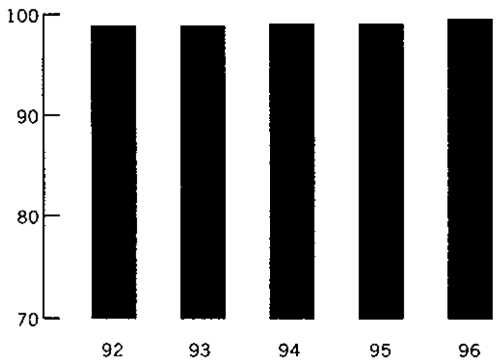
Water Supply Quality

	1991	1992	1993	1994	1995
Overall quality of drinking water					
Number of samples	86,239	84,761	84,808	86,524	**79,020**
% compliance with standards	99.6%	99.7%	99.8%	99.8%	**99.8%**
Microbiological quality of drinking water					
Water leaving treatment works					
Number of samples	27,265	28,391	29,745	29,502	**22,719**
% compliance with standards	99.9%	99.9%	99.9%	99.9%	**>99.9%**
Water at service reservoirs					
Number of samples	34,773	33,577	34,249	35,914	**35,706**
% compliance with standards	99.9%	99.8%	99.8%	99.9%	**>99.9%**
Water at customers taps					
Number of samples	24,201	22,793	20,814	21,108	**20,595**
% compliance with standards	99.6%	99.6%	99.7%	99.8%	**99.9%**
Physical and chemical quality of drinking water					
Water at customers taps					
Number of samples	24,201	22,793	20,814	21,108	**20,595**
% compliance with standards	99.4%	99.7%	99.7%	99.8%	**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 318,000 being made during 1995.
% Compliance with standards as detailed in the Water Supply (Water Quality) regulations.

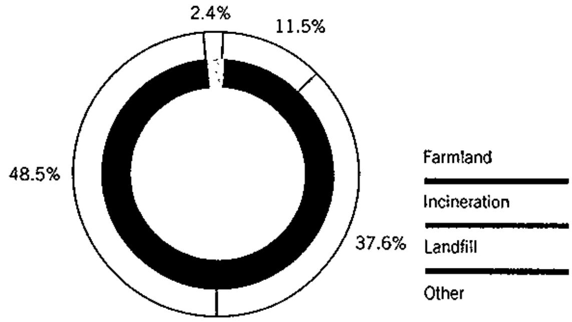
Sewage

Overall compliance, sewage effluent (%)



The overall improvements in sewage effluent quality compliance have been made against a background of increasing regulatory standards.

Sludge disposal methods



As a land-locked water services company, Severn Trent Water does not dispose of any sewage sludge to sea.

Sewage treatment quality

	1992	1993	1994	1995	**1996**
Overall compliance with standards					
Total number of sewage treatment works	1,026	1,015	1,014	1,013	**1,014**
Number of sewage treatment works failing consents	19	20	15	9	**18**
Number of prosecutions by NRA resulting in convictions					
Discharge from sewerage system	4	1	1	2	**3**
Sewage treatment works	3	0	0	0	**4**
Water treatment works	1	1	3	0	**1**
Other	1	0	1	1	**1**

Compliance of numerically consented works

	1991	1992	1993	1994	**1995**
Number of works within numeric consents	746	743	740	739	**741**
Compliance with sanitary standards (95 percentile)					
By tests to measure quality	98.5%	99.0%	99.0%	99.4%	**99.5%**
By works	98.9%	98.9%	98.8%	99.1%	**99.6%**
Compliance with sanitary standards (upper tier)					
By tests to measure quality	99.9%	99.9%	99.9%	99.9%	**>99.9%**
By works	97.1%	96.4%	95.6%	98.9%	**98.4%**
Compliance with non-sanitary standards					
By tests to measure quality	99.3%	98.9%	99.2%	99.1%	**95.2%**
By works	80.3%	90.0%	88.2%	86.7%	**80.0%**

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

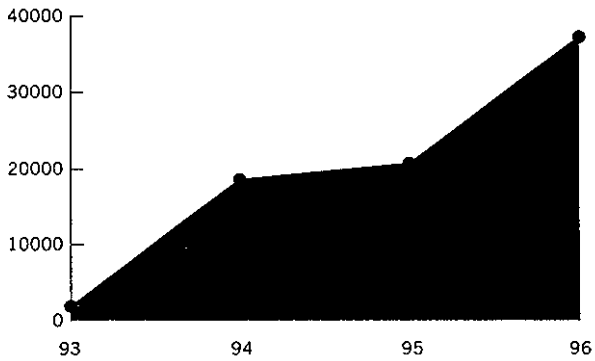
Sludge disposal

Method of sludge disposal	1992 tds	1993 tds	1994 tds	1995 tds	**1996 tds**
Farmland	65,000	83,000	85,000	86,000	**80,000**
Landfill	41,000	51,000	43,000	56,000	**62,000**
Incineration	29,000	27,000	28,000	14,000	**19,000**
Sea	0	0	0	0	**0**
Other	30,000	9,000	9,000	3,000	**4,000**
Total	165,000	170,000	165,000	159,000	**165,000**

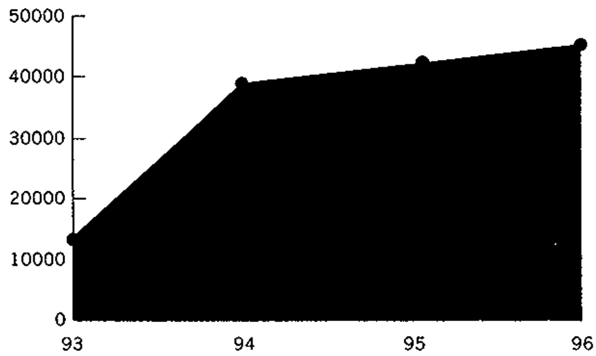
tds = tonnes dry solids
In 1993 the definition of dedicated land was amended; this has resulted in an increase in the amount shown as disposal to farmland.

Education and visitor centres

Pupils attending courses



Conducted tours



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 and the work that the company does from first hand practical experience.

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
- Carsington reservoir, Derbyshire
- Hayden sewage treatment works, Gloucestershire

Two others are in the planning stage for 1997:

- Roundhill sewage treatment works, West Midlands
- Frankley water treatment works, West Midlands

Visitor centres

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 presentation 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
- Carsington reservoir
- Church Wilne water treatment works
- Derby sewage treatment works
- Shelton water treatment works
- Cannock sewage treatment works
- Cropston water treatment works
- Minworth sewage treatment works
- Trimpley water treatment works
- Campion Hills water treatment works
- Hayden sewage treatment works
- Redditch sewage treatment works (opening Summer 1996)

For further information on how to arrange a visit to one of our visitor centres or to arrange for a group to attend at one of our education centres, please contact the Marketing department, Severn Trent Water Limited, 2297 Coventry Road, Birmingham B26 3PU.

	1993 No	1994 No	1995 No	**1996** **No**
Number of classes conducted at education centres	75	683	747	**1,388**
Number of pupils attending programmes	2,005	18,602	20,749	**37,241**
Number of teachers attending in service training programmes	305	2,739	2,191	**2,639**
Number of other adults attending education centres	310	1,516	2,248	**2,301**
Number of visitors on conducted tours	13,607	38,922	42,020	**45,327**

Main Offices

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

Registered Office
Severn Trent Water Limited
2297 Coventry Road
Birmingham B26 3PU
Tel: (0121) 722 4000
Company Number: 2366686
Vic Cocker Chairman
Brian Duckworth Managing Director
John Banyard Asset Management, Engineering and Technology Director
Mike Lily Information Technology Director
David Mattin Director and Company Secretary
Gerald Noone Marketing Director
Austin Todd Human Resources and Logistics Director
Terry Tricker Customer Service Director
Mark Wilson Finance and Regulation Director

Birmingham Water District
Severn Trent Water Limited
Edgbaston Depot
Waterworks Road
Birmingham B16 9DD
Tel: Birmingham (0121) 456 1011
Manager: Larry Barnes

Coventry and North Warwickshire District
Severn Trent Water Limited
Sherbourne House
St Martin's Road
Finham, Coventry CV3 6PR
Tel: Coventry (01203) 693333
Manager: Jim Robinson

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

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

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) 234 0340
Manager: Richard Bell

North Derbyshire District
Severn Trent Water Limited
43 Dimple Road
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Derby DE4 3LQ
Tel: Matlock (01629) 57789
Manager: Tony Seddon

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Severn Trent Water Limited
Hucknall Road
Nottingham NG5 1FH
Tel: Nottingham (0115) 960 8161
Manager: Gren Messham

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

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Longbridge Depot
Stratford Road
Warwick CV34 6QW
Tel: Warwick (01926) 496211
Manager: Geoff Robinson

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Burslem
Stoke-on-Trent ST6 4JT
Tel: Stoke (01782) 836336
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Minworth
Sutton Coldfield
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Severn Trent Water

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