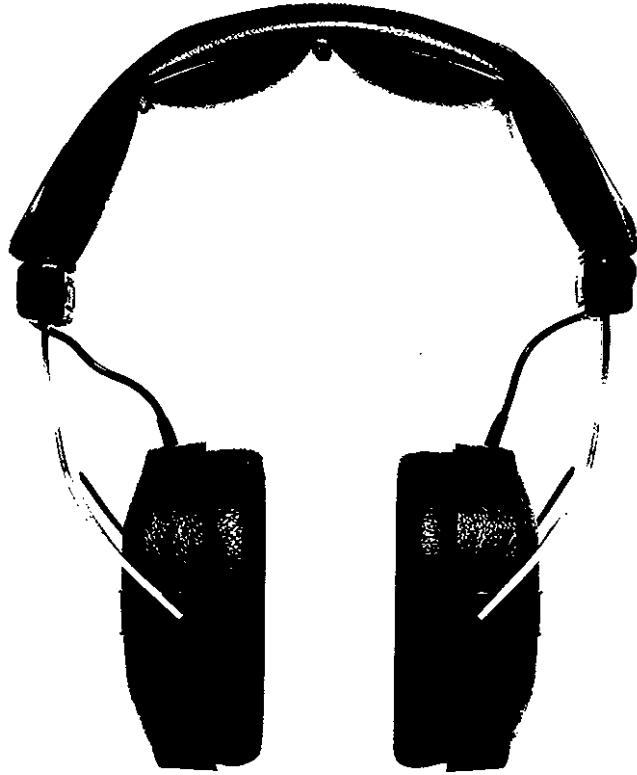


COMPANY NO: 2366686



Annual report and accounts 1997 Your water: safe in our hands



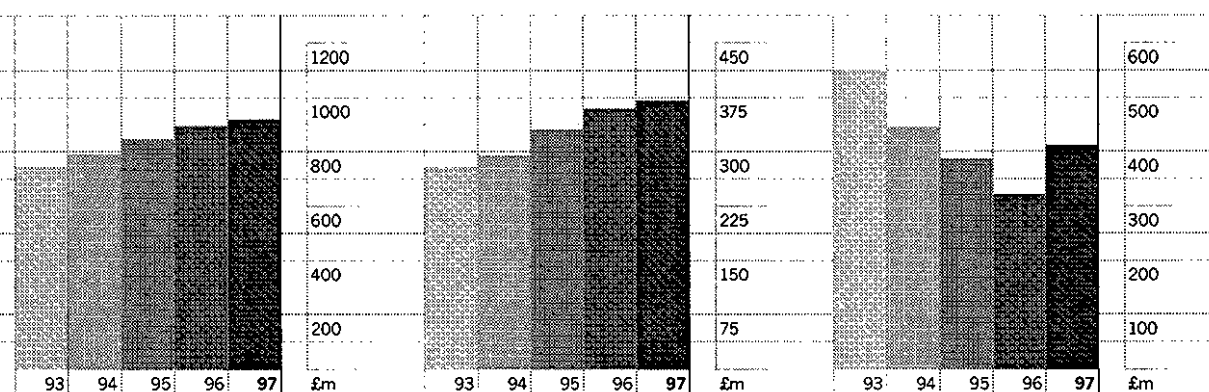
A32 *AC22A1PN* 322
COMPANIES HOUSE 04/12/97

severn trent water

Headphones are used with a Leak Noise Correlator to 'hear' water leaks underground, helping to cut Severn Trent's leakage by a third in two years from its 41,000 km network of water mains.

Financial highlights	1
Managing Director's review	2
Your water: safe in our hands	10
Directors' report	12
Statement of Directors' responsibilities	14
Auditors' report	14
Historical cost financial statements	
Profit and loss account	15
Statement of total recognised gains and losses	15
Reconciliation of movements in shareholders' funds	15
Balance sheet	16
Cash flow statement	17
Reconciliation of net cash flow to movement in net debt	17
Notes to the financial statements	18
Regulatory accounts	
Historical cost financial statements	
Group profit and loss account	27
Group balance sheet	28
Current cost financial statements	
Group profit and loss account	29
Group balance sheet	30
Group cash flow statement	31
Reconciliation of net cash flow to movement in net debt	31
Notes to the current cost financial statements	32
Five year summary	39
Statement of Directors' responsibilities	40
Diversification and protection of the core business	40
Report of the Auditors to the Director General of Water Services	41
Financial and operating statistics	42

1 Severn Trent Water Limited Financial highlights



Turnover

Profit before tax
(excluding exceptional items)

Investment

Financial highlights	1997	1996
Turnover (£m)	919	896
Operating costs (£m)	(533)	(501)
Profit before interest (pre-exceptional) (£m)	406	395
Profit before interest (post-exceptional) (£m)	386	395
Profit before tax (£m)	352	360
Gearing (%)	34.5	31.9
Investment (£m)	412	322

Managing Director's review



Brian Duckworth Managing Director

The environment is the heart of our business. We protect everyone's health by providing clean drinking water and by dealing safely with the community's waste waters. Our role as guardians of the wider environment includes responsibility to ensure sustainable water supplies in the face of increasing climatic uncertainty.

Managing the drought

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

This commitment was made in last year's annual report and accounts. I am pleased to report that further significant progress has been made to ensure that this commitment remains a sustainable reality, alongside our responsibilities to the environment.

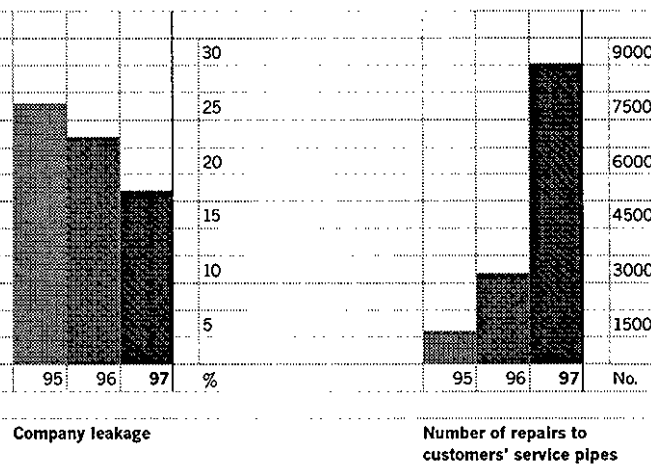
The drought we reported on last year intensified during 1996/97. In only five of the twenty-five months to March 1997 has rainfall been above the monthly average and the cumulative rainfall over that period has been only approximately 75% of the long term average.

The drought itself, and other expert advice, reflects a continuing climate change. In the Midlands this is likely to result in wetter winters and drier summers. This has significant implications on yields from our key water sources and the assets needed to collect, store and distribute water.

Our planning and investment focuses on this challenge. The seven point drought plan described last year included targets to locate additional resources across our strategic network, to increase leakage detection and repairs, and to encourage the wise use of water. This plan continues to guide our actions.

Severn Trent Water's reservoir storage position is good, standing at over 95% of capacity at the end of May 1997. Our two largest reservoir systems, Elan Valley in the west and Derwent Valley in the east, were both also nearly full. This situation was only achieved by the switching of supplies across our water grid between all our reservoir, river and ground water sources. Throughout much of 1996/97 we were moving water from the Severn catchment in the west across to the East Midlands, in order to adjust for the greater severity of drought experienced in this eastern part of our region.

Achieving our target of increasing our total output capability by 5% (approximately 100 megalitres per day (Ml/d)) also helped ensure this good position despite the weather. An additional 250 kms of water main became available during 1996/97 particularly to reinforce supplies to those customers who have experienced pressure problems in the past.



Even more impressive achievements were made on the demand side. In 1995/96 we supplied an average 2,200 megalitres of drinking water each day. The figure in 1996/97 was 2,020 MI/d (a reduction of over 8%). The downward trend in total water demand which can be seen throughout the year, resulted from our substantial reductions in leakage. In 1995/96 leakage from the company's distribution system was 21.3% of supply. In 1996/97 this has been reduced to 16%. We have therefore met the Director General of Water Services' (DGWS) interim target of 16% a year early. We are thus making excellent progress on our long term target of 12% by the year 1999/2000.

The success of our subsidised £99 scheme for repairing leaks on customer supply pipes is amply demonstrated by the fact that last year we carried out over 8,000 repairs under this scheme compared with only 2,500 repairs during 1995/96. In May 1997 we welcomed the new Government's Water Summit and in response we announced that we would waive this charge. This will help further reduce leakage on the customer owned supply pipes which, at 7%, is still too high.

We recognised that customer awareness of the water resource situation was vital, and our plans for promoting water efficiency were welcomed by the DGWS. During the year we have used television advertisements, press and local radio, as well as a programme of direct mail, particularly targeted to promote water metering. Since we introduced a free meter installation service, over 80,000 applications had been received by May 1997.

A particular feature of our conservation efforts has been the creation of a number of 'demonstration' low use water and low maintenance gardens, one of which won the Silver Medal awarded by the Royal Horticulture Society at the BBC Gardeners' World Exhibition in June 1996. Our focus on the volumes of water used in garden watering was particularly successful in that peak week demand was reduced from 2,550 MI/d in 1995 to 2,320 MI/d in 1996.

As a result of our extensive efforts we were able to announce in January 1997 that there would be no hosepipe bans in Severn Trent Water's area. However, given the clear evidence on climate change we are further examining the supply/demand balance, aligning with the elements confirmed by the Department of the Environment in their document 'Water Resource and Supply: Agenda for Action'. As a first stage in our resource enhancement programme, we have made good progress with a site for abstraction and treatment from the

River Trent near Nottingham. Water from this source should become available towards the end of 1997.

The £220 million of additional investment announced for the period to year 2000 is directed towards meeting our supply commitment over the next decade. However, our current forecasts of climate effect and demand indicate that to secure longer term supplies will require significant new resources in the early part of the next century.

As an entirely inland water company, virtually all the water used by our customers is returned to the sewers and so is available for re-abstraction lower down the river system. Indeed, in many cases, discharges from our sewage treatment works, which are treated to a very high quality, represent a vital contribution not only to river flow but also to environmental quality.

Waste water treatment for our communities

Sanitary waste water compliance standards at Severn Trent Water reached 100% during the year. In its report, 'Environmental Issues in the Midlands 1995/96', the Environment Agency reported that more than a third of Midlands' rivers had improved biologically and more than a quarter chemically, largely as a result of expenditure by Severn Trent Water to improve water quality.

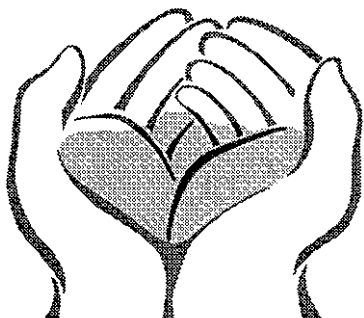
Major investments were commenced at the sewage treatment works at Minworth, in Birmingham and at Finham, in Coventry. All schemes are on target to meet their outputs on time.

Some £24 million additional investment from Severn Trent Water's funds (not provided by price cap regulation) is being spent to reduce the risk of sewage flooding of customers' homes.

Drinking water quality and customer service

As well as meeting our commitment on supply reliability, Severn Trent Water continues to produce some of the best quality water in the world. Compliance with drinking water standards increased by March 1997 to 99.9%, at least equal to the highest reported anywhere in the UK or the rest of Europe.

We significantly improved our performance on the DGWS' Levels of Service Indicators. The company is also proud to have retained the Charter Mark award for customer service; a recognition of our staff's dedication to high standards and service achievements.



Customers' expectations continue to rise... our aim is to ensure we meet such expectations and be seen as a leading customer service organisation.

Customers

We are committed to continually improving our range of services to all customers, whether they are large industrial organisations or domestic households. We have already developed many of our services in a way which is sympathetic to the needs of customer groups such as the elderly or disabled; we intend to extend these further where we identify opportunities. For instance, we have improved access to our company buildings wherever practicable. We also offer Braille or large print bills for those who are visually impaired, minicoms (text telephones) at many of our customer call centres, a password facility for customers who feel insecure about answering the door to callers because they cannot read identity cards and special arrangements for dialysis patients. We also offer a bill reading service and a recommended plumbers list, as well as supplying information and advice on specialist plumbing services.

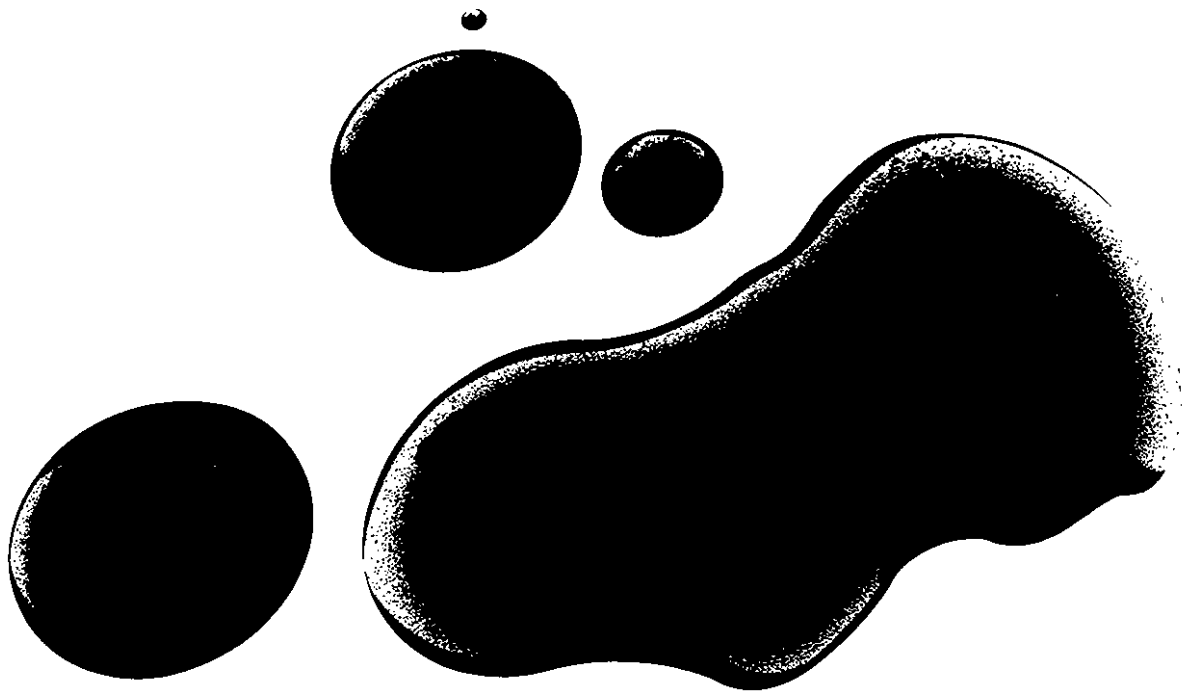
To support these services, we ensure our front line staff are trained and certificated to national customer service standards, including deaf awareness training and the basics

of sign language and lip reading. Any customer visiting one of our offices who wants privacy to discuss their account may use a quiet room to do so.

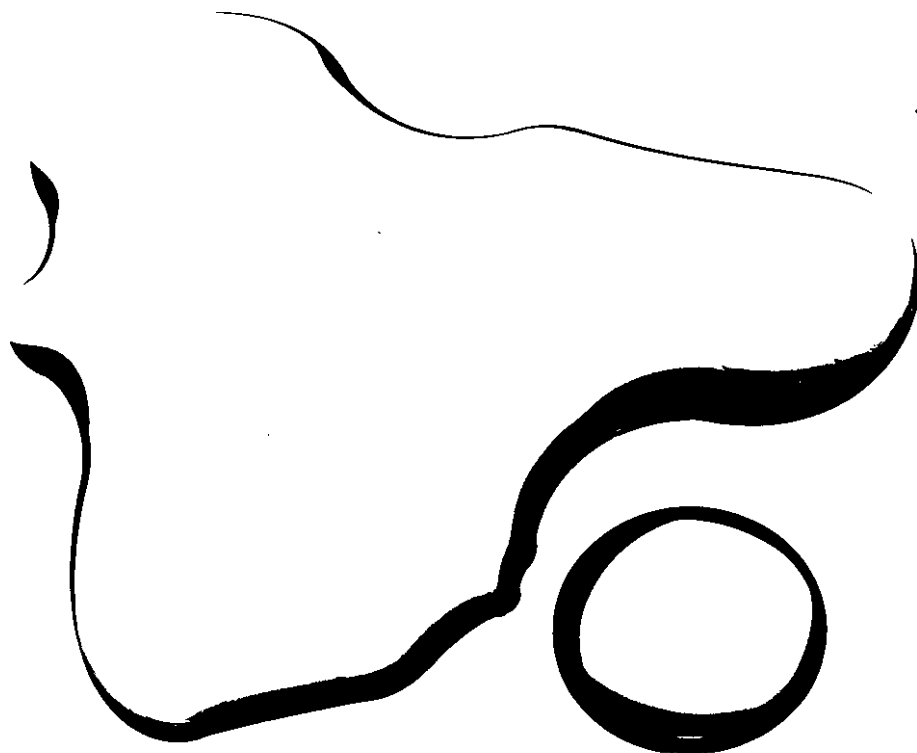
In addition to making improvements against the DGWS' Levels of Service Indicators, we have also increased the number of service guarantee payments made automatically. Further enhancements are planned for 1997/98.

Last year we dealt with nearly 90% of our annual 2.3 million billing enquiries within five working days. In addition, written complaints were reduced and 74% were dealt with within five working days. We are delighted that in both of these categories our response times based on DGWS criteria meant that we have met the 'Very Good' category.

Customers' expectations continue to rise, and we are increasingly compared with other service providers, for example banking, telecoms, gas and electricity. Our aim is to ensure that we meet such expectations and be seen as a leading customer service organisation.



Unpurified water provides life and nourishment to all kinds of wildlife, but to sustain the eight million people in the Midlands region, Severn Trent Water treats around 2,000 million litres of water every day to the highest quality. In fact, this year Severn Trent Water has reached 99.9% compliance with water quality standards – meaning that in the UK its customers have the very best quality **drinking water**.



Financial performance

Turnover at Severn Trent Water increased by 3.6% to £927.8 million, in line with RPI+K, or £919.1 million (£895.6 million) after the rebate of £6.50 to customers. The company's commitment to water conservation through its free domestic meter option and initiatives with industrial customers reduced measured water consumption and, as a consequence, income. These shortfalls in income were offset by new business and continued improvement in the identification of additional income, in particular continued tight control of unoccupied properties. Operating profit increased to £406.2 million (£394.3 million), an improvement of 3%, excluding the effect of a provision of £20 million for the costs of further restructuring.

Severn Trent Water continued its excellent record of cost control in response to the company's own drive for increased efficiency, improved customer service, and the demanding targets set by the DGWS. Direct operating costs, excluding leakage expenditure of £31.5 million, fell in real terms by 4.5%. Additional running costs, including the operation of major new treatment works, the use of higher cost sources of supply and the landfill tax, have continued to be offset by greater efficiencies elsewhere in the business to produce this reduction.

During the year, Severn Trent Water invested £411.9 million, an increase of 28% on the previous year, in accordance with the company's five year investment plan. During the current year, capital investment is expected to be in the order of £500 million.

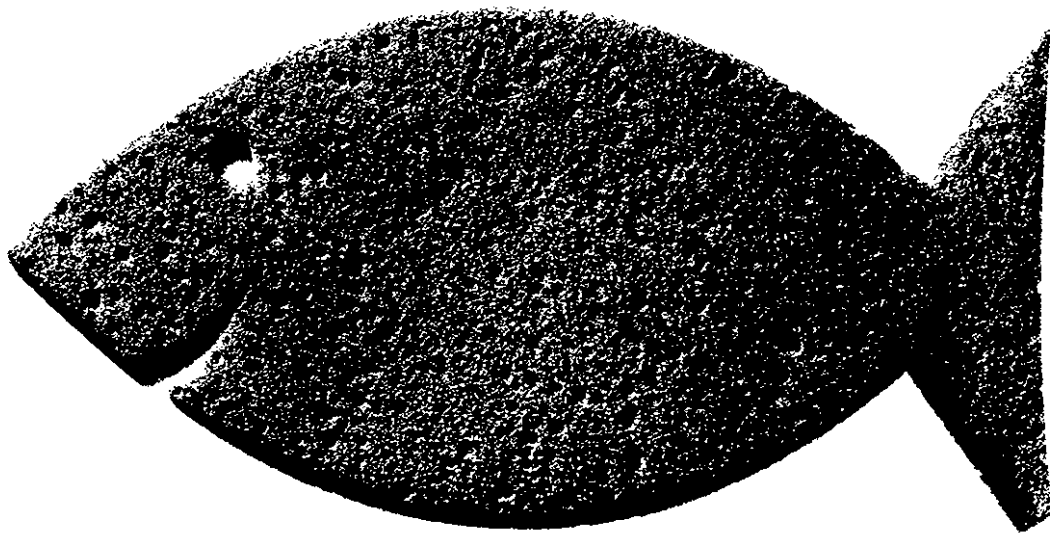
The depreciation charge continued to increase as a result of our continuing investment in new assets. Similarly, our infrastructure renewals charge, which provides for spend on our underground system, also continued to rise. We are committed to the continued effective maintenance of the underground sewerage and water distribution networks.

For 1996/97 total dividends declared by the company amounted to £275 million. This dividend is consistent with the company's regulatory obligations and is after considering a number of factors including regulatory uncertainty, market expectations, actual and potential efficiencies, future cash flow requirements and balance sheet considerations.

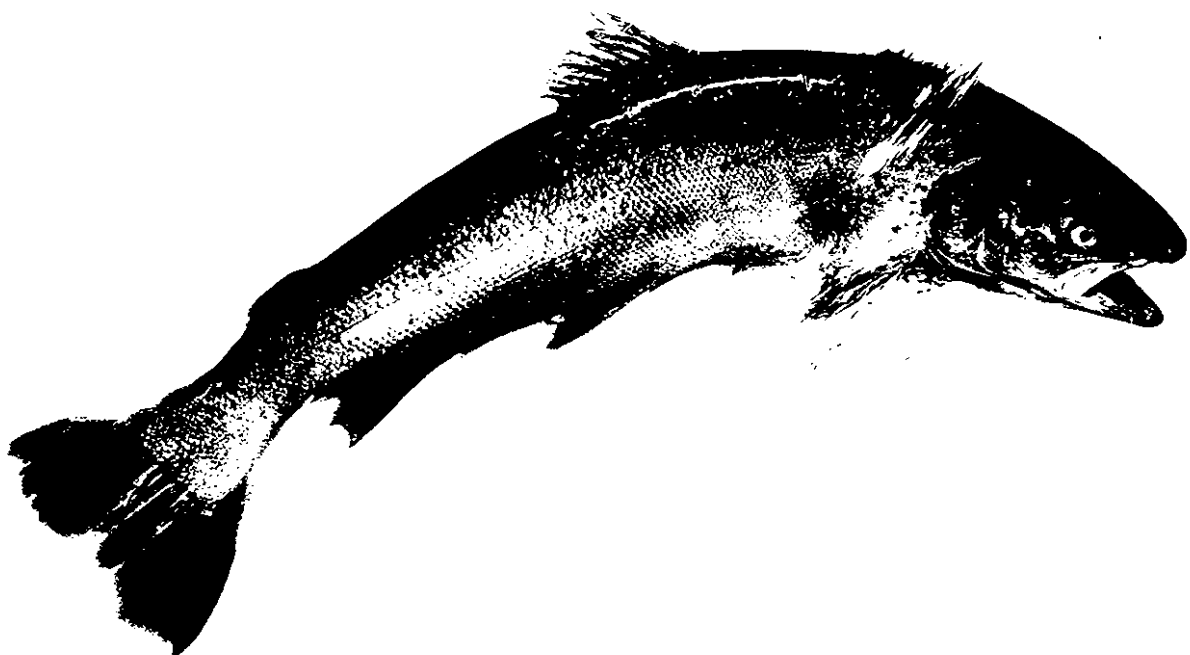
As noted above, the company has also committed to spending some £220 million on reinforcement of its water resource and distribution network over and above that assumed at the last periodic review, in order to meet our supply commitment over the next decade. In addition the five year programme of rebates amounting in aggregate to £30 per customer is planned to continue until 1999.

Commitment

Severn Trent Water continued its excellent record of cost control.



Domestic customers in the Severn Trent Water region use, on average, 137 litres of water per person every day for washing, drinking and cooking and this demand is increasing each year. The company is addressing a range of long term issues, including climate change, in working to secure water supplies for future generations – both in the home and the **natural environment**.



Challenges

This year has seen enormous achievements in managing the difficult conditions arising from the drought, making substantial improvements in customer service.

Business change

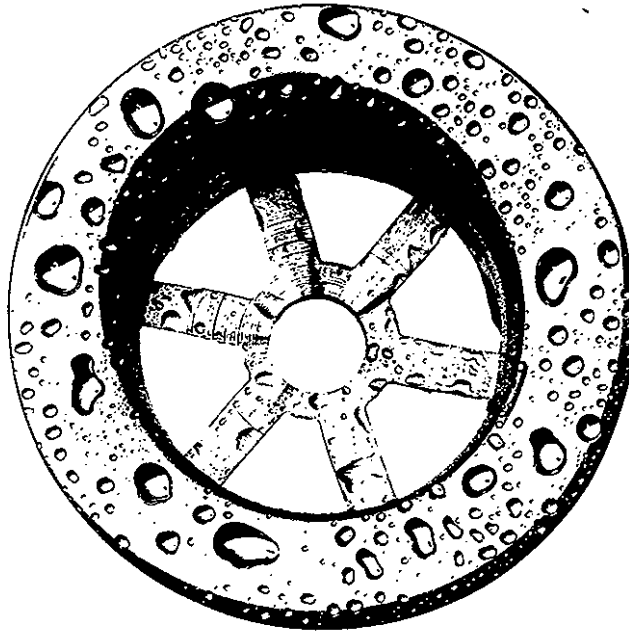
In 1994, the company announced a restructuring programme, 'Towards 2000', to be completed by 31 March 1997. That programme focused on reducing central overheads and £55 million was provided to meet the associated costs. All the objectives of that programme have been fully met at a cost of £46 million and annual savings of approximately £20 million have been achieved. Manpower numbers reduced from 6,757 at the commencement of the programme to 5,653 by 31 March 1997.

Severn Trent Water has now embarked on a further programme of business change. This comprises a major restructuring of the company's operational activities, with the focus on delivering improved customer service and asset management productivity. The anticipated cost of this programme is £29 million, funded from the £9 million remaining under the 'Towards 2000' provision and a further £20 million from a separate provision taken in these accounts. This new programme is expected to realise savings commencing in 1997/98 and rising to £12 million per annum by 2000/01.

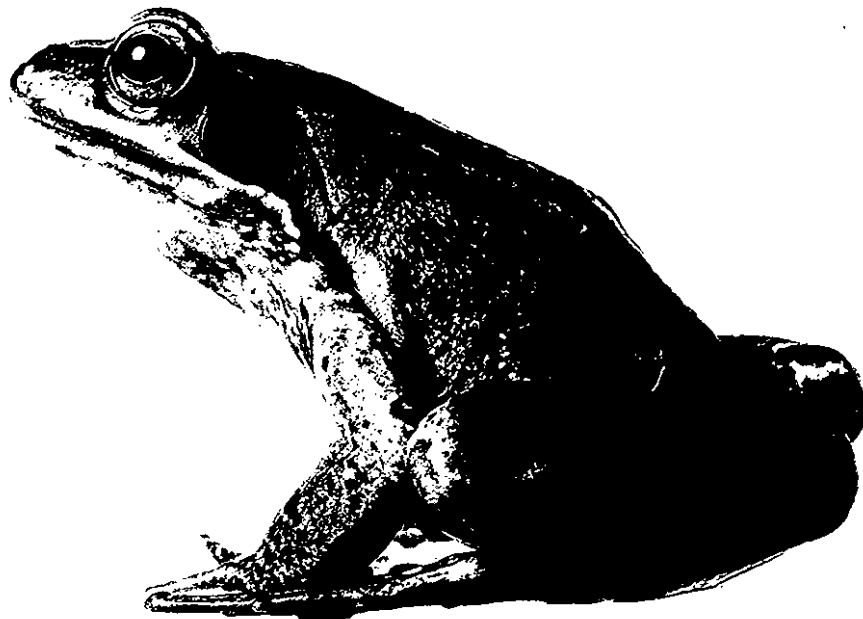
Our future

This year has seen enormous achievements in managing the difficult conditions arising from the drought, making substantial improvements in customer service whilst maintaining some of the best quality water in the world. The new organisation structure positions the company to make further strides in focusing on excellent customer service and delivering asset management productivity. It also positions the company to meet the challenges of climate and rising customer expectations, whilst improving the efficiencies which enable our prices to remain amongst the lowest in the country.

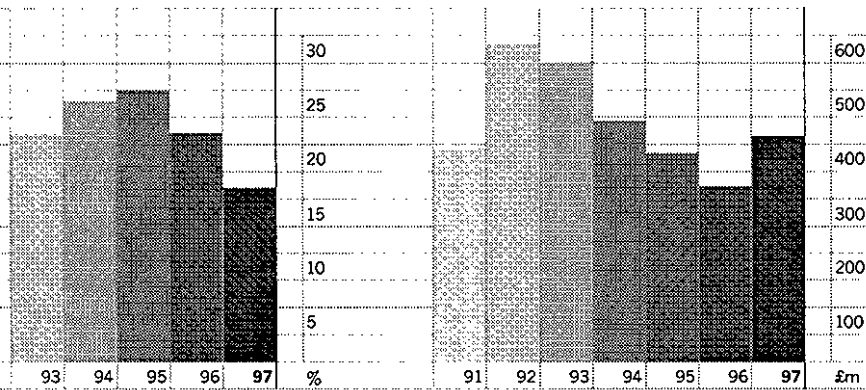
I would like to place on record my thanks to all employees of the company who have made this achievement happen, and for their continuing commitment for the future.



A plughole is just the start of the journey for used water. To protect the region's water environment we treat sewage to the highest standards, reaching 100% for sanitary standards last year and helping to encourage wildlife in our rivers and streams like **the frog**.



Your water: safe in our hands

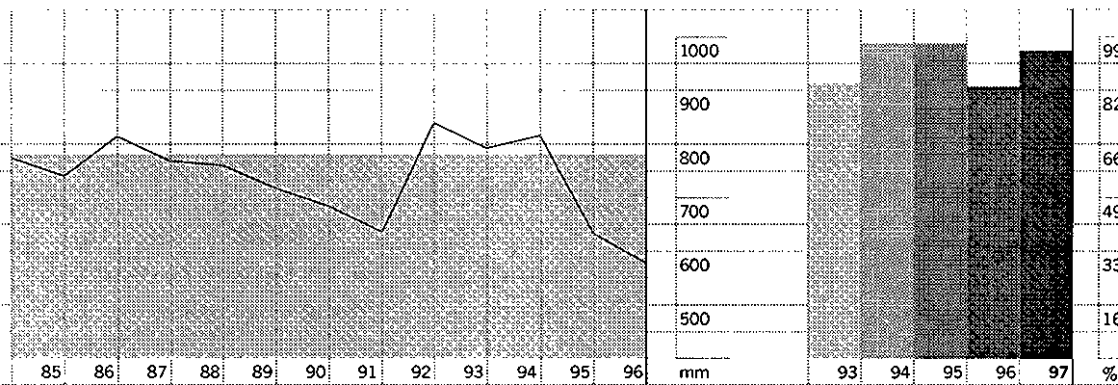


Company leakage

Since 1995 leakage has been reduced by one third to 16% – a year ahead of the timetable agreed with the regulator.

Annual investment expenditure

We will be spending an average of £400 million each year on improvements until the end of the century.



Area rainfall

▸ Long term average
— Actual

For most of 1995 and 1996 rainfall in the Severn Trent region was significantly below the long term average.

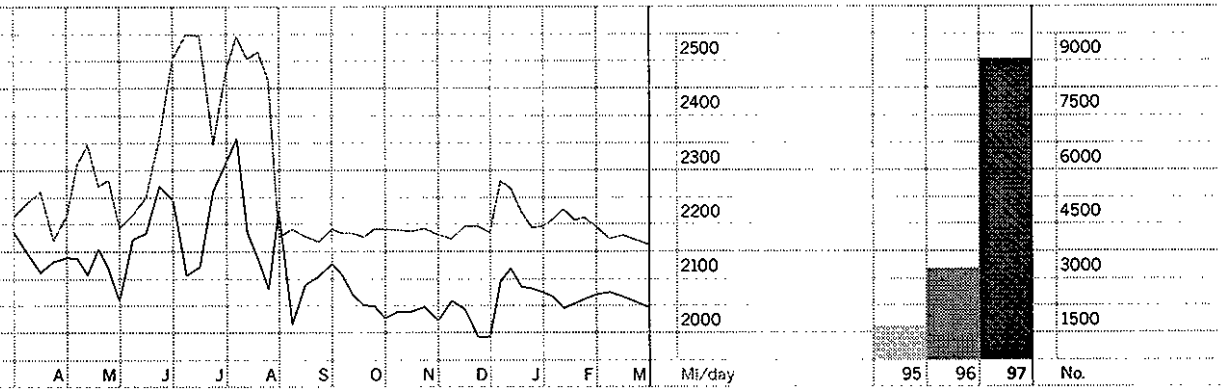
Reservoir levels

Careful use of our regional network and the sharp reduction in leakage, have helped keep levels high despite the drought.

We are now in a period of long term drought, the driest since records began two hundred years ago. Since the first really hot summer of the drought, in 1995, we have announced a £220 million programme to fix more leaks, find new water sources and extend our region-wide water main grid.

Despite the fact that the long term drought has continued, we have been able to make the best use of our assets to reassure our customers that we are determined to deliver plentiful water of the highest quality, whatever the weather. Our success in managing resources through the drought means that we have been able to reassure our customers that **your water is safe in our hands**.

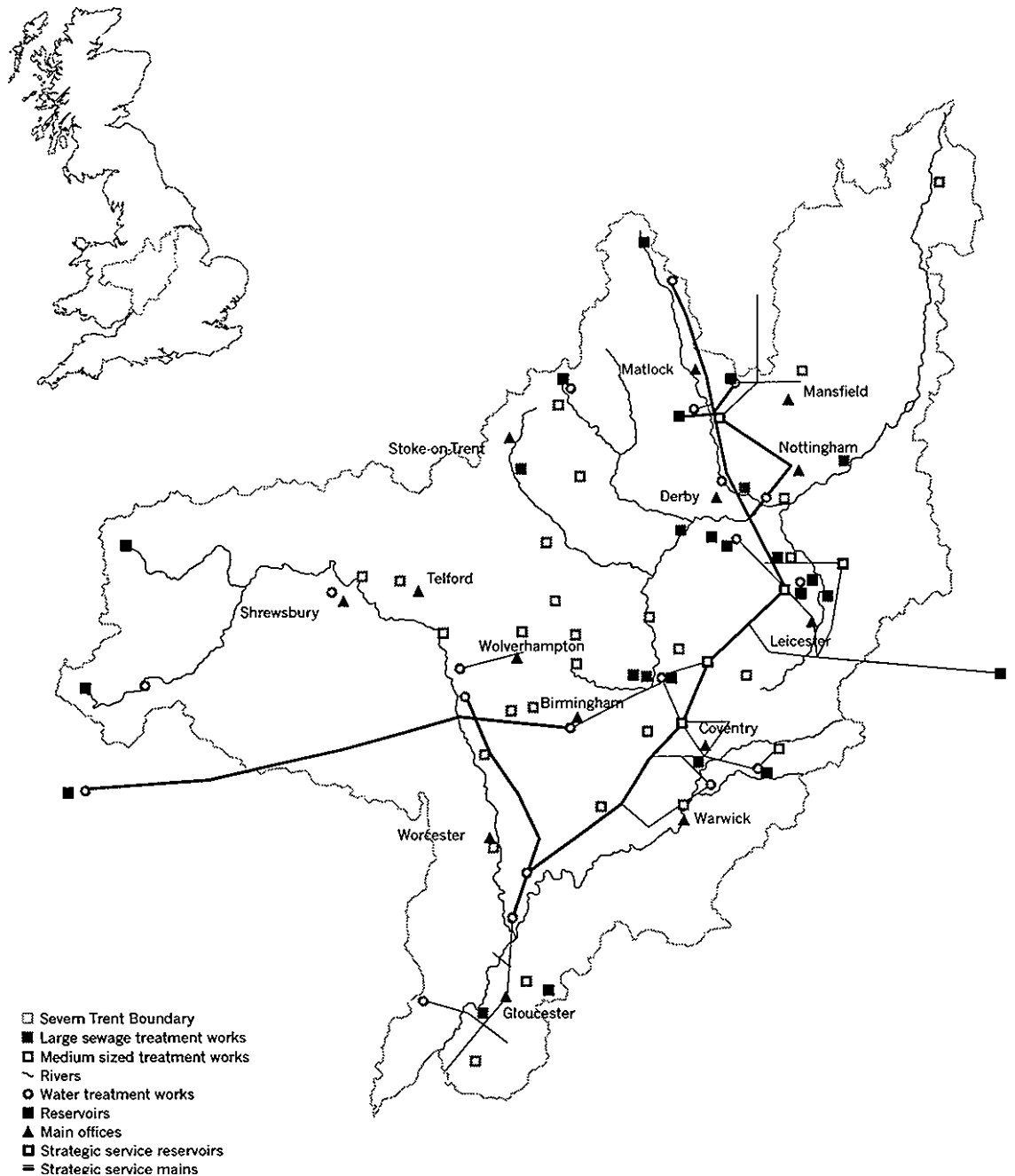
- Despite the long drought, the reservoirs are 95% full.
- Quality of drinking water and sewage discharges reached the best ever.
- A £220 million programme was announced to combat the effects of the drought and safeguard future supplies.
- We've spent £3.5 billion in investment since privatisation – but average household charges are still amongst the lowest in the country.
- We retained the Government Charter Mark for customer service and improved levels of service measured by OFWAT.



Average weekly water demand
 - 1995/96 level
 - 1996/97 level

Demand has dropped back from the exceptional levels experienced in 1995.

Number of repairs to customers' service pipes



Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 March 1997.

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 £919.1 million (1996: £895.6 million), and operating profit was £386.2 million (1996: £394.3 million). Profit on ordinary activities before taxation was £351.5 million (1996: £359.9 million).

Business review and future developments

A review of business activities and future developments is contained within the Managing Director's review on pages 2 to 9.

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 £275.0 million (1996: £506.0 million) were declared during the year of which £150 million was paid before the year end.

Directors

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

V Cocker Chairman
B Duckworth Managing Director
J K Banyard
J M Foster Appointed 2 June 1997
R Ireland Appointed 9 June 1997
M Lily
D W Mattin
G P Noone
A Q Todd
T D A Tricker Resigned 25 March 1997
R M Walker Appointed 9 June 1997
M R Wilson

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 20.

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 purchase order issued by the company has stated on it the terms of payment. Suppliers are able to negotiate their own payment terms which can differ to the code, as part of the tender process. On average trade creditors are paid between 35 and 40 days after the invoice date.

Research and development

The company's expenditure on research and development activities in 1997 was £4.3 million compared to £4.0 million in 1996. The company's research activities continue to be focused on achieving maximum benefit from investments by enhancing the performance of existing technologies in order to provide the most cost-effective means of meeting ever increasing regulatory standards.

During the last 12 months considerable effort has been put into developing an automatic monitoring station for the River Trent and developing a treatment strategy for blending River Trent and River Derwent waters at the Church Wilne water treatment works. In addition the company is undertaking a major research programme into the treatment of River Trent water in order that the river may be used to improve further the company's water resource position in future years. Other successful developments have included a sewage treatment inhibition monitor, which is now being manufactured under licence, and continuing improvements in the development of technologies for removing colour from sewage effluents.

Employees

The company employed 5,653 people on 31 March 1997 (1996: 5,862). The objectives of the company's 'Towards 2000' restructuring programme, commenced in 1994, have been fully met. The company has now embarked on a further programme of organisational change with the focus on delivering specific customer service and asset management productivity.

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 established communication channels supported by an award winning in-house magazine, 'Newstream'. Communicating change is a high priority and has been achieved through an extensive programme, led by Directors, of face-to-face briefings and discussions with all employees.

The company places great importance on good industrial relations for the mutual benefit of the company and its employees. The company has in place a single table bargaining arrangement which has facilitated ongoing agreements on pay and conditions for the period to 30 June 1998.

Equal opportunities and disabled persons

The company is continually reviewing its equal opportunities policies to ensure that none of its employees or prospective employees are disadvantaged because of colour, race, nationality, ethnic or national origin, gender, marital status or disability.

A procedure for dealing with potential harassment has been produced, leading to the selection and development of volunteer counsellors along with the provision of guidelines for employees and management.

Following the introduction of the Disability Discrimination Act an action plan has been developed to promote awareness across the company and ensure best practice, e.g. return to work programmes following serious illness or injury.

The company is continually reviewing and improving the facilities we offer to our disabled and older customers and as part of this commitment we ensure our front line staff are trained and certificated to national customer service standards.

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, and last year we were nominated for the RNID communicator of the year award.

The company has 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 confirmed that as at 31 March 1997 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.

Regulation: 'Cross directorships'

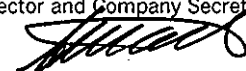
It is the policy of the company that Directors and employees of the company may be Directors of associated companies when this is in the best interests of the company, and where appropriate arrangements are in place to avoid conflicts of interest.

Auditors

A resolution proposing the reappointment 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
9 June 1997



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 15 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 15 to 26 which have been prepared under the historical cost convention and the accounting policies set out on pages 18 and 19.

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 1997 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

Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT
9 June 1997

Profit and loss account year ended 31 March 1997

	Notes	1997 £m	1996 £m
Turnover		919.1	895.6
Operating costs before exceptional costs	2	(512.9)	(501.3)
Exceptional costs	2	(20.0)	—
Total operating costs	2	(532.9)	(501.3)
Operating profit		386.2	394.3
Income from shares in subsidiary undertaking		0.4	0.4
Profit before interest		386.6	394.7
Net interest payable	4	(35.1)	(34.8)
Profit on ordinary activities before taxation		351.5	359.9
Taxation on profit on ordinary activities	5	(34.8)	(29.9)
Profit for the financial year		316.7	330.0
Dividend	6	(275.0)	(120.0)
Exceptional dividend	6	—	(386.0)
Retained profit/(loss) for the financial year	15	41.7	(176.0)

Statement of total recognised gains and losses

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

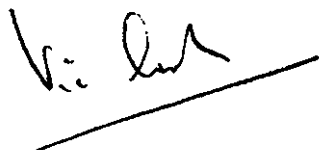
Reconciliation of movements in shareholders' funds

	1997 £m	1996 £m
Profit for the financial year	316.7	330.0
Dividends	(275.0)	(506.0)
Net addition to/(reduction in) shareholders' funds	41.7	(176.0)
Shareholders' funds at 1 April 1996	2,211.1	2,387.1
Shareholders' funds at 31 March 1997	2,252.8	2,211.1

Balance sheet as at 31 March 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Tangible assets	7	3,412.0	3,197.6
Investments	8	5.1	11.9
		3,417.1	3,209.5
Current assets			
Stocks		6.3	6.6
Debtors	9	139.2	119.5
Cash at bank and in hand		71.7	166.7
		217.2	292.8
Creditors: amounts falling due within one year	10	(445.8)	(332.6)
Net current liabilities		(228.6)	(39.8)
Total assets less current liabilities		3,188.5	3,169.7
Creditors: amounts falling due after more than one year	11	(826.4)	(846.4)
Provisions for liabilities and charges	13a	(47.5)	(49.0)
Provision for deferred income	13b	(61.8)	(63.2)
Net assets		2,252.8	2,211.1
Capital and reserves			
Called up share capital	14	1,000.0	1,000.0
Profit and loss account	15	1,252.8	1,211.1
Equity shareholders' funds		2,252.8	2,211.1

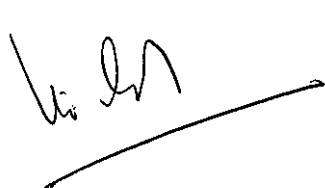
Signed on behalf of the board who approved the accounts on 9 June 1997.



V Cocker Chairman



M R Wilson Finance, Regulation and Planning Director




Cash flow statement year ended 31 March 1997

	Notes	1997 £m	1997 £m	1996 £m	1996 £m
Net cash inflow from operating activities	18a		463.4		452.8
Returns on investments and servicing of finance					
Interest received		11.2		14.6	
Interest paid		(40.0)		(32.2)	
Interest element of finance lease rental payments		(0.7)	(29.5)	(1.2)	(18.8)
Taxation			(20.9)		(1.7)
Capital expenditure					
Purchase of tangible fixed assets		(355.5)		(230.4)	
Grants received		18.2		19.7	
Sale of tangible fixed assets		5.5		7.1	
Loans advanced to associated undertakings		-		(1.5)	
Loans repaid by associated undertakings		6.9		0.2	
Investment in other fixed asset investments		(0.1)	(325.0)	-	(204.9)
Equity dividend paid			(150.0)		(506.0)
Net cash outflow before financing			(62.0)		(278.6)
Financing					
Loans advanced		199.9		386.0	
Loans repaid		(220.8)		(2.5)	
Finance lease capital repaid		(12.1)	(33.0)	(14.8)	368.7
Net (decrease)/increase in cash	18b		(95.0)		90.1

Reconciliation of net cash flow to movement in net debt

	1997 £m	1997 £m	1996 £m	1996 £m
Net (decrease)/increase in cash (as above)	(95.0)		90.1	
Decrease/(increase) in net debt and financing	33.0		(368.7)	
Change in net debt resulting from cash flows		(62.0)		(278.6)
Inception of finance lease contracts		(9.1)		(12.0)
Increase in net debt		(71.1)		(290.6)
Net debt at 31 March 1996		(705.7)		(415.1)
Net debt at 31 March 1997	18b	(776.8)		(705.7)

Comparative figures have been restated to reflect the requirements of FRS 1 (revised).

Notes to the financial statements year ended 31 March 1997

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 contributions 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 charge being written off to the profit and loss account over the period of the lease in proportion to the capital amount outstanding. Depreciation is 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.

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 £134.4 million lower than it would otherwise have been (1996: £120.1 million).

1 Accounting policies continued**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.

	Before exceptional costs	Exceptional costs	Total	Total
	1997 £m	1997 £m	1997 £m	1996 £m
2 Operating costs				
Wages and salaries	111.7	13.0	124.7	112.2
Social security costs	9.5	-	9.5	9.4
Pension costs (note 17)	11.3	6.0	17.3	12.0
Total employee costs	132.5	19.0	151.5	133.6
Power	33.3	-	33.3	37.9
Raw materials and consumables	29.4	-	29.4	28.0
Rates	38.7	-	38.7	35.2
Service charges	18.6	-	18.6	17.6
Agencies	17.9	-	17.9	17.7
Bad debt provision	16.8	-	16.8	15.0
Other operating costs	54.4	1.0	55.4	53.1
Infrastructure renewals charge (note 13a)	61.0	-	61.0	55.1
Depreciation charge (note 7 iv)	104.3	-	104.3	99.7
Hired and contracted services	46.9	-	46.9	40.2
Deferred income released (note 13b)	(3.9)	-	(3.9)	(3.6)
Hire of plant and machinery	2.0	-	2.0	1.9
Other operating leases	0.7	-	0.7	0.7
Audit fees	0.2	-	0.2	0.2
Research and development expenditure	4.3	-	4.3	4.0
Profit on disposal of tangible fixed assets	(2.7)	-	(2.7)	(2.9)
	554.4	20.0	574.4	533.4
Own work capitalised	(41.5)	-	(41.5)	(32.1)
	512.9	20.0	532.9	501.3

Other fees paid to the auditors, Price Waterhouse, included within other operating costs amounted to £26,000 (1996: £31,000).

Notes to the financial statements

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 1997	1 April 1996	31 March 1997	Granted during the year	Exercised during the year	1 April 1996
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
J K Banyard	9,270	3,799	14,429	1,633	25,409	38,205
M Lily	62	-	3,267	3,267	-	-
D W Mattin	2,231	600	14,923	-	1,569	16,492
G P Noone	19,159	11,921	5,411	-	20,523	25,934
A Q Todd	3,695	3,524	3,924	-	20,772	24,696
M R Wilson	62	-	1,477	1,477	-	-

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 annual report of that company for the year ended 31 March 1997. Share options were granted and exercised in accordance with the Severn Trent Executive Share Scheme and the Severn Trent Sharesave Scheme as appropriate.

	1997 £'000	1996 £'000
b) Emoluments		
Aggregate emoluments (excluding pension contributions)	856.4	748.1

i) Non-cash benefits included in aggregate emoluments consist mainly of the provision of cars and health care insurance.

ii) In addition to the amount shown above, £106,250 was paid to a former director as compensation for loss of office.

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 £166,700 (1996: £213,900) has been included above, representing the appropriate proportion of the emoluments in respect of service to the company.

iv) Seven directors (including the highest paid director) exercised share options in the year.

v) Retirement benefits are accruing to nine directors under a defined benefit scheme.

	1997 £'000	1996 £'000
Highest paid director		
Aggregate emoluments (excluding pension contributions)	166.7	153.1

The accrued pension at 31 March 1997 for the highest paid director was £68,747. The pension entitlement is that which would be paid annually on retirement based on service to the end of the year.

	1997 No.	1996 No.
Employee numbers		
Average number of employees during the year (full-time equivalent)		
Staff	3,285	3,298
Industrial staff	2,458	2,632
	5,743	5,930

	1997 £m	1996 £m
4 Net interest payable		
Interest receivable and similar income	10.9	12.4
Interest payable and similar charges:		
Bank loans and overdrafts	(27.5)	(21.7)
Interest due to parent undertaking	(7.2)	(11.9)
Finance leases	(9.4)	(11.7)
Other loans	(1.9)	(1.9)
	(35.1)	(34.8)

	1997 £m	1996 £m
5 Taxation on profit on ordinary activities		
UK corporation tax @ 33%		
Current year	47.0	38.6
Prior year	(10.9)	(3.3)
Group relief payable		
Current year	1.1	-
Prior year	(2.4)	(5.4)
	34.8	29.9

The government has announced its intention to impose a levy on utilities. At the date of signing these financial statements, the amount, timing and incidence of the levy have not been announced and therefore, no provision has been included.

	1997 £m	1996 £m
6 Dividends		
Dividend paid	150.0	120.0
Dividend payable	125.0	-
Exceptional dividend	-	386.0
	275.0	506.0

The company's dividend policy is to declare dividends which are consistent with the company's regulatory obligations and at a level which is decided each year after consideration of a number of factors, including regulatory uncertainty, market expectations, actual and potential efficiencies, future cash flow requirements and balance sheet considerations. The amount declared is expected to vary each year as the impact of these factors change. For 1996/97 total dividends declared by the company amount to £275 million, consistent with the above policy.

The company has also committed to spending some £220 million on reinforcement of its water resource and distribution network over and above that assumed at the last periodic review. In addition the five year programme of rebates amounting in aggregate to £30 per customer is planned to continue until 1999.

Notes to the financial statements

	Land and buildings £m	Infra- structure assets £m	Plant and equipment £m	Total £m
7 Tangible assets				
Cost				
At 1 April 1996	1,277.8	1,439.1	1,180.9	3,897.8
Additions	70.6	110.6	153.9	335.1
Grants and contributions	-	(14.3)	-	(14.3)
Assets sold or written off	(1.0)	-	(16.1)	(17.1)
Reclassification and transfers	(13.7)	1.9	12.5	0.7
At 31 March 1997	1,333.7	1,537.3	1,331.2	4,202.2
Depreciation				
At 1 April 1996	346.3	-	353.9	700.2
Charge for year	27.1	-	77.2	104.3
Assets sold or written off	(0.9)	-	(13.4)	(14.3)
At 31 March 1997	372.5	-	417.7	790.2
Net book value				
At 31 March 1997	961.2	1,537.3	913.5	3,412.0
At 31 March 1996	931.5	1,439.1	827.0	3,197.6
			1997 £m	1996 £m
i) Included in tangible fixed assets are assets held under finance leases as follows:				
Cost			174.1	193.7
Accumulated depreciation			(44.3)	(41.0)
Net book value			129.8	152.7
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.				
			1997 £m	1996 £m
iii) The net book value of land and buildings is analysed as follows:				
Freehold			961.0	931.2
Short leasehold			0.2	0.3
			961.2	931.5
			1997 £m	1996 £m
iv) Depreciation incurred during the year has been charged as follows:				
Owned assets			94.7	88.3
Assets held under finance leases			9.6	11.4
			104.3	99.7
			1997 £m	1996 £m
v) Included in the above are the following tangible fixed assets not subject to depreciation:				
Land			18.1	18.1
Infrastructure assets			1,537.3	1,439.1
Assets in the course of construction			253.8	280.2
			1,809.2	1,737.4
vi) Tangible asset additions include £6.3 million in respect of the purchase of a carbon regeneration plant from Grafham Carbons Limited, an associated undertaking. Subsequent to this purchase, Grafham Carbons Limited repaid a loan of £6.3 million owed to the company. This repayment is included in loans repaid by associated undertakings disclosed in note 8.				

8 Investments	Subsidiary undertaking Shares £m	Associated undertakings Loans £m	Other investments £m	Total £m
At 1 April 1996	4.6	7.1	0.2	11.9
Additions	-	-	0.1	0.1
Loans repaid	-	(6.9)	-	(6.9)
At 31 March 1997	4.6	0.2	0.3	5.1

Subsidiary undertaking	Country of registration and operation	Percentage and class of share capital held	Nature of business
East Worcester Water Plc	England	100% ordinary	Water undertaking
		100% non-voting ordinary	
		100% 10.75% preference shares	
Associated undertakings			
Graham 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	1997 £m	1996 £m
Trade debtors	70.0	67.3
Amounts owed by parent and fellow subsidiary undertakings	5.3	2.0
Amounts owed by subsidiary undertaking	1.5	1.1
Other debtors	6.9	6.9
Prepaid pension contributions	0.3	-
Prepayments and accrued income	55.2	42.2
	139.2	119.5

Debtors include £0.8 million (1996: £0.5 million) which falls due after more than one year.

10 Creditors: amounts falling due within one year	1997 £m	1996 £m
Bank loans	27.8	27.9
Obligations under finance leases	1.3	8.5
Borrowings (note 12)	29.1	36.4
Trade creditors	21.3	30.3
Amounts owed to parent and fellow subsidiary undertakings	46.1	38.2
Amounts owed to subsidiary undertaking	5.5	5.5
Other creditors	2.2	1.4
Taxation and social security	3.2	3.5
Corporation tax payable	22.2	15.2
Proposed dividend payable to parent undertaking	125.0	-
Accruals and deferred income	191.2	202.1
	445.8	332.6

Notes to the financial statements

	1997 £m	1996 £m
11 Creditors: amounts falling due after more than one year		
Bank loans	440.4	267.8
Loans from parent undertaking	193.0	386.0
Other loans	14.9	15.3
Obligations under finance leases	171.1	166.9
Borrowings (note 12)	819.4	836.0
Other	7.0	10.4
	826.4	846.4

	Loans			1997 Total £m	1996 Total £m
	Repayable by instalments any of which are payable after five years £m	Other repayment terms £m	Finance leases £m		
12 Borrowings					
Within one year (note 10)	0.5	27.3	1.3	29.1	36.4
Between one and two years	0.3	136.2	-	136.5	29.0
Between two and five years	0.7	344.5	-	345.2	564.1
After more than five years	13.8	152.8	171.1	337.7	242.9
	15.3	660.8	172.4	848.5	872.4

	Rate of interest %	1997 £m	1996 £m
Loans repayable partly or wholly after five years comprise			
European Investment Bank loans – 2002–2003	5.6 – 7.9	152.7	95.5
Local authority loans – 2010–2035	6.0 – 14.4	15.3	15.5
Other loans	3.5 – 5.0	0.1	0.1
		168.1	111.1

	Balance at 1 April 1996 £m	Charged to profit and loss account £m	Utilised £m	Balance at 31 March 1997 £m
13 Provisions				
a) Provisions for liabilities and charges comprise				
Infrastructure renewals	29.7	61.0	(72.5)	18.2
Restructuring	19.3	20.0	(10.0)	29.3
	49.0	81.0	(82.5)	47.5

The utilisation of the infrastructure renewals provision is shown net of grants and contributions of £4.3 million (1996: £3.5 million).

	Balance at 1 April 1996 £m	Transfer from fixed assets £m	Released to profit and loss account £m	Received £m	Balance at 31 March 1997 £m
b) Deferred income	63.2	0.7	(3.9)	1.8	61.8

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 1997. The full potential deferred taxation liability, calculated under the liability method at a tax rate of 33% is:

	1997 £m	1996 £m
Capital allowances	283.2	251.1
Other timing differences	(18.0)	(21.2)
	265.2	229.9

Had provision for deferred taxation been made on the full liability method there would have been an additional tax charge of £35.3 million (1996: £45.2 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 £405.3 million (1996: £370.7 million), assuming a tax rate of 33%, have therefore been excluded from the amounts set out above.

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

	1997 £m	1996 £m
14 Share capital		
Authorised		
1,000,000,000 Ordinary Shares of £1 each	1,000.0	1,000.0
Issued and fully paid		
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.

	£m
15 Profit and loss account	
At 1 April 1996	1,211.1
Retained profit for the year	41.7
At 31 March 1997	1,252.8

	1997 £m	1996 £m
16 Commitments and contingent liabilities		
a) Investment expenditure commitments		
Contracted for but not provided in the financial statements	224.5	176.5

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 in demand for 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:

	1997		1996	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	–	0.1	–	0.1
Between one and five years	0.1	0.2	0.1	0.2
After five years	0.3	–	0.4	–
	0.4	0.3	0.5	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.

Notes to the financial statements

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 a separate fund administered by trustees. Employer's contributions during the year were £11.3 million before the exceptional restructuring provision (1996: £12.0 million).

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
Inflation	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.

The employers' contribution to STWPS continues unchanged at the rate of 11.88%, 9.9% or 5.94% of pensionable pay of STWPS members whose contributions are at the rate of 6%, 5% or 3% of pensionable pay.

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 assumptions 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.

	1997 £m	1996 £m
18 Cash flow statement		
a) Reconciliation of profit before interest to net cash inflow from operating activities		
Profit before interest	386.6	394.7
Income from shares in subsidiary undertaking	(0.4)	(0.4)
Depreciation charge (note 7 iv)	104.3	99.7
Profit on sale of tangible fixed assets	(2.7)	(2.9)
Infrastructure renewals charge (note 13a)	61.0	55.1
Utilisation of infrastructure renewals provision (note 13a)	(76.8)	(70.2)
Deferred income received (note 13b)	1.8	2.8
Deferred income written back (note 13b)	(3.9)	(3.6)
Restructuring provision	20.0	-
Utilisation of restructuring provision	(10.0)	(22.2)
Decrease/(increase) in stocks	0.3	(0.8)
Increase in debtors	(14.4)	(4.9)
(Decrease)/increase in creditors	(2.4)	5.5
Net cash inflow from operating activities	463.4	452.8

The utilisation of the restructuring provision relates to an exceptional restructuring provision charged to the profit and loss account in a previous year.

	Balance at 1 April 1996 £m	Cash flow £m	Other non- cash changes £m	Balance at 31 March 1997 £m
b) Analysis of changes in net debt				
Cash at bank and in hand	166.7	(95.0)	-	71.7
Debt due within one year (note 12)	(27.9)	27.8	(27.7)	(27.8)
Debt due after one year (note 12)	(669.1)	(6.9)	27.7	(648.3)
Finance leases (note 12)	(175.4)	12.1	(9.1)	(172.4)
	(705.7)	(62.0)	(9.1)	(776.8)

Group profit and loss account year ended 31 March 1997

	1997 £m	1996 £m
Turnover	919.1	895.6
Operating costs before exceptional costs	(515.6)	(504.2)
Exceptional costs	(20.0)	-
Total operating costs	(535.6)	(504.2)
Share of results of associated undertakings	-	0.1
Other operating income	2.7	2.9
Operating profit	386.2	394.4
Net interest payable	(35.1)	(34.8)
Profit on ordinary activities before taxation	351.1	359.6
Taxation on profit on ordinary activities	(34.8)	(29.9)
Profit for financial year	316.3	329.7
Dividend	(275.0)	(120.0)
Exceptional dividend	-	(386.0)
Retained profit/(loss) for the financial year	41.3	(176.3)

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

Group balance sheet as at 31 March 1997

	1997 £m	1996 £m
Fixed assets		
Tangible assets	3,412.0	3,197.6
Investments	0.7	7.4
	3,412.7	3,205.0
Current assets		
Stocks	6.3	6.6
Debtors	137.7	118.3
Cash at bank and in hand	72.0	167.0
	216.0	291.9
Creditors: amounts falling due within one year		
Borrowings	(29.1)	(36.4)
Dividends payable	(125.0)	-
Other creditors	(286.4)	(290.7)
	(440.5)	(327.1)
Net current liabilities	(224.5)	(35.2)
Total assets less current liabilities	3,188.2	3,169.8
Creditors: amounts falling due after more than one year		
Borrowings	(819.5)	(836.1)
Other creditors	(7.0)	(10.4)
	(826.5)	(846.5)
Provisions for liabilities and charges	(47.5)	(49.0)
Provision for deferred income	(61.8)	(63.2)
Net assets	2,252.4	2,211.1
Capital and reserves		
Called up share capital	1,000.0	1,000.0
Profit and loss account	1,252.4	1,211.1
Shareholders' funds	2,252.4	2,211.1

Group profit and loss account year ended 31 March 1997

	Notes	1997 £m	1996 £m
Turnover	2a	919.1	895.6
Current cost operating costs before exceptional costs	2d	(560.5)	(547.0)
Exceptional costs	2d	(20.0)	-
Total current cost operating costs		(580.5)	(547.0)
Share of results of associated undertakings		-	0.1
Other operating income	2b	2.5	4.4
		341.1	353.1
Working capital adjustment	2c	3.9	3.7
Current cost operating profit		345.0	356.8
Net interest payable		(35.1)	(34.8)
Financing adjustment		20.1	13.0
Current cost profit before taxation		330.0	335.0
Taxation on profit on ordinary activities		(34.8)	(29.9)
Current cost profit attributable to shareholders		295.2	305.1
Dividend		(275.0)	(120.0)
Exceptional dividend		-	(386.0)
Current cost profit/(loss) retained		20.2	(200.9)

Group balance sheet as at 31 March 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Tangible assets	3	24,928.9	24,071.9
Third party contributions since 1989/90		(531.2)	(453.3)
Working capital	4	(100.8)	(150.9)
Net operating assets		24,296.9	23,467.7
Cash and investments		72.7	174.4
Non-trade debtors		11.3	6.6
Non-trade creditors due within one year		(100.9)	(89.0)
Creditors due after one year		(826.5)	(846.5)
Provisions for liabilities and charges		(29.3)	(19.3)
Dividends payable		(125.0)	-
Net assets employed		23,299.2	22,693.9
Capital and reserves			
Called up share capital		1,000.0	1,000.0
Profit and loss account		509.8	489.6
Current cost reserve	5	21,789.4	21,204.3
		23,299.2	22,693.9

Group cash flow statement year ended 31 March 1997

	Notes	1997 £m	1997 £m	1996 £m	1996 £m
Net cash inflow from operating activities	6		540.2		523.0
Returns on investments and servicing of finance					
Interest received		11.2		14.6	
Interest paid		(40.0)		(32.2)	
Interest element of finance lease rental payments		(0.7)	(29.5)	(1.2)	(18.8)
Taxation			(20.9)		(1.5)
Capital expenditure					
Purchase of tangible fixed assets		(355.5)		(230.4)	
Grants received		18.2		19.7	
Infrastructure renewals expenditure		(76.8)		(70.2)	
Disposal of fixed assets		5.5		7.1	
Loans advanced to associated undertakings		-		(1.5)	
Loans repaid by associated undertakings		6.9		0.2	
Investment in other fixed asset investments		(0.1)	(401.8)	-	(275.1)
Equity dividend paid			(150.0)		(506.0)
Net cash outflow before financing			(62.0)		(278.4)
Financing					
Loans advanced		199.9		386.0	
Loans repaid		(220.8)		(2.5)	
Finance lease capital repaid		(12.1)	(33.0)	(14.8)	368.7
Net (decrease)/increase in cash			(95.0)		90.3

Reconciliation of net cash flow to movement in net debt

	1997 £m	1997 £m	1996 £m	1996 £m
Net (decrease)/increase in cash as above	(95.0)		90.3	
Decrease/(Increase) in net debt and financing	33.0		(368.7)	
Change in net debt resulting from cash flows		(62.0)		(278.4)
Inception of finance lease contracts		(9.1)		(12.0)
Decrease in net debt		(71.1)		(290.4)
Net debt at 31 March 1996		(705.5)		(415.1)
Net debt at 31 March 1997		(776.6)		(705.5)

Comparative figures have been restated to reflect the requirements of FRS 1 (revised).

Notes to the current cost financial statements year ended 31 March 1997

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 3.04 issued by the Office of Water Services in April 1997.

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

b) General

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

The accounting policies used are the same as those adopted in the statutory historical cost financial statements 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.

1 Accounting policies continued**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.

	Water services	Sewerage services	Total 1997	Water services	Sewerage services	Total 1996
	£m	£m	£m	£m	£m	£m
2 Analysis of current cost turnover and operating costs						
a) Analysis of turnover						
Measured	144.4	142.4	286.8	136.7	137.9	274.6
Unmeasured	229.4	333.5	562.9	225.5	327.4	552.9
Trade effluent	–	43.4	43.4	–	43.1	43.1
Revenue grants	0.1	–	0.1	0.1	–	0.1
Third parties	9.5	0.6	10.1	8.9	0.8	9.7
Other sources	9.4	6.4	15.8	8.6	6.6	15.2
Total turnover	392.8	526.3	919.1	379.8	515.8	895.6
b) Other operating income						
Current cost profit on disposal of tangible fixed assets	1.9	0.6	2.5	2.3	2.1	4.4
c) Working capital adjustment	(0.6)	4.5	3.9	(0.8)	4.5	3.7

Notes to the current cost financial statements

2 Analysis of current cost turnover and operating costs continued

	Water services			Sewerage services					Business analysis		
	Resources and treatment	Distribution	Water services sub-total	Sewerage	Sewage treatment	Sludge treatment and disposal	Sewage treatment/disposal sub-total	Sewerage services sub-total	Customer services	Scientific services	Cost of regulation
d) Analysis of operating costs and tangible fixed assets	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	1997 £m
Direct costs											
Employment costs	7.4	17.4	24.8	1.4	11.4	6.4	17.8	19.2			
Power	8.1	12.6	20.7	0.8	8.7	1.8	10.5	11.3			
Agencies	-	-	-	17.8	-	-	-	17.8			
Hired and contracted	1.5	12.7	14.2	1.0	1.0	4.7	5.7	6.7			
Associated companies	0.5	0.9	1.4	0.4	0.4	1.7	2.1	2.5			
Materials and consumables	6.0	3.5	9.5	0.3	2.0	2.7	4.7	5.0			
Service charges	7.4	-	7.4	1.1	3.6	-	3.6	4.7			
Bulk supply imports	6.2	-	6.2	-	-	-	-	-			
Other direct costs	0.3	0.9	1.2	0.4	0.6	0.6	1.2	1.6			
Total direct costs	37.4	48.0	85.4	23.2	27.7	17.9	45.6	68.8	22.8	11.1	2.3
General and support	19.9	19.3	39.2	4.2	22.2	12.5	34.7	38.9	7.7	4.0	0.7
Functional expenditure	57.3	67.3	124.6	27.4	49.9	30.4	80.3	107.7	30.5	15.1	3.0
Business activities recharge			23.6					25.0	(30.5)	(15.1)	(3.0)
Rates			23.3					15.2			
Doubtful debts			7.4					9.4			
Exceptional items			9.2					10.8			
			188.1					168.1			
Services for third parties			16.0					2.0			
Total operating expenditure			204.1					170.1			
Capital costs											
Infrastructure renewals:											
Expenditure	(0.7)	35.1	34.4	37.7	-	0.4	0.4	38.1			
Accrual	2.2	(2.4)	(0.2)	(10.9)	-	(0.4)	(0.4)	(11.3)			
Current cost depreciation	39.9	22.2	62.1	10.5	55.9	16.1	72.0	82.5			
Amortisation of deferred income			(1.2)					(1.9)			
Business activity capital costs			1.9					1.7			
			97.0					109.1			
Services for third parties depreciation			0.2					-			
Total capital maintenance			97.2					109.1			
Total operating costs			301.3					279.2			
Analysis of tangible fixed assets											
Service activities	1,689.3	4,264.6	5,953.9	16,886.6	1,349.3	284.2	1,633.5	18,520.1			
Business activities			133.1	9.4			108.6	118.0			
Service totals			6,087.0	16,896.0			1,742.1	18,638.1			
Services for third parties			203.8					-			
Total			6,290.8					18,638.1			

2 Analysis of current cost turnover and operating costs continued

	Water services			Sewerage services			Business analysis			1996 £m	
	Resources and treatment	Distribution	Water services sub-total	Sewerage	Sewage treatment	Sludge treatment and disposal	Sewage treatment/ disposal sub-total	Sewerage services sub-total	Customer services		Scientific services
d) Analysis of operating costs and tangible fixed assets											
Direct costs	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
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	6.5	-	6.5	1.0	3.6	-	3.6	4.6			
Bulk supply imports	6.3	-	6.3	-	-	-	-	-			
Other direct costs	0.9	0.7	1.6	0.2	0.4	0.4	0.8	1.0			
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
Business activities recharge			23.6					26.0	(30.3)	(16.1)	(3.2)
Rates			22.4					12.8			
Doubtful debts			6.6					8.4			
Exceptional items			-					-			
			178.5					157.9			
Services for third parties			14.4					2.2			
Total operating expenditure			192.9					160.1			
Capital costs											
Infrastructure renewals:											
Expenditure	1.0	53.3	54.3	12.4	-	-	-	12.4			
Accrual	0.5	(14.4)	(13.9)	2.5	-	(0.2)	(0.2)	2.3			
Current cost depreciation	30.0	21.4	51.4	10.9	60.6	15.9	76.5	87.4			
Amortisation of deferred income			(1.3)					(1.5)			
Business activity capital costs			1.4					1.3			
			91.9					101.9			
Services for third parties depreciation			0.2					-			
Total capital maintenance			92.1					101.9			
Total operating costs			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			

Comparative figures have been restated to reflect the amendments to the Regulatory Accounting Guideline No. 4 to ensure consistency with July Return submission.

e) Non-appointed business

The group has not identified for the purpose of its 1996/97 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.

Notes to the current cost financial statements

	Specialised operational assets	Non- specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
3 Analysis of tangible fixed assets by asset type within service					
a) Water services tangible fixed assets analysed by asset type					
Gross replacement cost					
At 1 April 1996	1,714.9	101.5	4,873.0	163.7	6,853.1
RPI adjustment	38.9	2.6	124.1	2.3	167.9
Additions	78.2	4.8	83.9	31.0	197.9
Disposals and amounts written off	(17.5)	(1.2)	-	(6.0)	(24.7)
At 31 March 1997	1,814.5	107.7	5,081.0	191.0	7,194.2
Depreciation					
At 1 April 1996	721.9	30.4	-	89.9	842.2
RPI adjustment	18.7	0.8	-	1.6	21.1
Charge for year	43.0	1.4	-	19.8	64.2
Disposals and amounts written off	(17.3)	(1.0)	-	(5.8)	(24.1)
At 31 March 1997	766.3	31.6	-	105.5	903.4
Net book value					
At 31 March 1997	1,048.2	76.1	5,081.0	85.5	6,290.8
At 31 March 1996	993.0	71.1	4,873.0	73.8	6,010.9
b) Sewerage services tangible fixed assets analysed by asset type					
Gross replacement cost					
At 1 April 1996	3,496.6	108.7	16,221.4	134.2	19,960.9
RPI adjustment	88.0	2.7	422.6	2.0	515.3
Additions	102.1	2.5	69.7	21.6	195.9
Disposals and amounts written off	(12.0)	(1.4)	-	(5.4)	(18.8)
At 31 March 1997	3,674.7	112.5	16,713.7	152.4	20,653.3
Depreciation					
At 1 April 1996	1,797.4	27.1	-	75.4	1,899.9
RPI adjustment	47.0	0.7	-	1.4	49.1
Charge for year	66.7	1.3	-	16.2	84.2
Disposals and amounts written off	(12.0)	(0.8)	-	(5.2)	(18.0)
At 31 March 1997	1,899.1	28.3	-	87.8	2,015.2
Net book value					
At 31 March 1997	1,775.6	84.2	16,713.7	64.6	18,638.1
At 31 March 1996	1,699.2	81.6	16,221.4	58.8	18,061.0

3 Analysis of tangible fixed assets by asset type within service continued

	Specialised operational assets	Non- specialised operational assets	Infra- structure assets	Other assets	Total
	£m	£m	£m	£m	£m
c) Total tangible fixed assets analysed by asset type					
Gross replacement cost					
At 1 April 1996	5,211.5	210.2	21,094.4	297.9	26,814.0
RPI adjustment	126.9	5.3	546.7	4.3	683.2
Additions	180.3	7.3	153.6	52.6	393.8
Disposals and amounts written off	(29.5)	(2.6)	-	(11.4)	(43.5)
At 31 March 1997	5,489.2	220.2	21,794.7	343.4	27,847.5
Depreciation					
At 1 April 1996	2,519.3	57.5	-	165.3	2,742.1
RPI adjustment	65.7	1.5	-	3.0	70.2
Charge for year	109.7	2.7	-	36.0	148.4
Disposals and amounts written off	(29.3)	(1.8)	-	(11.0)	(42.1)
At 31 March 1997	2,665.4	59.9	-	193.3	2,918.6
Net book value					
At 31 March 1997	2,823.8	160.3	21,794.7	150.1	24,928.9
At 31 March 1996	2,692.2	152.7	21,094.4	132.6	24,071.9

Notes to the current cost financial statements

	1997 £m	1996 £m
4 Working capital		
Stocks	6.3	6.6
Trade debtors	70.0	67.3
Trade creditors	(7.7)	(8.0)
Short term capital creditors	(13.6)	(22.3)
Infrastructure renewals accrual	(18.2)	(29.7)
Accruals	(129.8)	(146.9)
Payments in advance	(43.9)	(41.2)
Tax and social security	(3.2)	(3.5)
Group trade debtors/(creditors)	(9.2)	(12.9)
Other trade debtors/(creditors)	4.0	4.1
Prepayments	44.5	35.6
	(100.8)	(150.9)

	1997 £m	1996 £m
5 Reserves – current cost reserve		
At 1 April 1996	21,204.3	20,617.6
RPI adjustments:		
Fixed assets	613.0	609.3
Working capital	(3.9)	(3.7)
Financing	(20.1)	(13.0)
Grants and third party contributions	(11.8)	(10.4)
Other adjustments	7.9	4.5
At 31 March 1997	21,789.4	21,204.3

	1997 £m	1996 £m
6 Reconciliation of current cost operating profit to net cash inflow from operating activities		
Current cost operating profit	345.0	356.8
Working capital adjustment	(3.9)	(3.7)
Share of results of associated undertakings	–	(0.1)
Decrease/(increase) in stocks	0.3	(0.8)
Current cost depreciation	148.4	141.7
Current cost profit on disposal of tangible fixed assets	(2.5)	(4.4)
Increase in debtors	(14.4)	(4.9)
(Decrease)/increase in creditors	(2.4)	5.5
Release of provisions	(15.8)	(15.1)
Infrastructure renewals expenditure	76.8	70.2
Restructuring provision	20.0	–
Effect of other deferrals and accruals on operating activity cash flow	(11.3)	(22.2)
Net cash inflow from operating activities	540.2	523.0

Five year summary at 1996/97 out-turn prices

	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Profit and loss account					
Turnover	919.1	917.1	895.3	857.7	820.2
Current cost operating costs	(580.5)	(560.1)	(631.8)	(582.9)	(574.8)
Share of results of associated undertakings	-	0.1	(0.1)	0.1	-
Other operating income	2.5	4.5	4.4	4.0	7.2
	341.1	361.6	267.8	278.9	252.6
Working capital adjustment	3.9	3.8	5.3	2.6	3.2
Current cost operating profit	345.0	365.4	273.1	281.5	255.8
Net interest payable	(35.1)	(35.6)	(26.6)	(24.1)	(10.5)
Financing adjustment	20.1	13.3	15.4	8.1	1.0
Current cost profit before taxation	330.0	343.1	261.9	265.5	246.3
Taxation	(34.8)	(30.7)	(6.7)	(5.8)	-
Current cost profit attributable to shareholders	295.2	312.4	255.2	259.7	246.3
Dividend	(275.0)	(122.9)	(148.0)	(146.6)	(137.5)
Exceptional dividend	-	(395.3)	-	-	(663.0)
Current cost profit/(loss) retained	20.2	(205.8)	107.2	113.1	(554.2)
Balance sheet					
	1997 £m	1996 £m	1995 £m	1994 £m	1993 £m
Fixed assets					
Tangible assets	24,928.9	24,697.8	24,567.6	24,361.4	24,073.0
Third party contributions since 1989/90	(531.2)	(465.1)	(403.2)	(338.3)	(275.0)
Working capital	(100.8)	(154.8)	(145.3)	(156.1)	(118.4)
Net operating assets	24,296.9	24,077.9	24,019.1	23,867.0	23,679.6
Cash and investments	72.7	178.9	87.2	80.8	122.5
Non-trade debtors	11.3	6.8	13.9	11.5	1.3
Non-trade creditors due within one year	(100.9)	(91.3)	(33.3)	(33.5)	(91.0)
Creditors due after one year	(826.5)	(868.6)	(528.2)	(508.5)	(385.4)
Provision for liabilities and charges	(29.3)	(19.8)	(46.0)	(4.3)	(9.2)
Dividends payable	(125.0)	-	-	-	(18.6)
Net assets employed	23,299.2	23,283.9	23,512.7	23,413.0	23,299.2
Capital and reserves					
Called up share capital	1,000.0	1,026.0	1,054.0	1,091.0	1,116.0
Profit and loss account	509.8	502.3	727.7	642.6	540.9
Current cost reserve	21,789.4	21,755.6	21,731.0	21,679.4	21,642.3
	23,299.2	23,283.9	23,512.7	23,413.0	23,299.2

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

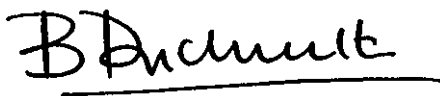
Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the company as a Water and Sewerage Undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines 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 12 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 arm's 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.



For and on behalf of the board
B Duckworth Managing Director
9 June 1997

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 18 and 19, 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 pages 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 1997 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 Numbers 1 to 4 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.



Anne Walton

Price Waterhouse
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT
9 June 1997

Financial and operating statistics

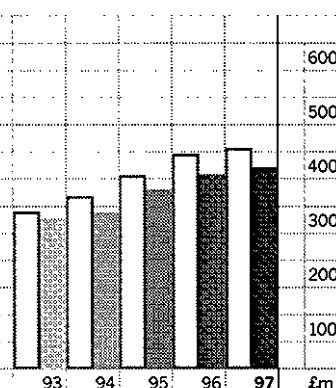
Severn Trent Water has made a commitment to publish information on its financial, customer service, operational and quality performance. This statistics section uses information primarily from this report and accounts, the company's annual drinking water quality report and information submitted to the Director General of Water Services as part of the company's July 1997 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 auditors.

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.

Financial	43
Customer service	45
Climate	49
Demand	50
Drought measures	51
Investment	52
Investment and quality	53
Sewage	54
Visitor and education centres	55
Main offices	56

Financial



Profit (excluding restructuring)
 □ Operating profit
 ▨ Profit for the financial year

Profit and loss accounts	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Turnover	742.3	789.8	847.0	895.6	919.1
Operating profit	287.9	316.3	300.5*	394.4	386.2~
Net interest payable	(9.5)	(22.2)	(25.2)	(34.8)	(35.1)
Profit for the financial year	278.4	294.1	275.3*	359.6	351.1~
Taxation	-	(5.3)	(6.3)	(29.9)	(34.8)
Dividend	(124.4)	(135.0)	(140.0)	(120.0)	(275.0)
Exceptional dividend	(600.0)	-	-	(386.0)	-
Retained profit/(loss)	(446.0)	153.8	129.0*	(176.3)	41.3~

*After restructuring provision of £55 million

~After restructuring provision of £20 million

Balance sheets	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Fixed assets	2,593.6	2,871.5	3,073.1	3,205.0	3,412.7
Net current liabilities	(53.2)	(38.9)	(36.1)	(35.2)	(224.5)
	2,540.4	2,832.6	3,037.0	3,169.8	3,188.2
Creditors: amounts falling due after more than one year	(345.5)	(466.1)	(501.1)	(846.5)	(826.5)
Provisions for liabilities, charges and deferred income	(89.3)	(108.1)	(148.5)	(112.2)	(109.3)
	2,105.6	2,258.4	2,387.4	2,211.1	2,252.4

Capital and reserves

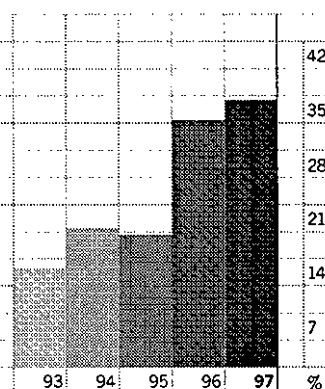
Called up share capital	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Profit and loss account	1,105.6	1,258.4	1,387.4	1,211.1	1,252.4
	2,105.6	2,258.4	2,387.4	2,211.1	2,252.4

Turnover by category

Turnover by category	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Measured charges	680.1	240.8	255.3	274.6	286.8
Unmeasured charges	-	486.8	527.4	552.9	562.9
Trade effluent	36.1	37.2	38.9	43.1	43.4
Other	26.1	25.0	25.4	25.0	26.0
	742.3	789.8	847.0	895.6	919.1

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.

Financial

**Gearing**

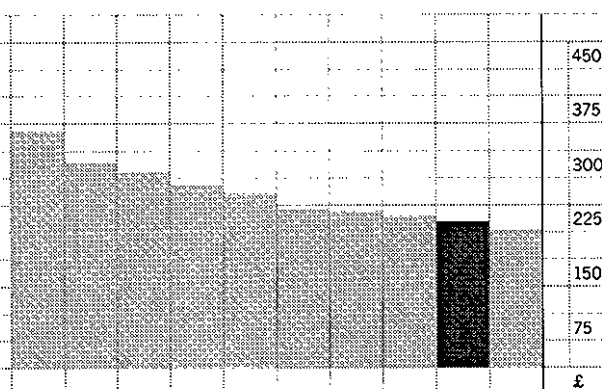
Gearing is the ratio of debt to the company's equity, i.e. shareholders' funds. It is used as an indicator of the amount of debt in proportion to the equity of the company.

	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Net borrowings					
Cash at bank and at hand	106.4	69.8	76.7	167.0	72.0
Borrowings	(375.1)	(473.4)	(491.8)	(872.5)	(848.6)
	(268.7)	(403.6)	(415.1)	(705.5)	(776.6)

	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Key ratios					
Liquidity					
Current ratio (times)	0.82	0.83	0.85	0.89	0.49
Profitability					
Gross profit margin (%)	38.78	40.05	35.48	44.04	42.02
Return on capital employed (%): Historic cost	11.33	11.17	9.89	12.44	12.11
Return on fixed assets (%): Historic cost	11.10	11.02	9.78	12.31	11.32
Return on fixed assets (%): Current cost	1.09	1.16	1.11	1.48	1.38
Gearing					
Debt to equity (%)	12.76	17.87	17.39	31.91	34.48
Other					
Turnover per employee (£)	99,704	113,575	129,689	151,029	160,038
Operating profit per employee (£)	38,670	45,485	46,011	66,509	67,247

	1993 No.	1994 No.	1995 No.	1996 No.	1997 No.
Employee numbers					
Employee number (average)	7,445	6,954	6,531	5,930	5,743
Employee number (year end)	7,196	6,757	6,324	5,862	5,653

Customer service



Average annual household bill for 1997/98

▨ Other water companies
■ Severn Trent Water

Charges (1997/98)	Water £	Sewerage £	Total £
Average annual unmeasured water charges (including customer rebates)			
Severn Trent Water	89	112	201
Average of other 9 water and sewerage companies	112	139	251

Equivalent cost per day per household

Severn Trent Water	55 pence
Other water and sewerage companies average	69 pence

Measured charges

Water supply	67.99 pence/cubic metre
Sewerage	60.83 pence/cubic metre

Average household bill (including measured, unmeasured water charges and customer rebates)

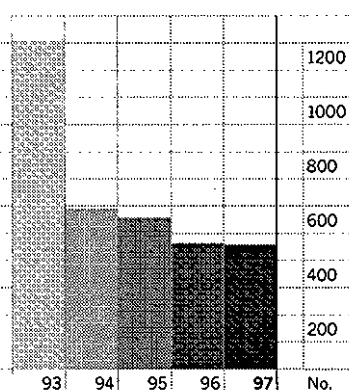
Severn Trent Water	£202
Average of other 9 water and sewerage companies	£246

Customer payment statistics	1993 '000	1994 '000	1995 '000	1996 '000	1997 '000
Number of customers paying by instalments	837	943	1,121	1,205	1,295
Number of summonses	37	71	90	90	94
Percentage of unmeasured customers summonsed (%)	1.4	2.7	3.3	2.8	2.3

Disconnections	No.	No.	No.	No.	No.
Domestic	1,215	590	557	462	457
Non-domestic	410	269	220	159	230
Percentage of customers disconnected (%)	0.05	0.03	0.03	0.02	0.02

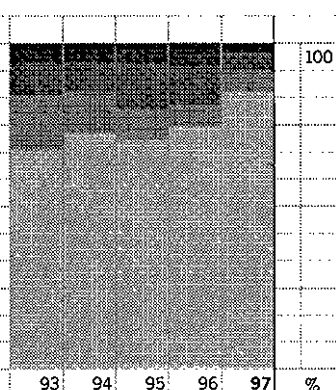
Customer complaints	'000	'000	'000	'000	'000
	14	9	9	10	10

Customer service



Number of domestic disconnections

	1993 No. '000	1994 No. '000	1995 No. '000	1996 No. '000	1997 No. '000
Customer contacts					
By letter	1,014	1,042	966	952	684
Telephone calls	1,143	1,109	1,252	1,224	1,593
Total	2,157	2,151	2,218	2,176	2,277
Population					
Water supply	6,909	7,201	7,224	7,250	7,280
Sewerage	8,201	8,226	8,262	8,280	8,300
Billed properties					
Water					
Unmeasured domestic	2,541	2,592	2,582	2,579	2,554
Unmeasured non-domestic	59	59	53	52	50
Sub-total	2,600	2,651	2,635	2,631	2,604
Measured domestic	119	170	210	240	290
Measured non-domestic	176	177	168	168	170
Sub-total	295	347	378	408	460
Total	2,895	2,998	3,013	3,039	3,064
Sewerage	3,355	3,383	3,376	3,402	3,417
New connections during year					
Water supply	23	25	26	23	22
Sewerage	27	28	29	25	25

**Response to billing queries**

- Over 20 days
- ▒ Under 20 days
- ▓ Under 10 days
- ▔ Under 5 days
- ▕ Under 2 days

Levels of service

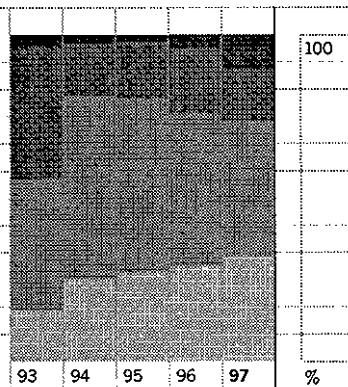
Under Condition J of the Instrument of the Appointment of the Water and Sewerage Undertakers, the Director General of Water Services requires the company to provide information on a series of levels of service indicators which compare the service provided to a specified reference level.

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

	1993 %	1994 %	1995 %	1996 %	1997 %
(DG1) Raw water availability					
Percentage of the population who live in areas where resources are adequate to meet demands	99.17	99.20	94.50	99.80	100.00
(DG2) Pressure of mains water					
Percentage of properties not at risk of receiving water at a pressure level less than one and a half atmospheres at the stop tap on the boundary of the property	99.38	99.53	99.40	98.90	99.70
(DG3) Interruption of supply					
Percentage of properties not experiencing loss of supply for five or more interruptions for five hours or three interruptions for twelve hours	99.99	99.99	99.87	99.70	99.92
(DG4) Water usage restrictions					
Percentage of properties not affected by:					
Ban on hosepipes	100.00	100.00	99.10	0.00	49.20
Drought orders	100.00	100.00	100.00	100.00	100.00
1997 ban on hosepipes includes the effect of the continuation for 29 days into April 1996 of the 1995 hosepipe ban in the East Midlands area.					
(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	66.6	71.5	69.3	72.8	84.7
Under 5 days	83.2	84.5	80.1	81.5	89.8
Under 10 days	92.5	92.8	92.2	91.6	96.5
Under 20 days	98.9	99.0	99.0	99.4	99.8
Over 20 days	1.1	1.0	1.0	0.6	0.2

In 1997 there were 2.3 million customer contacts. The company has achieved for 1997 the 'Very Good' classification as measured against OFWAT's illustrative profiles.

Customer service



Response to written complaints

- Over 20 days
- Under 20 days
- Under 10 days
- Under 5 days
- Under 2 days

Levels of service continued	1993 %	1994 %	1995 %	1996 %	1997 %
(DG7) Response to written complaints					
Response time for replies to written complaints					
Under 2 days	15.2	25.3	26.9	28.3	32.2
Under 5 days	56.0	82.1	81.7	76.5	74.5
Under 10 days	96.7	97.9	98.0	96.6	90.6
Under 20 days	99.8	99.9	99.8	99.4	99.1
Over 20 days	0.2	0.1	0.2	0.6	0.9

The number of customer complaints received in 1997 has decreased by 4.6% from those received in 1996. The company has achieved for 1997 the 'Very Good' classification as measured against OFWAT's illustrative profiles.

(DG8) Billing of metered customers

Percentage of customers who receive bills for metered accounts during the year based on actual readings as opposed to those based on estimates.

Company read	N/a	N/a	N/a	94.7	96.1
Customer read	N/a	N/a	N/a	2.1	2.9
Total read and billed in year	N/a	N/a	N/a	96.8	99.0

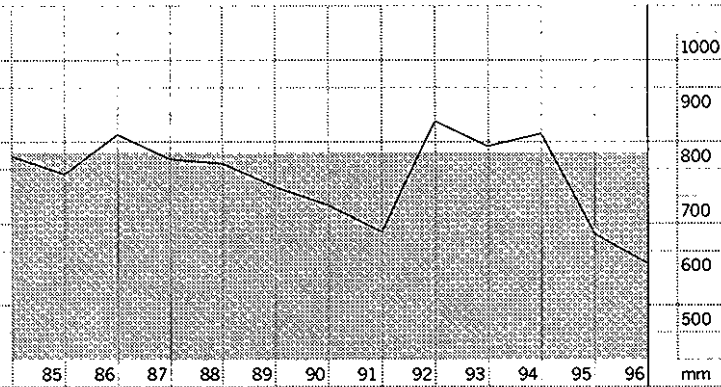
(DG9) Telephone contacts

Response times to answering telephone call to the principal customer contact points

Under 15 seconds	N/a	N/a	N/a	65.0	73.5
Under 30 seconds	N/a	N/a	N/a	73.7	82.7
Over 30 seconds	N/a	N/a	N/a	26.3	17.3
Average response times (seconds)	N/a	N/a	N/a	40.2	19.7

Guaranteed standards scheme	1993	1994	1995	1996	1997
Complaints answered within the guaranteed standards scheme time period	99.1%	99.5%	98.5%	98.5%	97.7%
Number of claims automatically accepted for guaranteed standard payments	N/a	51	63	157	1,230

Climate



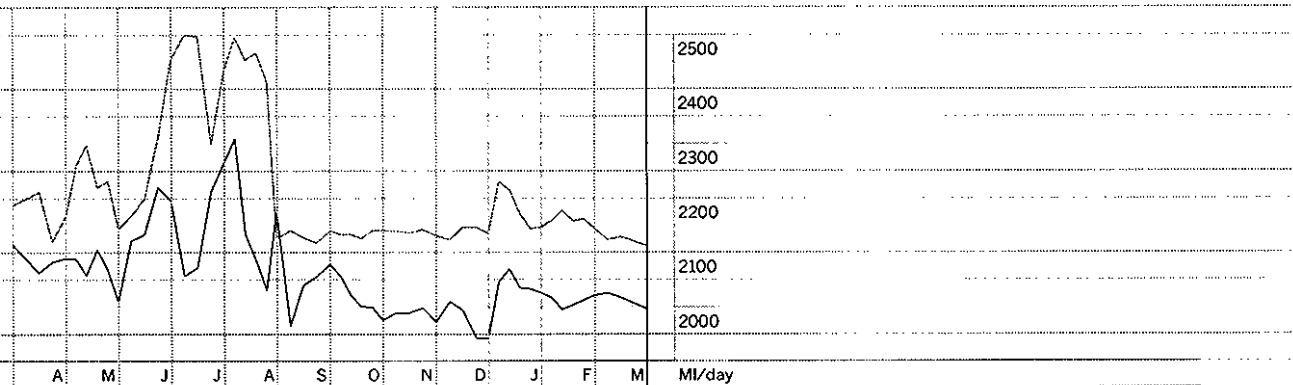
Area rainfall
 ☼ Long term average
 — Actual

Severn Trent Region – Area Rainfall

Rainfall	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Severn Trent region													
– Rainfall (mm)	777	741	814	769	759	718	683	639	842	792	814	631	579
– % long term average	99	96	105	99	98	93	88	83	110	102	105	81	77
Severn Basin													
– Rainfall (mm)	842	813	856	805	811	777	732	702	872	797	844	674	624
– % long term average	102	98	103	97	98	94	88	87	108	99	104	83	78
Trent Basin													
– Rainfall (mm)	715	685	790	747	723	676	647	576	808	781	785	585	540
– % long term average	97	93	103	101	98	92	88	78	110	106	107	80	75

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

Demand

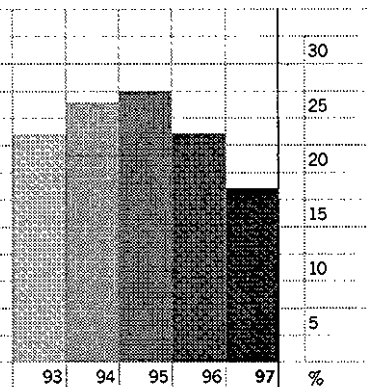


Average weekly water demand

- 1995/96 level
- 1996/97 level

	1993 MI/d	1994 MI/d	1995 MI/d	1996 MI/d	1997 MI/d
Analysis of water supply sources					
Reservoirs	567	576	587	526	476
River intakes	724	726	782	876	802
Groundwater	694	773	770	788	733
Total production	1,985	2,075	2,139	2,190	2,011
Treated water imports	18	17	17	21	20
Treated water exports	(16)	(9)	(9)	(9)	(9)
Total water into supply	1,987	2,083	2,147	2,202	2,022
Water demand					
Household demand	1,023	1,047	1,059	1,166	1,139
Non-household demand	539	543	548	551	552
Water delivered to billed customers	1,562	1,590	1,607	1,717	1,691
Total water into supply	1,987	2,083	2,147	2,202	2,022
Company unaccounted for water as % of total water supplied	21	24	24	21	16

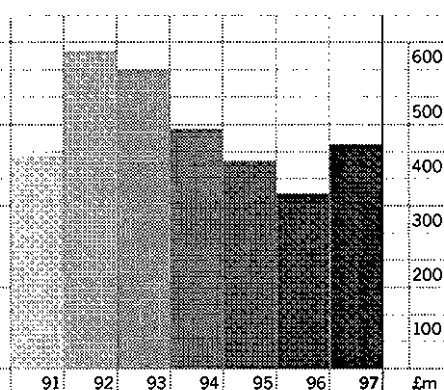
Drought measures



Company leakage

	1995	1996	1997
Number of repairs carried out on mains pipes	8,298	12,228	10,908
Average time taken to repair bursts on mains pipes (days)	N/a	2.85	1.88
Number of repairs carried out on communication pipes	N/a	14,247	12,552
Average time taken to repair bursts on communication pipes (days)	N/a	6.74	3.49
Number of repairs to customers' supply pipes (service commenced January 1995)	917	2,519	8,294
Number of applications for free meter installation service (service commenced January 1996)	N/a	11,200	59,027
Number of calls to 'Leakline' service (service commenced December 1995)	N/a	16,703	19,088

Investment



Annual investment expenditure

	1991 £m	1992 £m	1993 £m	1994 £m	1995 £m	1996 £m	1997 £m
Investment expenditure							
Resources and treatment	57	96	116	117	89	79	72
Distribution	97	161	137	107	104	97	117
Sewerage	67	108	90	76	73	45	57
Sewage treatment	126	152	147	108	85	61	91
Recreation and amenity	1	11	4	2	2	1	1
Operational support	38	46	49	32	30	16	21
Other	9	11	7	3	3	23	53
	395	585	550	445	386	322	412

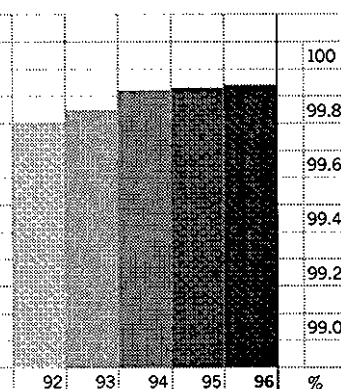
Analysis of investment expenditure

Capital expenditure	348	482	462	380	320	252	335
Gross infrastructure expenditure	47	103	88	65	66	70	77
	395	585	550	445	386	322	412
Cumulative investment since 1991	395	980	1,530	1,975	2,361	2,683	3,095

Physical outputs

	1993	1994	1995	1996	1997
Mains – added (Km)	673	293	309	239	248
– renewals (Km)	511	408	392	499	577
– relined (Km)	969	1,016	878	408	347
– number of communication pipes replaced	72,631	37,147	31,011	29,985	48,508
Sewers – added (Km)	168	86	224	325	289
– improved (Km)	21	8	4	5	11
Approximate number of schemes in programme	5,000	5,500	5,000	5,900	6,500
Approximate number of new starts during year	1,200	800	650	1,800	1,600
Approximate number of schemes completed during year	1,300	1,200	1,600	1,950	1,600
Approximate number of properties where problems of poor pressure alleviated by investment	10,000	7,000	5,000	15,500	33,400
Number of properties where risk of flooding from sewers has been removed	325	210	190	187	427

Investment and quality



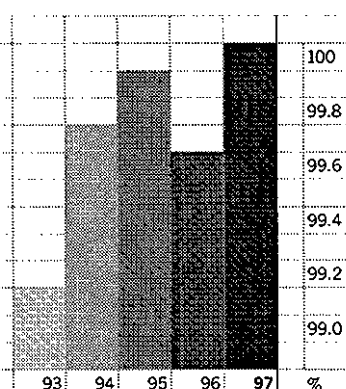
Overall compliance, drinking water

Major operational schemes carried out during year	1996/97 £m	Total projected costs £m	Operational assets	1997 No.
Melbourne water treatment works	7.3	48.7	Impounding reservoirs	41
Frankley water treatment works	5.6	81.9	Groundwater sources	188
Freehold to Gigmill foul water sewer	5.4	9.4	River water intakes	16
Finham sewage treatment works	5.2	40.7	Surface water treatment works	20
Little Eaton water treatment works	4.7	16.4	Water supply booster stations	617
Coleshill sludge disposal plant	4.4	6.7	Service reservoirs	636
Wing to Whatborough main	4.3	5.5	Mains (Km)	41,590
Ogston water treatment works	4.0	22.1	Sewers (Km)	52,065
Claymills sewage treatment works	3.5	6.6	Sewage treatment works	1,014
Mythe water treatment works	3.3	15.4	Sewage pumping stations	647
Hallam Fields sewage treatment works	3.1	5.6	Sewerage pumping stations	2,156
			Sludge treatment facilities	61

Water supply	1992	1993	1994	1995	1996
Overall quality of drinking water					
Number of samples	84,761	84,808	86,524	79,020	77,654
% compliance with standards	99.70%	99.75%	99.82%	99.83%	99.84%
Microbiological quality of drinking water					
Water leaving treatment works					
Number of samples	28,391	29,745	29,502	22,719	23,419
% compliance with standards	99.9%	99.9%	99.9%	>99.9%	>99.9%
Water at service reservoirs					
Number of samples	33,577	34,249	35,914	35,706	34,243
% compliance with standards	99.8%	99.8%	99.9%	>99.9%	>99.9%
Water at customers' taps					
Number of samples	22,793	20,814	21,108	20,595	20,262
% compliance with standards	99.6%	99.7%	99.8%	99.9%	99.8%
Physical and chemical quality of drinking water					
Water at customers' taps					
Number of samples	22,793	20,814	21,108	20,595	20,262
% compliance with standards	99.7%	99.7%	99.8%	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 286,000 being made during 1996. Percentage compliance with standards as detailed in the Water Supply (Water Quality) regulations.

Sewage



Overall compliance, sewage effluent

Sewage treatment quality	1993	1994	1995	1996	1997
Overall compliance with standards					
Total number of sewage treatment works	1,015	1,014	1,013	1,014	1,014
Number of sewage treatment works failing consents	20	15	9	18	15

Number of prosecutions by Environment Agency resulting in convictions

Discharge from sewerage system	1	1	2	3	2
Sewage treatment works	0	0	0	4	0
Water treatment works	1	3	0	1	1
Other	0	1	1	1	1

Compliance of numerically consented works	1992	1993	1994	1996 ¹	1997 ¹
Number of works within numeric consents	743	740	739	741	741
Compliance with sanitary standards (95 percentile)					
By tests to measure quality	99.0%	99.0%	99.4%	99.5%	99.5%
By works	98.9%	98.8%	99.1%	99.6%	100.0%
Compliance with sanitary standards (upper tier)					
By tests to measure quality	99.9%	99.9%	99.9%	>99.9%	>99.9%
By works	96.4%	95.6%	98.9%	98.4%	98.6%
Compliance with non-sanitary standards					
By tests to measure quality	98.9%	99.2%	99.1%	95.2%	94.3% ²
By works	90.0%	88.2%	86.7%	80.0%	81.4%

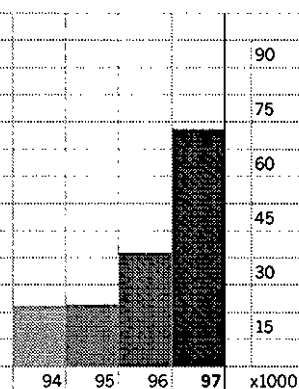
Notes: Overall compliance with standards relates to financial year.

¹ Compliance of numerically consented works figures for 1992 to 1994 are based on calendar year thereafter financial year.² Most failures relate to works which experience problems with colour derived from dye works.

Sludge disposal	1993 tds	1994 tds	1995 tds	1996 tds	1997 tds
Method of sludge disposal					
Farmland	83,000	85,000	86,000	80,000	81,000
Landfill	51,000	43,000	56,000	62,000	42,000
Incineration	27,000	28,000	14,000	19,000	28,000
Sea	0	0	0	0	0
Other	9,000	9,000	3,000	4,000	5,000
Total	170,000	165,000	159,000	165,000	156,000

tds = tonnes dry solids

Visitor and education centres



Pupils attending courses

Education centres

The company is committed to enhancing schoolchildren'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. The school units last for a whole day and are pre-planned with the visiting teacher and the Severn Trent resident teacher.

Education centres are located at the following sites:

Cropston water treatment works
Stoke Bardolph sewage treatment works
Minworth sewage treatment works

Carsington reservoir
Hayden sewage treatment works
Roundhill sewage treatment works

One other centre is planned for 1997/98:

Frankley water treatment works

Come and See centres

We have opened a number of Come and See 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 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. Come and See centres are currently situated at the following sites:

Tittesworth water treatment works
Carsington reservoir
Church Wiline 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

For further information on how to arrange a visit to one of our Come and See 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.

	1994 No.	1995 No.	1996 No.	1997 No.
Education Centres and Come and See Education in Schools				
Number of classes involved in educational programmes	426	597	1,156	1,906
Number of pupils attending programmes	16,688	17,073	31,398	65,458
Number of teachers attending programmes	2,787	2,036	2,407	3,155
Number of other adults attending educational programmes	1,238	2,033	1,933	2,344
Come and See Centres				
Number of classes attending Severn Trent sites	245	150	232	221
Number of pupils touring operational sites	6,044	3,676	5,843	6,496
Number of adults touring operational sites	29,675	32,325	21,423	15,759
External talks				
Number of talks given to adult customers	854	1,421	1,918	2,731

Main offices

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

Registered office

Severn Trent Water Limited
2297 Coventry Road
Birmingham B26 3PU
Tel: 0121 722 4000
Company number: 2366686

Directors
V Cocker
B Duckworth
J K Banyard
J M Foster
R Ireland
M Lily
D W Mattin
G P Noone
A Q Todd
R M Walker
M Wilson

Severn Trent Water Limited
Edgbaston Depot
Waterworks Road
Birmingham B16 9DD
Telephone 0121 456 1011

Severn Trent Water Limited
Sherbourne House
St Martin's Road
Finham
Coventry CV3 6P3
Telephone 01203 693333

Severn Trent Water Limited
PO Box 5T
Raynesway
Derby DE21 7JA
Telephone 01332 661481

Severn Trent Water Limited
Staverton Depot
Staverton Airport
Cheltenham Road East
Gloucester GL2 9QY
Telephone 01452 712795

Severn Trent Water Limited
Leicester Water Centre
Gorse Hill
Anstey
Leicester LE7 7GU
Telephone 0116 234 0340

Severn Trent Water Limited
Hucknall Road
Nottingham NG5 1FH
Telephone 0115 960 8161

Severn Trent Water Limited
Shelton
Shrewsbury SY3 8BJ
Telephone 01743 265000

Severn Trent Water Limited
Westport Road
Burslem
Stoke-on-Trent ST6 4JT
Telephone 01782 836336

Severn Trent Water Limited
Bromwich Road
Lower Wick
Worcester WR2 4BN
Telephone 01905 748484

Designed by Sampson Tyrrell Corporate Marketing, London. Photography by Robin Broadbent.
Printed in the UK by Pillans & Wilson Greenaway on paper from sustainable sources.