Half Yearly Financial Report
25 November 2014
Interim Results for the six months to 30 September 2014

Highlights

- Good first six months: financial results in line with expectations
- Capital investment on track to deliver AMP5 target of £2.6 billion; RCV[1] still expected to be £7.8 billion at April 2015
- Good performance for customers:
  - Lowest average combined bills in the land for 2014/15
  - Committed to launching new and enhanced social tariff scheme in April 2015
- Improving performance on many operational metrics - encouraging for new incentive regime starting April 2015
  - Leakage and sewer flooding reduced in first six months of this year
  - More to do in other areas
- Constructive dialogue continues with Ofwat ahead of final determination on 12 December
- Progressing well with plans to deliver the efficiencies required in AMP6
- Investing early: £15 million of AMP6 capex brought forward to second half of this year

1. Regulatory Capital Value

Group results

Underlying performance **Six months ended 30 September**	**2014** **£m**	2013 £m	Increase/ (Decrease) %
Group turnover	**947.6**	922.4	2.7%
Underlying group PBIT[1]	**274.9**	266.9	3.0%
Underlying group profit before tax[2]	**155.8**	141.3	10.3%
	pence/ share	pence/ share	
Adjusted basic EPS[3]	**52.6**	46.7	12.6%
Interim dividend declared	**33.96**	32.16	5.6%

Reported results **Six months ended 30 September**	**2014** **£m**	2013 £m	Increase/ (Decrease) %
Group PBIT	**281.4**	255.7	10.1%
Group profit before tax	**138.2**	191.2	(27.7%)
Group profit for the period	**108.3**	344.8	(68.6%)
	pence/ share	pence/ share	
Basic earnings per share	**45.1**	145.0	(68.9%)

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

Liv Garfield, Chief Executive Severn Trent Plc, said:

"I am pleased to report a good first half performance across the group, with underlying PBIT up 3.0% period on period and improving operational metrics.

Our focus on customers continues; our average combined bill is the lowest in the land and we are confident of maintaining the lowest bills for the next 5 years; we continue to develop our range of social tariffs; and we have delivered further reductions in leakage and sewer flooding.

We have also delivered on our commitments to other stakeholders, with further reductions in pollution incidents and our interim dividend in line with our current policy.

As we draw to the close of the price review, we remain committed to maintaining a constructive dialogue with Ofwat. We have submitted our representations on the draft determination and believe we have addressed all its evidence requests.

Looking forward to AMP6, we are progressing with the organisational changes required to deliver our plan and we will bring forward additional capital investment to ensure we are in the best place possible to start the new regulatory period. The enthusiasm and passion I am witnessing in our people gives me every confidence that we will hit the ground running on 1st April next year."

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Interim Results Presentation and Webcast

There will be a webcast of these results at 09:30 GMT today, Tuesday 25 November 2014, on the Severn Trent website (www.severntrent.com). The webcast will also be recorded and will remain on the website for subsequent viewing.

Chief Executive's review

Severn Trent Water delivered a good financial performance in the period, with growth in underlying PBIT of 2.1% period on period.

We invested a further £247.9 million to deliver operational improvements for customers, in line with our plans to complete our AMP5 total investment programme of £2.6 billion. Key operational improvements since March include further reductions in leakage, where we are on target to fix 50% of all leaks within 24 hours by the end of this financial year, pollution incidents and internal sewer flooding. Our focus on the customer has also delivered a 20% reduction in complaints, and we have created 100 additional front line roles to drive further service improvements. We have also made the decision to bring forward £15 million of AMP6 capital investment into the second half of this year to further improve the resilience of clean water supplies and water quality and reduce sewer blockages and flooding.

Looking forward to AMP6, our existing KPI culture creates new opportunities under the new incentive mechanisms. We have aligned our outcome delivery incentives (ODIs) and the associated penalties and rewards with the priorities of our customers. Our performance on a number of measures which will become ODIs next year, such as sewer flooding and leakage, is encouraging although we need to continue to improve our performance in other areas.

We are acutely aware that many of our customers are facing difficult times and we have kept our bill increases at or below inflation for 5 years running, as well as working hard to help customers who are struggling through our range of social tariffs. We are committed to introducing a new and enhanced social tariff scheme which will give discounts of up to 90% on the average bill to qualifying customers and be administered by the Citizens Advice Bureau. Furthermore, we are working with our peers and stakeholders on a new industry wide standard. We will also extend the "no risk" period for customers switching to a meter to 24 months from 12 months as of April 2015.

In real terms, our average bills are lower now than they were at the beginning of AMP5 and over the same period we will have invested £2.6 billion in our networks to improve our service. Our customers continue to benefit from the lowest average combined bills in the land and we are confident of having the lowest bills for the next 5 years.

In our non–regulated business, PBIT in the period was £6.4 million, compared to £1.6 million in the same period last year. Operating Services continued to grow, particularly in the US, while in Products our performance improved as a result of actions taken to improve the cost base and the anticipated growth in key product lines.

In line with our current dividend policy of RPI+3%, the Board has announced an interim dividend of 33.96 pence and the dividend for the full year is expected to be 84.90 pence.

On 29 August, we received our draft determination from Ofwat. We welcome Ofwat's recognition that the revisions made to our plan had many strengths and in many areas the draft determination was in line with our revised business plan. We are also proud that our plan achieved such a high approval rating from our customers – 88%. Ofwat accepted our totex plans and almost two thirds of our proposed ODIs. On the important Birmingham resilience scheme the draft determination outlined two scenarios: one which included and one which excluded elements of this scheme.

However, there were also areas where we were disappointed with the outcome of the draft determination. Our approach to representations was outlined in a letter to Ofwat on 19 September, in which we stated that we would only focus on a small number of material issues to help ensure an effective process that gave the best chance of delivering the best possible outcomes for our customers. In line with that framework we submitted our representations on 3 October focusing on areas such as: Birmingham Resilience and associated community risk schemes; the Ofwat proposed ODI related to the Elan Valley Aqueduct; and WACC and financing.

We are continuing our constructive engagement and believe we have satisfied all the information requests from Ofwat. Our representations summary document is available at:

www.ofwat.gov.uk/pricereview/pr14/res_stk201410pr14svtddrep.pdf

We continue to expect a final determination on 12 December, after which we have a maximum of two months to refer, or not, the final determination to the CMA (Competition and Markets Authority). In the light of that we will be able in early 2015 to communicate our future dividend policy.

In the first six months we have already made good early progress in my key focus areas. The previously announced changes to Director and Executive Committee responsibilities, including the appointments of Sarah Bentley, our new Chief Customer Officer, and Helen Miles, our new Group Commercial Director, build on strong foundations and will enable the business to become more operationally effective, more competitive in non-regulated retail markets and more customer focused. We have rolled out a new performance assessment framework to all our people and made progress in improving efficiency and moving more of our processes online. We have also delivered operational improvements which will benefit our customers.

In the second half I look forward to finalising a plan for the next 5 years that strikes the right balance between customers' bills, the services they receive and returns to investors, and working with my colleagues to ensure the business is ready to deliver from the start of AMP6. This reorganisation is under way, with a planned reduction of 500 roles, in order to deliver the efficiencies in the plan.

Interim Management Report

Operating Review

Regulated - Severn Trent Water

Severn Trent Water has made a good start to the 2014/15 financial year. Bills have increased by less than inflation and Severn Trent Water's customers continue to benefit from the lowest average combined water and sewerage bills in the land.

We have continued to manage our bad debt effectively, maintaining our bad debt charge at 2.2% of turnover (UK GAAP), one of the lowest levels in the industry. We support this performance by helping customers with an existing wide range of social tariff options. As previously mentioned, from April 2015 we'll be introducing a new and enhanced social tariff scheme, as promised in our business plan.

We are nearing the end of our £2.6 billion capital programme for AMP5, with capital expenditure in the period of £247.9 million (UK GAAP, net of grants and contributions), compared to £269.1 million in the prior period. This includes further expenditure from our additional £150 million investment programme announced in May 2012, of which £142 million has now been spent. We remain on track to reach a Regulatory Capital Value (RCV) of £7.8 billion at April 2015, including the additional £15 million of capex we have brought forward from AMP6.

Turning to key performance indicators, since the end of March 2014 we have seen a stable or improved performance in 13 of the 14 Ofwat KPIs. We have made good progress on a number of these, including internal sewer flooding which fell by 20% and pollution incidents down 4%. On SIM, we have halved our response time which will lead to future improvement in our score. We also continue to focus on the metrics which impacted our serviceability assessments we reported in May. Our sewer blockages performance has improved 9% as a result of significant investigative work to cleanse and survey sewers in problem areas. On interruptions greater than 12 hours, a single major incident impacted negatively on this metric, although underlying performance has improved. At our water treatment works we have a programme to improve performance which will take time to implement fully, although we have seen initial progress. We will continue to focus on improving our performance in these areas, but still have more to do.

Our benchmark performance on Ofwat's KPIs for the full year 2013/14 fell slightly year on year, with 7 in the upper quartile (prior year 8), 4 where our performance was median (prior year 4) and 3 in the lower quartile (prior year 2). Whilst we have improved in some areas (e.g. water supply interruptions, internal sewer flooding), our previously reported marginal serviceability assessments for 2013/14 have negatively impacted our overall benchmark performance.

Non-regulated - Severn Trent Services

Both revenues and underlying PBIT were higher period on period.

Operating Services continued to grow on the back of new contract wins, particularly in the US in the Northeast and Pacific regions.

In Operating Services UK we continue to be active in the business retail market in Scotland, taking a disciplined approach to opportunities, and won 10 new contracts in the period in the healthcare, retail and leisure sectors.

In Products both the restructuring and performance improvement programmes remain on track, with actions taken earlier in the year to reduce the cost base and promote growth reflected in improved revenue and PBIT in the period. The first phase of our restructuring is complete, reducing our overall cost base and setting up manufacturing in China where it will be closer to future demand for some key products. We are now looking at reducing the design and supply chain costs of our products and improving our order conversion rate.

Financial Review

Group Financial Performance

In this Interim Results Announcement PBIT is profit before interest and tax; underlying PBIT is PBIT excluding exceptional items as set out in note 3.

Group turnover was £947.6 million (£922.4 million), an increase of 2.7% over the same period last year. Underlying group PBIT was 3.0% higher than last period. The primary factors affecting turnover and underlying PBIT are described in the commentary below.

There was a net exceptional credit of £6.5 million (charge of £11.2 million). Group PBIT increased 10.1% to £281.4 million (£255.7 million).

Regulated - Severn Trent Water

Turnover rose by 2.4% to £793.0 million. Prices increased from 1 April 2014 by 1.5%, less than inflation, which gave rise to an increase in turnover of £11.5 million. Consumption from metered customers was slightly higher than the same period last year due to the dry summer, which increased turnover by £0.2 million. Growth, net of the impact of meter optants, increased turnover by £0.8 million, with other increases, largely tariff mix effects, amounting to £5.9 million.

Underlying PBIT increased by 2.1% to £275.1 million.

Operating costs increased by 3.1% to £305.7 million in line with expectations.

Directly managed costs increased by 4.3% period on period, while indirectly managed costs, increased by 0.8%.

Six months ended 30 September	2014	2013	Increase/ (decrease)	
	£m	£m	£m	%
Directly managed costs				
Employee costs	**121.2**	115.0	6.2	5.4
Hired and contracted	**79.3**	77.8	1.5	1.9
Costs capitalised	**(44.8)**	(43.3)	(1.5)	3.5
Raw materials and consumables	**22.0**	20.8	1.2	5.8
Other	**20.4**	19.6	0.8	4.1
	198.1	189.9	8.2	4.3
Indirectly managed costs				
Bad debts	**15.7**	16.1	(0.4)	(2.5)
Power	**31.3**	32.0	(0.7)	(2.2)
Quasi taxes	**60.6**	58.6	2.0	3.4
	107.6	106.7	0.9	0.8
Operating costs	**305.7**	296.6	9.1	3.1

Employee costs increased due to the annual pay increment (an average of 2.6%), stronger operational performance leading to higher bonus expectations, and the charge relating to the share awards announced on 5 June under the 2011, 2012 and 2013 LTIP. Overall net labour costs, including hired and contracted and after costs capitalised, were 4.1% higher period on period. Raw materials and consumables were £1.2 million higher than the same period in the prior year, due to a higher spend in waste, and other directly managed costs increased by £0.8 million.

Bad debts remained stable during the period. The decrease in power costs was due to increased renewable generation worth £1.6 million which more than offset increased prices on purchased electricity. There were also refunds received relating to overcharges in prior years.

Depreciation was £1.9 million higher period on period due to the impact of an increased asset base and there was an increase in infrastructure renewals expenditure of £1.8 million.

During the period, Severn Trent Water invested £247.9 million (£269.1 million) (UK GAAP, net of contributions) in fixed assets and maintaining and improving its infrastructure network. Included in this total was net infrastructure maintenance expenditure of £64.6 million (£62.8 million), charged to the income statement under IFRS.

Non-regulated - Severn Trent Services

Six months ended 30 September	2014	2013	Increase/ (decrease)
	£m	£m	£m
Turnover			
Services as reported	**154.9**	148.0	6.9
Impact of exchange rate fluctuations	**-**	(8.3)	8.3
Like for like	**154.9**	139.7	15.2
Underlying PBIT			
Services as reported	**6.4**	1.6	4.8
Impact of exchange rate fluctuations	**-**	0.2	(0.2)
Like for like	**6.4**	1.8	4.6

Reported turnover in Severn Trent Services at £154.9 million in the period was up £6.9 million on the same period last year and reported underlying PBIT increased by £4.8 million to £6.4 million.

The like for like results show the prior year results using current year exchange rates. On this basis, turnover was up £15.2 million and underlying PBIT was up £4.6 million.

Revenues were higher in both parts of the non-regulated business. On a constant currency basis Operating Services was up 7.4% to £104.6 million and Water Purification was up 19.5% to £50.3 million.

There was an exceptional provision release in Operating Services of £6.5 million, further details are set out under exceptional items below.

Corporate and Other

Corporate and Other incurred a net charge before interest, tax and exceptional items of £7.6 million (£5.5 million).Corporate overheads were broadly comparable with the prior period but exchange losses increased by £1.3 million and there was an increase of £0.9 million in losses incurred by Other businesses.

Exceptional items before tax

There was an exceptional credit (see note 3) in the six months to 30 September 2014 of £6.5 million (charge of £11.2 million). This arose from the partial release of a provision against amounts receivable from an associated company in Italy.

Net finance costs

The group's net finance costs were £119.1 million, compared to £125.6 million in the prior period. Lower inflation has led to lower finance costs on index linked debt and finance costs capitalised were higher than the prior period due to a higher level of work in progress, partially offset by a higher charge on higher net borrowings.

The effective interest rate, including index linked debt, for the period to September 2014 was 5.5% (5.8%). The effective cash cost of interest excluding the RPI uplift on index linked debt was 4.8% (5.0%).

Net (losses)/gains on financial instruments
The group uses financial derivatives solely to hedge risks associated with its normal business activities including:

- Exchange rate exposure on borrowings denominated in foreign currencies;
- Interest rate exposures on floating rate borrowings; and
- Exposures to increases in electricity prices.

Accounting rules require that these derivatives are revalued at each balance sheet date and, unless the strict criteria for cash flow hedge accounting are met, the changes in value are taken to the income statement. If the risk that is being hedged does not impact the income statement in the same period as the change in value of the derivative, then an accounting mismatch arises and there is a net charge or credit to the income statement.

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

An analysis of the amounts charged to the income statement in the period is presented in note 4 to the financial statements.

Profit before tax
Underlying group profit before tax increased by 10.3% to £155.8 million (£141.3 million). Group profit before tax was £138.2 million (£191.2 million).

Taxation
Note 5 in the financial statements sets out the tax charges and credits in the period, which are described in more detail below.

The current tax charge for the period before exceptional tax was £29.6 million (£31.2 million).

Our underlying effective current tax rate was 19.1% (21.5%) reflecting the 2% reduction in the corporation tax rate. The effective rate is calculated as current tax, excluding: prior year charges; exceptional tax; and current tax on exceptional items and on financial instruments divided by profit before tax, exceptional items and net (losses)/gains on financial instruments.

In the prior period there was an exceptional current tax credit of £44.0 million which arose from the resolution of a long standing industry wide discussion with HMRC and an exceptional deferred tax credit of £155.9 million partly arising from the same matter as the current tax credit and partly from the planned reduction in the corporation tax rate to 20%.

Profit for the period and earnings per share
Profit for the period was £108.3 million (£344.8 million).

Basic earnings per share were 45.1 pence (145.0 pence). Adjusted basic earnings per share (before exceptional items, net (losses)/gains on financial instruments, current tax on exceptional items and on financial instruments and deferred tax) were 52.6 pence (46.7 pence), see note 7.

Cash flow

Six months ended 30 September	**2014** **£m**	2013 £m
Cash generated from operations	**486.3**	432.0
Net capital expenditure	**(212.8)**	(203.6)
Net interest paid	**(79.0)**	(74.3)
Tax paid	**(15.3)**	(1.1)
Other cash flows	**(1.6)**	(0.7)
Free cash flow	**177.6**	152.3
Dividends	**(115.5)**	(108.6)
Issue of shares	**6.2**	4.8
Purchase of own shares	**(2.5)**	(2.9)
Change in net debt from cash flows	**65.8**	45.6
Non-cash movements	**(1.1)**	(7.5)
Change in net debt	**64.7**	38.1
Net debt as at 1 April	**(4,447.5)**	(4,297.3)
Net debt as at 30 September	**(4,382.8)**	(4,259.2)

Net debt comprises:

	30 September 2014 £m	31 March 2014 £m	30 September 2013 £m
Cash and cash equivalents	**154.1**	123.2	278.3
Bank overdrafts	**(0.6)**	-	(0.1)
Bank loans	**(595.8)**	(594.9)	(594.3)
Other loans	**(3,786.1)**	(3,826.0)	(3,830.3)
Finance leases	**(180.7)**	(201.2)	(203.7)
Cross currency swaps hedging debt	**26.3**	51.4	90.9
Net debt	**(4,382.8)**	(4,447.5)	(4,259.2)

Cash generated from operations was £486.3 million (£432.0 million). Capital expenditure net of contributions and proceeds of sales of fixed assets was £212.8 million (£203.6 million). Net interest paid increased to £79 million (£74.3 million). Tax paid in the period was £33.4 million with tax receipts of £18.1 million leading to net tax paid £15.3 million (£1.1 million).

Net debt at 30 September 2014 was £4,382.8 million (31 March 2014 £4,447.5 million). Balance sheet gearing (net debt/net debt plus equity) at the half year was 80.5% (31 March 2014 80.3%). Net debt, expressed as a percentage of estimated Regulatory Capital Value at 30 September 2014 was 56.6% (31 March 2014 58.4%).

The group's net interest charge, excluding net (losses)/gains on financial instruments and net finance costs from pensions, was covered 3.8 times (3.5 times) by profit before interest, tax, depreciation and exceptional items, and 2.5 times (2.3 times) by underlying PBIT.

Pensions

The group operates two defined benefit pension schemes, of which the Severn Trent Pension Scheme (STPS) is by far the largest. Formal triennial actuarial valuations and funding agreements were last undertaken for the STPS as at 31 March 2013. The defined benefit schemes will close to future accrual with effect from 31 March 2015.

On an IAS 19 basis, the estimated net position (before deferred tax) of all of the group's defined benefit pension schemes was a deficit of £388.7 million as at 30 September 2014. This compares to a deficit of £348.3 million as at 31 March 2014. The increase in the deficit arose mainly because the discount rate used in the valuation was 0.4 percentage points lower than at the year end whilst the estimate for RPI inflation was only 0.2 percentage points lower (see note 10).

The movements in the net deficit during the period were:

	Defined benefit obligations £m	Fair value of plan assets £m	Net deficit £m
At 1 April 2014	(2,171.9)	1,823.6	(348.3)
Employer contributions	0.2	12.1	12.3
Employee contributions	(2.5)	2.5	-
Benefits paid	40.8	(40.8)	-
Current service cost	(11.7)	-	(11.7)
Scheme administration costs	-	(2.0)	(2.0)
Net finance cost	(47.0)	39.4	(7.6)
Actuarial gains and losses	(93.9)	62.5	(31.4)
At 30 September 2014	**(2,286.0)**	**1,897.3**	**(388.7)**

On an IAS 19 basis, the funding level has stayed stable at 83%.

Treasury management
At 30 September 2014 the group had £154.1 million (31 March 2014 £123.2 million) in cash and cash equivalents. Average debt maturity is around 15 years. Including committed facilities, the group's cash flow requirements are funded until 2016.

Cash is invested in deposits with highly rated banks and liquidity funds and the list of counterparties is regularly reviewed and reported to the Board.

The group’s current policy for the management of interest rate risk requires that not less than 45% of the group’s borrowings should be at fixed interest rates, or hedged through the use of interest rate swaps or forward rate agreements. At 30 September 2014, interest rates for 77% of the group’s net debt of £4,382.8 million were fixed.

The group manages its power costs through a combination of self generation, forward price contracts and financial derivatives.

The estimated fair value of debt at 30 September 2014 was £514.7 million higher than book value (31 March 2014 £352.2 million higher). The increase in the difference to book value is largely due to the decrease in the discount rates applied, driven by falling yields on government bonds.

Exchange rates
The trading results of overseas subsidiaries are translated to sterling at the average rate of exchange ruling during the period and their net assets are translated at the closing rate on the balance sheet date. The impact of changing exchange rates on the subsidiaries trading results was immaterial.

Dividends
In line with our current dividend policy of RPI +3% growth per annum the Board has declared an interim ordinary dividend of 33.96p per share (32.16p per share, +5.6%), which will be paid on 9 January 2015 to shareholders on the register at 5 December 2014. The final determination is expected from Ofwat on 12 December 2014 and following that we will be able to communicate our future dividend policy in early 2015.

Principal risks and uncertainties

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

Customer Perception:

- Effectively improving and maintaining our levels of customer service in order to deliver what our customers tell us they want.

Legal and Regulatory Environment:

- The regulatory landscape is complex and subject to on-going change. There is a risk that processes may fail or that our processes may not effectively keep pace with changes in legislation, leading to the risk of non-compliance.

Operations, assets and people:

- Failure of our assets or processes, resulting in injury to an employee, contractor, customer or member of the public.
- Achieving all our regulatory targets from Ofwat in relation to ongoing operational performance of our assets failure of which may result in regulatory penalties.
- Inability to provide a continuous supply of quality water to large populations within our area, or asset failure resulting in damage to third party property.

Outlook

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

Regulated business
Consumption across our measured income base is now expected to be slightly higher year on year as a result of the warmer weather.

We aim to maintain our bad debt level at around 2.2% of turnover (UK GAAP) for the full year.

Operating expenditure continues to be in line with the Board's expectations for the year and, on a like for like basis, in line with the level of the Final Determination. Operating costs are expected to rise year on year due to the impact of inflation and quasi taxes, partially offset by efficiency improvements.

Expectations for net capital expenditure (UK GAAP after deducting grants and contributions) have increased slightly to a range of £530 million to £545 million, due to the decision to bring forward some AMP6 capital investment. The level of expected net infrastructure renewals expenditure included in capital investment has similarly increased to a range of £130 million to £140 million.

Non-regulated business
We expect top line growth to moderate in the second half, although full year PBIT is still anticipated to be in line with our expectations.

Group
The group interest charge is now forecast to be slightly lower year on year. A higher level of net debt will be more than offset by a higher level of capitalised interest, as a result of a shift in the profile of major capital schemes, and a lower non cash RPI interest charge.

The effective current tax rate for the group is now expected to be between 18% and 20% due to the impact of the industry wide agreement on capital allowances and a reduced depreciation adjustment.

Under our dividend policy of RPI+3% growth the total dividend for 2014/15 is expected to be 84.90 pence, representing growth of 5.6% year on year.

Severn Trent Plc will announce its Preliminary results for the financial year ending 31 March 2015 on 22 May 2015.

Further information
For further information, including the group's interim results presentation, see the Severn Trent website (www.severntrent.com).

Condensed consolidated income statement
Six months ended 30 September 2014

	Notes	2014 £m	2013 £m
Turnover	2	**947.6**	922.4
Operating costs before exceptional items		**(672.7)**	(655.5)
Exceptional operating items	3	**6.5**	(11.2)
Total operating costs		**(666.2)**	(666.7)
Profit before interest, tax and exceptional items	2	**274.9**	266.9
Exceptional items	3	**6.5**	(11.2)
Profit before interest and tax		**281.4**	255.7
Finance income		**40.5**	38.8
Finance costs		**(159.6)**	(164.4)
Net finance costs		**(119.1)**	(125.6)
Net (losses)/gains on financial instruments	4	**(24.1)**	61.1
Profit before tax, net (losses)/gains on financial instruments and exceptional items		**155.8**	141.3
Exceptional items		**6.5**	(11.2)
Net (losses)/gains on financial instruments	4	**(24.1)**	61.1
Profit on ordinary activities before taxation		**138.2**	191.2
Current tax excluding exceptional credit	5	**(29.6)**	(31.2)
Deferred tax excluding exceptional credit	5	**(0.3)**	(15.1)
Exceptional tax credit	5	**-**	199.9
Taxation on profit on ordinary activities	5	**(29.9)**	153.6
Profit for the period		**108.3**	344.8
Attributable to:			
Owners of the company		**107.5**	344.9
Non-controlling interests		**0.8**	(0.1)
		108.3	344.8
Earnings per share (pence)			
Basic	7	**45.1**	145.0
Diluted	7	**44.9**	144.5

Condensed consolidated statement of comprehensive income
Six months ended 30 September 2014

	2014 £m	2013 £m
Profit for the period	**108.3**	344.8
Other comprehensive (loss)/income		
Items that will not be reclassified to the income statement:		
Net actuarial (losses)/gains on defined benefit pension schemes	(31.4)	21.5
Tax on net actuarial losses/gains	6.2	(4.3)
Deferred tax arising on change of rate	-	(12.2)
	(25.2)	5.0
Items that may be reclassified to the income statement:		
(Loss)/gain on cash flow hedges	(12.2)	16.1
Deferred tax on loss/gain on cash flow hedges	2.4	(3.2)
Amounts on cash flow hedges transferred to the income statement in the period	6.0	1.8
Deferred tax on transfers to income statement	(1.2)	(0.4)
Exchange movement on translation of overseas results and net assets	2.2	(8.1)
	(2.8)	6.2
Other comprehensive (loss)/income for the period	(28.0)	11.2
Total comprehensive income for the period	80.3	356.0
Attributable to:		
Owners of the company	79.4	356.8
Non-controlling interests	0.9	(0.8)
	80.3	356.0

Condensed consolidated statement of changes in equity
Six months ended 30 September 2014

	Equity attributable to owners of the company						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 April 2013	233.3	89.7	72.3	437.9	833.2	10.8	844.0
Profit for the period	-	-	-	344.9	344.9	(0.1)	344.8
Gain on cashflow hedges	-	-	16.1	-	16.1	-	16.1
Deferred tax on profit on cashflow hedges	-	-	(3.2)	-	(3.2)	-	(3.2)
Amounts on cash flow hedges transferred to the income statement	-	-	1.8	-	1.8	-	1.8
Deferred tax on transfers to the income statement	-	-	(0.4)	-	(0.4)	-	(0.4)
Exchange movement on translation of overseas results and net assets	-	-	(7.4)	-	(7.4)	(0.7)	(8.1)
Net actuarial gains	-	-	-	21.5	21.5	-	21.5
Tax on net actuarial gains	-	-	-	(4.3)	(4.3)	-	(4.3)
Deferred tax arising from rate change	-	-	-	(12.2)	(12.2)	-	(12.2)
Total comprehensive income for the period	-	-	6.9	349.9	356.8	(0.8)	356.0
Share options and LTIPs							
- proceeds from shares issued	0.6	4.3	-	-	4.9	-	4.9
- value of employees' services	-	-	-	2.8	2.8	-	2.8
- own shares purchased	-	-	-	(2.9)	(2.9)	-	(2.9)
Current tax on share based payments	-	-	-	0.9	0.9	-	0.9
Deferred tax on share based payments	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends paid	-	-	-	(108.6)	(108.6)	(0.7)	(109.3)
At 30 September 2013	233.9	94.0	79.2	679.7	1,086.8	9.3	1,096.1
At 1 April 2014	233.9	94.2	82.2	667.3	1,077.6	12.5	1,090.1
Profit for the period	-	-	-	107.5	107.5	0.8	108.3
Loss on cashflow hedges	-	-	(12.2)	-	(12.2)	-	(12.2)
Deferred tax on loss on cashflow hedges	-	-	2.4	-	2.4	-	2.4
Amounts on cash flow hedges transferred to the income statement	-	-	6.0	-	6.0	-	6.0
Deferred tax on transfers to the income statement	-	-	(1.2)	-	(1.2)	-	(1.2)
Exchange movement on translation of overseas results and net assets	-	-	2.1	-	2.1	0.1	2.2
Net actuarial losses	-	-	-	(31.4)	(31.4)	-	(31.4)
Tax on net actuarial losses	-	-	-	6.2	6.2	-	6.2
Deferred tax arising from rate change	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(2.9)	82.3	79.4	0.9	80.3
Share options and LTIPs							
- proceeds from shares issued	0.7	5.5	-	-	6.2	-	6.2
- value of employees' services	-	-	-	4.0	4.0	-	4.0
- own shares purchased	-	-	-	(2.5)	(2.5)	-	(2.5)
Current tax on share based payments	-	-	-	0.6	0.6	-	0.6
Deferred tax on share based payments	-	-	-	(0.4)	(0.4)	-	(0.4)
Dividends paid	-	-	-	(115.5)	(115.5)	(1.6)	(117.1)
At 30 September 2014	**234.6**	**99.7**	**79.3**	**635.8**	**1,049.4**	**11.8**	**1,061.2**

Condensed consolidated balance sheet
At 30 September 2014

	Notes	30 September 2014 £m	31 March 2014 £m
Non-current assets			
Goodwill		**15.1**	14.8
Other intangible assets		**71.6**	80.2
Property, plant and equipment		**7,111.6**	7,023.5
Interests in joint ventures		**0.3**	0.3
Interests in associates		**4.6**	4.9
Derivative financial instruments		**36.4**	72.4
Available for sale financial assets		**0.1**	0.1
		7,239.7	7,196.2
Current assets			
Inventory		**29.6**	27.2
Trade and other receivables		**555.2**	513.2
Current tax receivable		**1.7**	16.5
Derivative financial instruments		**22.6**	12.9
Cash and cash equivalents		**154.1**	123.2
		763.2	693.0
Total assets		**8,002.9**	**7,889.2**
Current liabilities			
Borrowings	8	**(250.0)**	(206.1)
Derivative financial instruments		**(38.3)**	(24.8)
Trade and other payables		**(535.3)**	(412.7)
Provisions for liabilities and charges		**(14.6)**	(12.1)
		(838.2)	(655.7)
Non-current liabilities			
Borrowings	8	**(4,313.2)**	(4,416.0)
Derivative financial instruments		**(220.8)**	(206.2)
Trade and other payables		**(510.0)**	(492.4)
Deferred tax		**(647.4)**	(654.0)
Retirement benefit obligations	10	**(388.7)**	(348.3)
Provisions for liabilities and charges		**(23.4)**	(26.5)
		(6,103.5)	(6,143.4)
Total liabilities		**(6,941.7)**	(6,799.1)
Net assets		**1,061.2**	1,090.1
Equity			
Called up share capital	11	**234.6**	233.9
Share premium account		**99.7**	94.2
Other reserves		**79.3**	82.2
Retained earnings		**635.8**	667.3
Equity attributable to owners of the company		**1,049.4**	1,077.6
Non-controlling interests		**11.8**	12.5
Total equity		**1,061.2**	1,090.1

Condensed consolidated cash flow statement
Six months ended 30 September 2014

	Note	**2014** **£m**	2013 £m
Cash generated from operations	12	**486.3**	432.0
Tax paid		**(15.3)**	(1.1)
Net cash generated from operating activities		**471.0**	430.9
Investing activities			
Interest received		**1.1**	3.2
Proceeds on disposal of property, plant and equipment		**0.5**	8.6
Purchases of intangible assets		**(4.4)**	(6.8)
Purchases of property, plant and equipment		**(226.2)**	(216.7)
Contributions and grants received		**17.3**	11.3
Net cash used in investing activities		**(211.7)**	(200.4)
Financing activities			
Interest paid		**(77.4)**	(77.5)
Interest element of finance lease payments		**(2.7)**	-
Dividends paid to shareholders of the parent		**(115.5)**	(108.6)
Dividends paid to non-controlling interests		**(1.6)**	(0.7)
Repayments of borrowings		**(15.5)**	(169.3)
Repayments of obligations under finance leases		**(20.5)**	-
New loans raised		**-**	1.0
Issues of shares		**6.2**	4.8
Redemption of preference shares		**-**	(1.0)
Purchase of own shares		**(2.5)**	(2.9)
Net cash used in financing activities		**(229.5)**	(354.2)
Net increase/(decrease) in cash and cash equivalents		**29.8**	(123.7)
Net cash and cash equivalents at beginning of period		**123.2**	403.2
Effect of foreign exchange rates		**0.5**	(1.3)
Net cash and cash equivalents at end of period		**153.5**	278.2
Net cash and cash equivalents			
Cash and cash equivalents		**154.1**	278.3
Bank overdrafts		**(0.6)**	(0.1)
		153.5	278.2

1 General information

The interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

The information for the year ended 31 March 2014 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts for that year prepared under IFRS has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statements under section 498 (2) or (3) of the Companies Act 2006.

Accounting policies
The interim financial information has been prepared on the going concern basis using accounting policies consistent with International Financial Reporting Standards and in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the group's annual financial statements for the year ended 31 March 2014. The group has adopted IFRSs 10, 11 and 12 with effect from 1 April 2014. They have had no material impact on the financial statements.

Going concern
Including undrawn committed credit facilities, the group is fully funded for its investment and cash flow needs until 2016. After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and hence the interim financial information has been prepared on a going concern basis.

Seasonality
The group's businesses are not seasonal in nature.

2 Segmental analysis

The group is organised into two main business segments:

Severn Trent Water: Provides water and waste water services to domestic and commercial customers in England and Wales.

Severn Trent Services: Provides services and products associated with water and waste water principally in the US, UK and Europe.

Six months ended 30 September		**2014**		2013
	Severn Trent Water	**Severn Trent Services**	Severn Trent Water	Severn Trent Services
	£m	**£m**	£m	£m
External sales	**792.2**	**153.9**	774.0	147.5
Inter-segment sales	**0.8**	**1.0**	0.6	0.5
Total sales	**793.0**	**154.9**	774.6	148.0
Profit before interest, tax and exceptional items	**275.1**	**6.4**	269.5	1.6
Exceptional items (see note 3)	**-**	**6.5**	7.1	0.4
Profit before interest and tax	**275.1**	**12.9**	276.6	2.0

2 Segmental analysis (continued)

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

Six months ended 30 September	2014 £m	2013 £m
Severn Trent Water	**792.2**	774.0
Severn Trent Services	**153.9**	147.5
Corporate and other	**1.5**	0.9
	947.6	922.4

Segmental underlying PBIT is reconciled to the group's profit before tax as follows:

Six months ended 30 September	2014 £m	2013 £m
Underlying PBIT:		
Severn Trent Water	**275.1**	269.5
Severn Trent Services	**6.4**	1.6
Corporate and other costs	**(7.6)**	(5.5)
Consolidation adjustments	**1.0**	1.3
Group underlying PBIT	**274.9**	266.9
Exceptional items:		
Severn Trent Water	**-**	7.1
Severn Trent Services	**6.5**	0.4
Corporate and other costs	**-**	(18.7)
Net finance costs	**(119.1)**	(125.6)
Net (losses)/gains on financial instruments	**(24.1)**	61.1
Profit before tax	**138.2**	191.2

The segmental analysis of capital employed was as follows:

	30 September 2014		31 March 2014	
	Severn Trent Water £m	**Severn Trent Services £m**	Severn Trent Water £m	Severn Trent Services £m
Operating assets	**7,547.1**	**182.3**	7,442.2	172.8
Goodwill	**1.3**	**15.1**	1.3	14.8
Interests in joint ventures and associates	**0.1**	**4.7**	0.1	5.0
Segment assets	**7,548.5**	**202.1**	7,443.6	192.6
Segment operating liabilities	**(1,332.8)**	**(88.4)**	(1,155.7)	(92.2)
Capital employed	**6,215.7**	**113.7**	6,287.9	100.4

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

Operating liabilities comprise trade and other payables, retirement benefit obligations and provisions.

3 Exceptional items before tax

The group classifies items of income or expenditure as exceptional if individually or, if of a similar type, in aggregate they should, in the opinion of the directors, be disclosed by virtue of their size or nature if the financial statements are to give a true and fair view. In this context materiality is assessed at the segment level.

Six months ended 30 September	**2014** **£m**	2013 £m
Severn Trent Water		
Profit on disposal of fixed assets	**–**	(7.1)
Severn Trent Services		
Restructuring costs	**–**	0.8
Release of provision for bad debts	**(6.5)**	–
Release of provision for commercial dispute	**–**	(1.2)
	(6.5)	(0.4)
Corporate and Other		
Professional fees relating to LongRiver proposal	**–**	18.7
Total exceptional operating items before tax	**(6.5)**	11.2

4 Net (losses)/gains on financial instruments

Six months ended 30 September	**2014** **£m**	2013 £m
Loss on cross currency swaps used as hedging instruments in fair value hedges	**(3.4)**	(15.1)
Gain arising on adjustment for foreign currency debt in fair value hedges	**1.5**	13.5
Exchange gain on other loans	**35.0**	12.2
Loss on cash flow hedges transferred from equity	**(6.0)**	(1.8)
Ineffectiveness of cashflow hedges	**2.6**	-
(Loss)/gain arising on swaps where hedge accounting is not applied	**(53.8)**	52.3
	(24.1)	61.1

5 Tax

Six months ended 30 September	2014	2013		
		Before exceptional tax	Exceptional tax	Total
	£m	£m	£m	£m
Current tax				
Current year	**29.6**	31.2	–	31.2
Prior years	**–**	–	(44.0)	(44.0)
Total current tax	**29.6**	31.2	(44.0)	(12.8)
Deferred tax				
Origination and reversal of temporary differences - current year	**0.3**	15.1	–	15.1
Origination and reversal of temporary differences - prior year	**–**	–	(41.1)	(41.1)
Exceptional credit arising from rate change	**–**	–	(114.8)	(114.8)
Total deferred tax	**0.3**	15.1	(155.9)	(140.8)
	29.9	46.3	(199.9)	(153.6)

Income tax for the period is charged in the income statement at 21.4% (2013: charged at 24.2% before exceptional tax credits), representing the best estimate of the annual average effective income tax rate expected for the full year applied to the pre-tax income for the six month period.

The effective rate of current tax, excluding prior year charges and current tax on exceptional items and on financial instruments, calculated on profit before tax, exceptional items and net losses on financial instruments was 19.1% (2013: 21.4%).

In the prior period there was an exceptional current tax credit of £44.0 million which arose from the resolution of a long standing industry wide discussion with HMRC and an exceptional deferred tax credit of £155.9 million partly arising from the same matter as the current tax credit and partly from the planned reduction in the corporation tax rate to 20%.

Current tax credits of £0.6 million (2013: £0.9 million) and deferred tax credits of £7.0 million (2013: £8.2 million charge excluding amounts arising from rate change) have been taken to reserves in the period.

6 Dividends

Amounts recognised as distributions to equity holders in the period:

Six months ended 30 September	2014		2013	
	Pence per share	**£m**	Pence per share	£m
Final dividend for the year ended 31 March	**48.24**	**115.5**	45.51	108.6

The proposed interim dividend of 33.96p per share (2013: 32.16p per share) was approved by the board on 24 November 2014 and has not been included as a liability as at 30 September 2014.

7 Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Severn Trent Employee Share Ownership Trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the company's shares during the period and LTIP awards to the extent that the vesting conditions have been satisfied at the balance sheet date. Potential ordinary shares which would reduce a loss per share are not considered to be dilutive and hence in these circumstances diluted loss per share is equal to basic loss per share.

The calculation of basic and diluted earnings per share is based on the following data:

Earnings

Six months ended 30 September	2014 £m	2013 £m
Profit for the period attributable to owners of the company	**107.5**	344.9

Number of shares

Six months ended 30 September	2014 m	2013 m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**238.6**	237.8
Effect of dilutive potential ordinary shares:		
- share options and LTIPs	**0.9**	0.9
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**239.5**	238.7

b) Adjusted earnings per share

Six months ended 30 September	2014 Pence	2013 Pence
Adjusted basic earnings per share	**52.6**	46.7
Adjusted diluted earnings per share	**52.4**	46.5

Adjusted earnings per share figures exclude the effects of exceptional items, net (losses)/gains on financial instruments, current tax on exceptional items and on net (losses)/gains financial instruments and deferred tax in both 2014 and 2013. The directors consider that the adjusted figures provide a useful additional indicator of performance. The denominators used in the calculations of adjusted basic and diluted earnings per share are the same as those used in the unadjusted figures.

7 Earnings per share (continued)

The adjustments to earnings are as follows:

Adjustments to earnings

Six months ended 30 September	2014 £m	2013 £m
Earnings for the purpose of basic and diluted earnings per share	**107.5**	344.9
Adjustments for:		
- exceptional items before tax	**(6.5)**	11.2
- current tax on exceptional items	**0.2**	0.8
- net losses/(gains) on financial instruments	**24.1**	(61.1)
- current tax on net losses/gains on financial instruments	**-**	0.1
- exceptional current tax credit	**-**	(44.0)
- deferred tax	**0.3**	(140.9)
Earnings for the purpose of adjusted basic and diluted earnings per share	**125.6**	111.0

8 Borrowings

	30 September 2014 £m	31 March 2014 £m
Bank overdrafts	**0.6**	-
Bank loans	**595.8**	594.9
Other loans	**3,786.1**	3,826.0
Obligations under finance leases	**180.7**	201.2
Borrowings	**4,563.2**	4,622.1

	30 September 2014 £m	31 March 2014 £m
On demand or within one year - included in current liabilities	**250.0**	206.1
In the second year	**717.1**	660.3
In the third to fifth years	**558.3**	732.1
After five years	**3,037.8**	3,023.6
Included in non-current liabilities	**4,313.2**	4,416.0
	4,563.2	4,622.1

9 Fair value of financial instruments

a) Fair value measurements

The valuation techniques that the group applies in determining the fair values of its financial instruments are described below. All techniques are classified as Level 2 under the hierarchy defined by IFRS 13. There have been no changes in the levels of classification during the period.

The following table describes the valuation technique that the group applies for each class of financial instrument which is measured at fair value on a recurring basis:

	Fair value as at		
	30 September 2014 £m	31 March 2014 £m	**Valuation techniques and key inputs**
Cross currency swaps			Discounted cash flow
Assets	**50.6**	73.1	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties. The currency cash flows are translated at the spot rate.
Liabilities	**(24.3)**	(21.7)	
Interest rate swaps			Discounted cash flow
Assets	**8.2**	12.1	Future cash flows are estimated based on forward interest rates from observable yield curves at the period end and contract interest rates discounted at a rate that reflects the credit risk of counterparties.
Liabilities	**(232.7)**	(206.1)	
Energy swaps			Discounted cash flow
Liabilities	**(1.5)**	(2.9)	Future cash flows are estimated based on forward electricity prices from observable indices at the period end and contract prices discounted at a rate that reflects the credit risk of counterparties.
Foreign currency forward contracts			Discounted cash flow
Assets	**0.2**	0.1	Future cash flows are estimated based on observable forward exchange rates at the period end and contract forward rates discounted at a rate that reflects the credit risk of counterparties.
Liabilities	**(0.6)**	(0.3)	

9 Fair value of financial instruments (continued)

b) Comparison of fair value of financial instruments with their carrying amounts

The directors consider that the carrying amounts of cash and short term deposits, bank overdrafts, trade receivables and trade payables are not materially different from their fair values. Derivative financial instruments are carried at fair value. The carrying values and estimated fair values of other non-derivative financial instruments are set out below. This analysis does not take into account the impact of interest rate swaps. At 30 September 2014 the group held interest rate swaps that converted floating rate interest to fixed on a net principal amount of £591.4 million (31 March 2014: £591.4 million).

	30 September 2014		31 March 2014	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Floating rate debt				
Bank loans	**300.0**	**294.3**	300.0	293.0
Currency bonds	**192.8**	**196.3**	215.6	217.4
	492.8	**490.6**	515.6	510.4
Fixed rate debt				
Bank loans	**189.1**	**201.1**	189.7	201.1
Sterling bonds	**1,903.9**	**2,170.6**	1,902.9	2,108.1
Currency bonds	**540.6**	**582.5**	571.5	627.3
Other loans	**1.5**	**1.5**	1.7	1.7
Finance leases	**180.7**	**175.3**	201.2	197.7
	2,815.8	**3,131.0**	2,867.0	3,135.9
Index-linked debt				
Bank loans	**106.7**	**118.1**	105.2	114.7
Sterling bonds	**1,147.3**	**1,337.6**	1,134.3	1,213.3
	1,254.0	**1,455.7**	1,239.5	1,328.0
Total	**4,562.6**	**5,077.3**	4,622.1	4,974.3

10 Retirement benefit schemes

The group operates two defined benefit schemes being the Severn Trent Pension Scheme and the Severn Trent Mirror Image Scheme. The group also has an unfunded obligation to provide benefits to certain former employees whose earnings were in excess of the pensions cap that operated when the benefits were accrued.

The retirement benefit obligation as at 30 September 2014 has been calculated on a year to date basis, using the actuarial valuation update as at 31 March 2014. There have not been any significant fluctuations or one time events since that date that would require adjustment to the actuarial assumptions made at 31 March 2014. However, the market based assumptions have been updated for conditions prevailing at the balance sheet date as follows:

	30 September 2014	31 March 2014
Discount rate	**4.0%**	4.4%
RPI	**3.1%**	3.3%

The defined benefit assets have been updated to reflect their market value as at 30 September 2014. Actuarial gains and losses on the scheme assets and defined benefit obligations have been reported in the statement of comprehensive income.

10 Retirement benefit schemes (continued)

Service cost, and the cost of administrating the scheme, are recognised in operating costs and interest cost is recognised in net finance costs. Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

Six months ended 30 September	2014 £m	2013 £m
Current service cost	**(11.7)**	(11.3)
Administration cost	**(2.0)**	(1.6)
Net interest cost	**(7.6)**	(8.3)
Total amount charged to the income statement	**(21.3)**	(21.2)

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

	30 September 2014 £m	31 March 2014 £m
Total fair value of assets	**1,897.3**	1,823.6
Present value of the defined benefit obligations - funded schemes	**(2,276.4)**	(2,162.5)
Present value of the defined benefit obligations - unfunded schemes	**(9.6)**	(9.4)
Liability recognised in the balance sheet	**(388.7)**	(348.3)

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

	2014 £m	2013 £m
At 1 April	**(348.3)**	(383.7)
Current service cost	**(11.7)**	(11.3)
Administration cost	**(2.0)**	(1.6)
Net interest cost	**(7.6)**	(8.3)
Contributions from the sponsoring companies	**12.3**	13.2
Net actuarial (loss)/gain recognised in the statement of comprehensive income	**(31.4)**	21.5
At 30 September	**(388.7)**	(370.2)

11 Share capital

At 30 September 2014 the issued and fully paid share capital was 239.6 million shares of $97^{17}/_{19}$p amounting to £234.6 million (31 March 2014: 238.9 million shares of $97^{17}/_{19}$p amounting to £233.9 million).

During the period the company issued 657,416 shares (2013: 554,070 shares) as a result of the exercise of employee share options.

12 Cash flow

a) Reconciliation of operating profit to operating cash flows

Six months ended 30 September	**2014** £m	2013 £m
Profit before interest and tax	**281.4**	255.7
Depreciation of property, plant and equipment	**143.2**	136.1
Amortisation of intangible assets	**12.9**	15.6
Pension service cost	**11.7**	11.3
Defined benefit pension scheme administration costs	**2.0**	1.6
Pension contributions	**(12.3)**	(13.2)
Share based payments charge	**4.0**	2.8
Profit on sale of property, plant and equipment	**-**	(6.8)
Deferred income movement	**(5.0)**	(4.8)
Provisions for liabilities and charges	**3.6**	4.0
Utilisation of provisions for liabilities and charges	**(6.6)**	(5.1)
Increase in inventory	**(2.2)**	(0.1)
Increase in receivables	**(37.9)**	(48.3)
Increase in payables	**91.5**	83.2
Cash generated from operations	**486.3**	432.0
Tax paid	**(15.3)**	(1.1)
Net cash generated from operating activities	**471.0**	430.9

b) Non-cash transactions

No additions to property, plant and equipment during the six months to September 2014 were financed by new finance leases (2013: nil).

c) Exceptional cash flows

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

Six months ended 30 September	**2014** £m	2013 £m
Restructuring costs	**-**	(1.7)
Professional fees relating to LongRiver proposal	**-**	(18.6)
Proceeds on disposal of fixed assets	**-**	8.1
Settlement of commercial disputes	**-**	(2.0)
	-	(14.2)

d) Reconciliation of movements in net debt

	As at 1 April 2014 £m	Cash flow £m	Fair value adjustments £m	RPI uplift on index linked debt £m	Foreign exchange £m	Other non-cash movements £m	**As at 30 September 2014 £m**
Cash and cash equivalents	123.2	30.4	-	-	0.5	-	**154.1**
Bank overdrafts	-	(0.6)	-	-	-	-	**(0.6)**
Net cash and cash equivalents	123.2	29.8	-	-	0.5	-	**153.5**
Bank loans	(594.9)	0.5	-	(1.4)	-	-	**(595.8)**
Other loans	(3,826.0)	17.6	1.5	(13.1)	35.1	(1.2)	**(3,786.1)**
Finance leases	(201.2)	20.5	-	-	-	-	**(180.7)**
Cross currency swaps hedging debt	51.4	(2.6)	(37.3)	-	-	14.8	**26.3**
Net debt	(4,447.5)	65.8	(35.8)	(14.5)	35.6	13.6	**(4,382.8)**

13 Post balance sheet events

The group has announced that it is in consultation with its employees in relation to proposals to create a new organisation structure to respond to the challenges of AMP 6. These proposals would result in around 500 fewer management and support roles in the company. The consultation process is expected to be completed in December. The costs of implementing these changes will be determined when consultation is complete and it is expected that they will be recorded as an exceptional item in the second half of the current financial year.

14 Contingent liabilities

Details of the group's contingent liabilities were disclosed in the financial statements for the year ended 31 March 2014 which were approved on 28 May 2014. There have been no significant developments relating to the contingent liabilities disclosed in those financial statements.

15 Related party transactions

There have been no related party transactions that materially affected the financial position or performance of the group during the period.

Responsibility statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”; and

(b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and 4.2.8R of the United Kingdom Financial Conduct Authority.

Signed on behalf of the Board who approved the half yearly financial report on 24 November 2014.

Andrew Duff
Chairman

Michael McKeon
Finance Director

Further copies of this half yearly financial report may be obtained from the Company Secretary, Severn Trent Plc, Severn Trent Centre, PO Box 5309, Coventry, CV3 9FH.

INDEPENDENT REVIEW REPORT TO SEVERN TRENT PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
24 November 2014

Forward-looking statements

This document contains certain 'forward-looking statements' with respect to Severn Trent's financial condition, results of operations and business, and certain of Severn Trent's plans and objectives with respect to these items.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'should', 'expects', 'believes', 'seeks', 'anticipates', 'intends', 'plans', 'potential', 'reasonably possible', 'targets', 'goal' or 'estimates', and words of similar meaning. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the Principal Risks disclosed in our Annual Report as at May 2014 (which have not been updated since), changes in the economies and markets in which the group operates; changes in the regulatory and competition frameworks in which the group operates; changes in the capital markets from which the group raises finance; the impact of legal or other proceedings against or which affect the group; and changes in interest and exchange rates.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Severn Trent or any other member of the group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Severn Trent does not intend to update these forward-looking statements and does not undertake any obligation to do so. Nothing in this document should be regarded as a profits forecast.

Without prejudice to the above

(a) neither Severn Trent Plc nor any other member of the group, nor persons acting on their behalf shall otherwise have any liability whatsoever for loss howsoever arising, directly or indirectly, from use of the information contained within this document; and

(b) neither Severn Trent Plc nor any other member of the group, nor persons acting on their behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this document.

This document is accurate as at the date of publication. You should be aware that this document has not been and will not be updated to reflect any changes since that date.

Past performance of securities of Severn Trent Plc cannot be relied upon as a guide to the future performance of securities of Severn Trent Plc.

Cautionary statement

This document is not an offer to sell, exchange or transfer any securities of Severn Trent Plc or any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. Securities may not be offered, sold or transferred in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act of 1933 (as amended).