

Severn Trent Services International Limited

**Report and financial statements
for the year ended 31 March 2009**

Company number 2387816

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Severn Trent Services International Limited

**Report and Financial Statements
for the year ended 31 March 2009**

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Severn Trent Services International Limited

Company information

Company number	2387816
Directors	L F Graziano R C McPheely K A A Porritt P M Senior
Secretary	K A A Porritt
Registered office	2297 Coventry Road Birmingham B26 3PU
Bankers	Lloyds TSB Bank Plc 125 Colmore Row Birmingham B3 2DT
Solicitors	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Auditors	Deloitte LLP Chartered Accountants Four Brindleyplace Birmingham B1 2HZ

Directors' Report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2009.

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent (W&S) Limited and operates as part of the Severn Trent group's Water Technologies and Services business.

The principal activities of the company are providing reactive consultancy and operations and management services to its worldwide customer base.

There have not been any significant changes in the company's principal activities in the year under review. The directors are extending the activities of the company into Operations and Maintenance (O&M) markets within focused areas in Europe, the Middle East/Gulf and South East Asia.

The directors consider the company's profit for the period (£47,000) and financial position (net assets of £11,394,000) to be satisfactory.

Severn Trent Plc manages its operations on a divisional basis and the company's directors do not believe that further key performance indicators for the company are necessary to enhance the understanding of the development, performance or position of the business. The performance of the Services business, which includes this company, is discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

Principal risks and uncertainties

Competitive pressure from around the world puts continuing pressure on the business' order book. To ensure the order book is maximised, the business works closely with key clients which include the World Bank, the European Bank for Restructuring and Development (EBRD), the Asian Development Bank (ADB), various European Union bodies, the Department for International Development (DFID) and the Swedish International Development Agency (SIDA). Longer term management contracts and O&M contracts will provide the company with the stability which helps mitigate this risk, and have taken part in high value tenders in the Middle East and Ireland.

The company does have contracts in various currencies which provides exposure to movements to the pound exchange rate. Currently management do not judge these to be of sufficient exposure to require specific hedging instruments to be put in place.

Directors' report (continued)

Treasury management

The Severn Trent group manages its treasury operations on a group basis. Financial risk management is performed by Severn Trent's Group Treasury department. This includes assessment and mitigation of price risk, credit risk, liquidity risk and interest rate cash flow risk. The group's treasury management policies and operations are discussed in Severn Trent Plc's Annual Report and Accounts (which does not form part of this report).

The company has implemented policies to manage credit risk relating to trade debtors both internally, through the issuing of monthly reports to management and externally, with management working closely with the company's clients.

Environment

Severn Trent Services International Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. The company operates in accordance with the group policies of Severn Trent Plc which are described in the group's Annual Report and Accounts, which does not form part of this report.

Results and dividends

The company's profit for the financial year after taxation was £47,000 (2008: £424,000).

Going concern

The directors have considered the financial position and future prospects of the company. The directors believe that the company has access to sufficient resources to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Employees

Details of the number of employees and the related costs can be found in note 5 to the financial statements on page 15.

Directors' report (continued)

Directors

The directors who served during the year are shown on page 2.

No emoluments were paid by the company in respect of the services of the directors to the company.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnities

The company's Articles of Association provide that directors of the company shall be indemnified by the company against any costs incurred by them in carrying out their duties including defending any proceedings arising out of their positions as directors in which they are acquitted or judgment is given in their favour or relief from any liability is granted to them by the court.

Directors' report (continued)

Supplier payment policy

For trade creditors it is the company's policy to agree the terms of payment at the start of the business with that supplier, to ensure that suppliers are aware of the terms on which payment will take place and to pay in accordance with its contractual and other legal obligations. Trade creditors at the year end represented 34 days purchases (2008: 25 days).

Auditors and disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:


- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Relevant audit information means information needed by the company's auditors in connection with preparing their report.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP has indicated its willingness to continue as auditors.

By order of the board



R C McPheely
Director
6 July 2009

Independent auditors' report to the members of Severn Trent Services International Limited

We have audited the financial statements of Severn Trent Services International Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Independent auditors' report to the members of Severn Trent Services
International Limited (continued)**

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham,
United Kingdom
6 July 2009

Profit and loss account
For the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	4,099	3,990
Operating costs	3	(4,546)	(4,985)
Operating loss		(447)	(995)
Net interest receivable	4	417	448
Loss on ordinary activities before taxation		(30)	(547)
Taxation on loss on ordinary activities	6	77	971
Profit for the financial year	13	47	424

The above results are derived from continuing operations.

The company has no recognised gains or losses other than the gains above and therefore no separate statement of total recognised gains and losses has been presented.

Severn Trent Services International Limited

Balance Sheet
At 31 March 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	8	196	298
Current assets			
Debtors: amounts falling due within one year	9	3,304	3,293
Debtors: amounts falling due after more than one year	9	89	89
Cash at bank and in hand		9,039	9,503
Total current assets		12,432	12,885
Creditors: amounts falling due within one year	10	(1,234)	(1,771)
Net current assets		11,198	11,114
Total assets less current liabilities		11,394	11,412
Creditors: amounts falling due after more than one year	11	-	(78)
Net assets		11,394	11,334
Capital and reserves			
Called-up share capital	12	10,000	10,000
Profit and loss account	13	1,394	1,334
Shareholders' funds	14	11,394	11,334

The financial statements were approved by the board of directors and authorised for issue on 6 July 2009. They were signed on its behalf by:


R C McPheely
6 July 2009

Director

Notes to the financial statements 31 March 2009

1. Accounting policies

a) Accounting convention

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with applicable United Kingdom Accounting Standards comply with the requirement of the United Kingdom Companies Act 1985 ('the Act').

b) Basis of preparation

The company has taken advantage of the exemption of FRS 1 'Cash flow statements' and not presented a cash flow statement.

c) Turnover

Turnover represents the fair value of consideration receivable, excluding value added tax and trade discounts, in the ordinary course of business for goods and services provided. Turnover is not recognised until the service has been provided to the customer, or the goods to which the sale relates have been despatched to the customer or, where they are held on the customer's behalf, title has passed to the customer.

In respect of long term contracts, turnover is recognised based on the value of work carried out during the year with reference to the total sales value and the stage of completion of the contracts.

d) Pension costs

The company participates in the Severn Trent group's defined benefit and defined contribution pension schemes. However, the company is currently unable to identify its share of assets and liabilities relating to the defined benefit schemes. The pension costs charged against operating profit are the contributions payable to the schemes in the accounting period.

e) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Exchange differences are included in the profit and loss account.

Notes to the financial statements (continued) 31 March 2009

1. Accounting policies (continued)

f) Current and deferred taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in respect of timing differences between the treatment of certain items for taxation and accounting purposes only to the extent that the company has an obligation to pay more tax in the future or a right to pay less tax in the future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax laws enacted or substantively enacted by the balance sheet date.

g) Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less accumulated depreciation and any provision for impairment. Additions are included at cost.

Assets are depreciated on a straight line basis over their estimated economic lives, which are principally as follows:

Plant and machinery	5 years
Fixtures and fittings	7 years

h) Operating leases

Rental costs arising under operating leases are charged to the profit and loss account in the year in which they are incurred.

i) Share-based payments

The Severn Trent group operates a number of equity settled, share based compensation plans for employees utilising the shares of the ultimate parent company. The fair value of the employee services received in exchange for the grant is recognised as an expense over the vesting period of the grant.

The fair value of employee services is determined by reference to the fair value of awards granted calculated using an appropriate pricing model, excluding the impact of any non market vesting conditions. The number of awards that are expected to vest takes into account non market vesting conditions including, where appropriate, continuing employment by the group. The charge is adjusted to reflect shares that do not vest as a result of failing to meet a non-market condition.

Notes to the financial statements (continued) 31 March 2009

1. Accounting policies (continued)

The grant of awards of shares of the ultimate parent company is treated as a capital contribution and credited to reserves. When awards vest, payments made to the ultimate parent company for the issue of shares are charged against the capital contributions previously received in respect of the same awards. Any payments in excess of capital contributions are treated as distributions.

2. Segmental reporting

The company's activities consist solely of providing consultancy and management services to its worldwide customer base.

The company's turnover analysed by geographical destination was:

	2009	2008
	£'000	£'000
United Kingdom	2,328	2,351
Continental Europe	46	131
Rest of world	1,725	1,508
	4,099	3,990

	2009	2008
	£'000	£'000
Total employee costs (Note 5)	2,250	2,861
Depreciation of tangible fixed assets	132	127
Materials and consumables	41	43
Other operating costs:		
Fees paid to auditor: audit fees	9	8
other fees	2	8
Rents payable for land and buildings	295	282
Hired and contracted services	930	971
Travel and related costs	368	246
Bad debts	91	(30)
Other	428	469
Total operating costs	4,546	4,985

4 Net interest receivable

	2009 £'000	2008 £'000
Interest receivable on bank balances	417	448

Notes to the financial statements (continued) 31 March 2009

5 Information regarding directors and employees

The average number of employees (including executive directors) was:

	2009 Number	2008 Number
Administration	33	36

Directors' remuneration

The emoluments of K A A Porritt, R C McPheely and P M Senior are paid by the ultimate parent company, and L F Graziano is paid by Severn Trent Services Inc, as their services to Severn Trent Services International Limited are incidental to their services provided to other group companies. Accordingly, no emoluments have been disclosed in these financial statements in respect of the directors.

Staff costs

	2009 £'000	2008 £'000
Staff costs	1,683	2,006
Social security	177	199
Pension costs	390	656
Total employee costs	2,250	2,861

Notes to the financial statements (continued) 31 March 2009

6 Tax on profit on ordinary activities

	2009	2008
	£'000	£'000
Current tax		
UK corporation tax – prior year	-	(576)
Group relief - current year at 28% (prior year: 30%)	(28)	(110)
Group relief – prior year	(102)	39
Foreign tax – current year	6	(44)
Foreign tax – prior year	4	(31)
Total current tax	(120)	(722)
Deferred tax		
Origination and reversal of timing differences-current year	57	37
Origination and reversal of timing differences-prior year	(14)	(286)
Total deferred tax	43	(249)
Total tax credit	(77)	(971)

Notes to the financial statements (continued) 31 March 2009

6 Tax on profit on ordinary activities (continued)

The tax credit for the period is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(30)	(547)
Tax on loss on ordinary activities at standard UK corporation rate of 28% (2008: 30%)	(9)	(164)
Effects of:		
Expenses not deductible for tax purposes	43	94
Foreign tax	-	39
Capital allowances in excess of depreciation	11	(9)
Movement in short term timing differences	(67)	(28)
Difference between current tax and deferred tax rates	-	(3)
Adjustments to tax charge in respect of previous periods	(98)	(651)
Current tax credit for the period	(120)	(722)

The company earns profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 28% (2008: 30%).

Deferred tax asset

The deferred tax asset may be analysed as follows:

	2009 £'000	2008 £'000
Decelerated capital allowances	(63)	(58)
Short term timing differences	(143)	(191)
Deferred tax asset	(206)	(249)

Notes to the financial statements (continued) 31 March 2009

6 Tax on profit on ordinary activities (continued)

	2009	2008
	£'000	£'000
Provision at 1 April 2008	(249)	-
Deferred tax credit for year (above)	43	(249)
Deferred tax asset at 31 March 2009	(206)	(249)

The deferred tax assets above have been recognised as, in the directors' opinion, the companies future activities are expected to enable their realisation.

7 Share based payments

The Severn Trent group operates a number of share based remuneration schemes for employees and details of the share awards outstanding during the year are as follows:

i) Long Term Incentive Plan (LTIP)

Under the LTIP annual conditional awards of shares in the ultimate parent company may be made to executive directors and senior staff. Awards are subject to performance conditions and continued employment throughout the vesting period. During the year awards of 5,432 shares (2008: 1,603 shares) were made to one employee (2008: one employee). The fair value of each award was £12.80 (2008: £4.77).

Notes to the financial statements (continued) 31 March 2009

7 Share based payments (continued)

Details of changes in the number of awards outstanding during the year are set out below.

	Number of awards
Outstanding 1 April 2007	59,773
Granted during the year	1,603
Expired during the year	(33,874)
Outstanding 1 April 2008	27,502
Granted during the year	5,432
Vested during the year	(15,881)
Lapsed during the year	(5,806)
Outstanding 31 March 2009	11,247

The fair value of the LTIP awards made during the year was calculated using the Monte Carlo method using the principal assumptions set out below:

Assumptions	2008/09	2007/08
Expected volatility		
- Severn Trent Plc	17%	15%
- Comparator group	15%-59%	20%
Correlation between Severn Trent Plc and comparator group	30%	30%
Expected life (years)	3	3
Proportion of employees expected to cease employment before vesting	0%	0%

Severn Trent share price volatility is based on observations of historical weekly volatility over a 3 year period. Weekly volatility in the observed data varied between 10% and 20%.

For the 2008/09 award the comparator group is the companies ranked 51 – 150 in the FTSE index. Comparator group volatility was therefore based on observed volatility for the FTSE 250 index. Correlation between Severn Trent and the comparator group was based on the average pairwise correlation for companies in the FTSE 250.

The share price at the grant date was £12.80 (2008: £13.70)

Dividends 'paid' on shares during the vesting period are accumulated during the vesting period and released subject to achievement of the performance condition, in the same manner as the underlying shares. As a result a dividend yield assumption is not required.

Notes to the financial statements (continued) 31 March 2009

ii) Employee Sharesave Scheme

Under the terms of the Sharesave Scheme, the board of the ultimate parent company may grant the right to purchase ordinary shares in Severn Trent plc to those employees who have entered into an HMRC approved Save As You Earn contract for a period of three, five or seven years.

Details of changes in the number of options outstanding during the year are set out below:

	Number of awards	Weighted average share price
Outstanding 1 April 2007	45,685	697p
Granted during the year	5,347	1,221p
Forfeited during the year	(3,178)	823p
Cancelled during the year	(2,161)	699p
Exercised during the year	(14,191)	533p
Outstanding 1 April 2008	31,502	970p
Granted during the year	13,634	862p
Forfeited during the year	(628)	1,221p
Transferred during the year	1,070	592p
Cancelled during the year	(2,601)	1,213p
Exercised during the year	(7,660)	632p
Outstanding 31 March 2009	35,317	848p

Sharesave options outstanding at 31 March were as follows:

	Normal date of exercise	Option price	Number of shares	
			2009	2008
January 2001	2008	568p	-	647
January 2002	2009	548p	-	-
January 2003	2010	536p	-	3,797
January 2004	2009 or 2011	592p	4,494	3,424
January 2005	2010 or 2012	759p	1,958	5,174
January 2006	2009, 2011 or 2013	823p	11,246	11,246
January 2007	2010, 2012 or 2014	1,172p	1,741	2,181
January 2008	2011 or 2013	1,221p	2,244	5,033
January 2009	2012 or 2014	862p	13,634	-
			35,317	31,502

Notes to the financial statements (continued) 31 March 2009

7 Share based payments (continued)

The fair value of the Sharesave options granted during the year was calculated using the Black Scholes model. The principal assumptions were as follows:

Scheme year	2008/09		2007/08	
Scheme type	3 year	5 year	3 year	5 year
Expected volatility	17%	17%	15%	15%
Risk free rate	2.24	2.74	4.24	4.29
Expected dividend yield	4.0%	4.0%	4.0%	4.0%
Proportion of employees expected to cease employment before vesting	15.0%	17.0%	15.0%	17.0%
Expected life (years)	3.25	5.25	3.25	5.25
Fair value per share	2.72	2.68	307p	312p

Expected volatility is based on observations of historical weekly volatility over a 3 year period. Weekly volatility in the observed data was between 10 – 20%.

The risk free rate is derived from yields at the grant date of gilts of similar duration to the Sharesave contracts.

The proportion of employees expected to cease employment before vesting is based on historically observed data.

The following data was used in the calculation of the fair value of the Sharesave options.

Scheme year	2008/09		2007/08	
Scheme type	3 year	5 year	3 year	5 year
Share price at grant date	1,189p	1,189p	1,520p	1,520p
Option life	3.5	5.5	3.5	5.5

Notes to the financial statements (continued) 31 March 2009

8 Tangible fixed assets

	Vehicles £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2008	67	690	366	1,123
Additions	18	12	-	30
Disposals	-	(542)	(76)	(618)
At 31 March 2009	85	160	290	535
Depreciation				
At 1 April 2008	41	627	157	825
Charge for the year	42	22	68	132
Disposals	-	(542)	(76)	(618)
At 31 March 2009	83	107	149	339
Net book value				
At 31 March 2009	2	53	141	196
At 31 March 2008	26	63	209	298

Notes to the financial statements (continued) 31 March 2009

9 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	704	583
Amounts owed by parent undertaking	185	440
Amounts owed by group undertakings	1,763	1,662
Other debtors	85	49
Prepayments and accrued income	344	225
Corporation tax – group relief	17	85
Deferred tax asset	206	249
	3,304	3,293
Amounts falling due after one year:		
Prepayments and accrued income	89	89

10 Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	408	573
Amounts owed to group undertakings	163	137
Corporation tax - overseas	7	39
Other taxation and social security	73	208
Other creditors	335	603
Accruals and deferred income	248	211
	1,234	1,771

11 Creditors: Amounts falling due after one year

	2009 £'000	2008 £'000
Accruals and deferred income	-	78

Notes to the financial statements (continued) 31 March 2009

12 Share capital

	2009 £'000	2008 £'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted called up and fully paid		
10,000,000 ordinary shares of £1 each	10,000	10,000

13 Reserves

	Profit and loss account £'000
At 1 April 2008	1,334
Profit for the financial year	47
Share based payments	13
At 31 March 2009	1,394

14 Reconciliation of movement in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	47	424
Share based payments	13	11
Net addition to shareholders funds	60	435
Opening shareholders' funds	11,334	10,899
Closing shareholders' funds	11,394	11,334

Notes to the financial statements (continued) 31 March 2009

15 Retirement benefit schemes

Defined benefit schemes

The Severn Trent group operates a number of defined benefit pension schemes in the UK, covering the majority of UK employees. The defined benefit schemes are funded to cover future salary and pension increases and their assets are held in separate funds administered by trustees. A formal actuarial valuation of each scheme is carried out at regular intervals by an independent professionally qualified actuary. Under the defined benefit schemes, members are entitled to retirement benefits calculated as a proportion (varying between one thirtieth and one eightieth for each year of service) of their salary for the final year of employment with the group or, if higher, the average of the three consecutive years salary in the last ten years of employment. The final salary sections of all the pension schemes listed below are closed to new entrants and the age profile of the scheme participants is expected to rise and hence service costs are expected to rise in the future.

The UK defined benefit scheme and the date of their last formal actuarial valuation are as follows.

UK defined benefit scheme	Date of last formal actuarial valuation
Severn Trent Pension Scheme ('STPS')*	31 March 2007
Severn Trent Senior Staff Pension Scheme ('SSPS')	31 March 2007
Severn Trent Water Mirror Image Pension Scheme	31 March 2006

* The STPS is by far the largest of the group's defined benefit schemes. With effect from 31 March 2009 the SSPS was merged with the STPS.

Severn Trent Plc, the ultimate holding company, operates group defined benefit pension schemes, of which some employees of the company are members. However, the contributions paid by the company are accounted as if the schemes were defined contribution schemes, as the company is currently unable to identify its share of the underlying assets and liabilities in the schemes. The cost of contributions to the group schemes amount to £374,000 (2008: £656,000), being 24.3% (2008: 32.6%) of pensionable salary, and is based on pension costs across the group as a whole. An amount of £39,000 (2008: £37,000) is included in creditors being the outstanding contributions to the STPS and STMIPS.

The company also operates a defined contribution scheme. This scheme is operated as part of the Severn Trent Group Pension Scheme and commenced operation on 1 September 2001. The pension charge for this scheme for the year ended 31 March 2009 was £1,000 (2008: £2,000).

Notes to the financial statements (continued) 31 March 2008

15 Retirement benefit schemes (continued)

The deficit in the group's defined benefit pension schemes as at 31 March 2009 measured under the requirements of IAS 19 was £223 million (2008: £126 million).

16 Contingent liabilities

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

At 31 March 2009 the company's maximum liability under this arrangement was £8,935,000 (2008: £9,385,000).

17 Related party transactions

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Severn Trent Plc group.

18 Ultimate parent undertaking

The immediate parent undertaking is Severn Trent (W&S) Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking and controlling party of the smallest and largest group to consolidate these financial statements. Copies of the Severn Trent Plc consolidated financial statements can be obtained from the Company Secretary at 2297 Coventry Road, Birmingham, B26 3PU.