

Severn Trent Services International Limited

Report and financial statements for the year ended 31 March 2010

Company number 2387816

MONDAY



ASP9HQ3A

A46

20/12/2010

97

COMPANIES HOUSE

Severn Trent Services International Limited

Report and financial statements for the year ended 31 March 2010

Contents	Page
Company information	2
Directors' report	3
Independent auditors' report	7
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11

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	R P Brierley
Registered office	Severn Trent Centre 2 St John's Street Coventry CV1 2LZ
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 and Statutory Auditors Four Brindley Place Birmingham B1 2HZ

Severn Trent Services International Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 March 2010

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 Services business

The principal activities of the company are providing reactive consultancy and operations and management services to its worldwide customer base. The company is also a cost centre for the Operating Services group for which revenue is recognised from other group companies.

There have not been any significant changes in the company's principal activities in the year under review. The directors are continuing 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 loss for the period (£1,064,000) and financial position (net assets of £10,339,000) 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 Severn Trent 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 Reconstruction 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.

Severn Trent Services International Limited

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 loss for the financial year after taxation was £1,064,000 (2009 profit £47,000).

Employees

Details of the number of employees and the related costs can be found in note 5 to the financial statements on page 14.

Directors

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

During the year, Mrs K A A Porritt resigned as secretary and Mr R P Brierley was appointed as secretary with effect from 1 October 2009.

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

Severn Trent Services International Limited

Directors' report (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with 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 (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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.

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.

Severn Trent Services International Limited

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 12 days purchases (2009 34 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

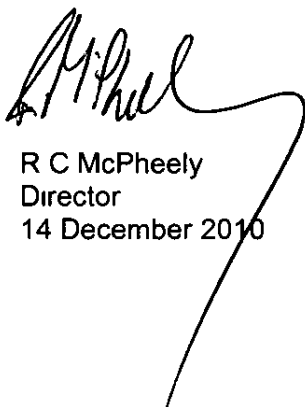
- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish 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 s418 of the Companies Act 2006

Deloitte LLP has indicated its willingness to continue as auditors

By order of the board



R C McPheely
Director
14 December 2010

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 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations required for our audit



Peter Gallimore FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham
United Kingdom
15 December 2010

Severn Trent Services International Limited

Profit and loss account

For the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	2,491	4,099
Operating costs	3	(4,100)	(4,546)
Operating loss		(1,609)	(447)
Net interest receivable	4	252	417
Loss on ordinary activities before taxation		(1,357)	(30)
Taxation on loss on ordinary activities	6	293	77
(Loss)/profit for the financial year	13	(1,064)	47

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

The above results are derived from continuing activities

Severn Trent Services International Limited

Balance Sheet

At 31 March 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible fixed assets	8	141	196
Current assets			
Debtors amounts falling due within one year	9	10,801	3,098
Debtors amounts falling due after more than one year	9	255	295
Cash at bank and in hand		187	9,039
Total current assets		11,243	12,432
Creditors amounts falling due within one year	10	(1,045)	(1,234)
Net current assets		10,198	11,198
Total assets less current liabilities		10,339	11,394
Net assets		10,339	11,394
Capital and reserves			
Called-up share capital	11	10,000	10,000
Profit and loss account	12	339	1,394
Shareholders' funds	13	10,339	11,394

The financial statements were approved by the board of directors and authorised for issue on 14 December 2010. They were signed on its behalf by



Director

R C McPheely

14 December 2010

Company number 2387816

Severn Trent Services International Limited

Notes to the financial statements for the year ended 31 March 2010

1. Accounting policies

a) Accounting convention

The financial statements have been prepared on the going concern basis (see Directors' report) under the historical cost convention in accordance with applicable United Kingdom Accounting Standards and comply with the requirement of the United Kingdom Companies Act 2006 ('the Act'). The principal accounting policies are set out below

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 as permitted by FRS 17

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

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

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

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

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

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

	2010 £'000	2009 £'000
United Kingdom	2,021	2,328
Continental Europe	28	46
Rest of world	442	1,725
	2,491	4,099

Turnover arising from operations in the United Kingdom was derived from inter company activities

3. Operating costs

	2010 £'000	2009 £'000
Total employee costs (Note 5)	2,297	2,250
Depreciation of tangible fixed assets	101	132
Materials and consumables	18	41
Other operating costs:		
Fees payable to the company's auditors for the audit of the company's annual accounts	9	9
Fees payable to the company's auditors for non-audit services	11	2
Rents payable for land and buildings	299	295
Hired and contracted services	323	930
Travel and related costs	282	368
Bad debts	(114)	91
Other	873	428
Total operating costs	4,100	4,546

Amounts payable to Deloitte LLP by the company and its subsidiary undertakings in respect of employee tax compliance services were £11,000 (2009 £2,000)

4. Net interest receivable

	2010 £'000	2009 £'000
Interest receivable and similar income	252	417

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

5. Information regarding directors and employees

The average number of employees (including executive directors) was

	2010 Number	2009 Number
Administration	32	33

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 it is not possible to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, no emoluments have been disclosed in these financial statements in respect of the directors.

Staff costs

	2010 £'000	2009 £'000
Staff costs	1,717	1,683
Social security	165	177
Pension costs	415	390
Total employee costs	2,297	2,250

6. Tax on loss on ordinary activities

	2010 £'000	2009 £'000
Current tax		
Group relief - current year at 28%	(347)	(28)
Group relief - prior year	(42)	(102)
Foreign tax - current year	5	6
Foreign tax - prior year	51	4
Total current tax	(333)	(120)
Deferred tax		
Origination and reversal of timing differences - current year	5	57
Origination and reversal of timing differences - prior year	35	(14)
Total deferred tax	40	43
Total tax credit	(293)	(77)

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

6. Tax on loss on ordinary activities (continued)

The tax credit for the period is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(1,357)	(30)
Tax on loss on ordinary activities at standard UK corporation rate of 28% (2009 28%)	(380)	(9)
Effects of		
Expenses not deductible for tax purposes	43	43
Capital allowances in excess of depreciation	1	11
Movement in short term timing differences	(6)	(67)
Adjustments to tax charge in respect of previous periods	9	(98)
Current tax credit for the period	(333)	(120)

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% (2009 28%) Subsequent to the year end, it was announced that the applicable rate of corporation tax would be lowered to 27% with effect from 1 April 2011

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 There were no shares awarded in the year (2009 5,432 shares to one employee) The fair value of each share award made in 2009 was £12.80

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

7. Share based payments (continued)

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

	Number of awards	
	2010	2009
Outstanding at 1 April	11,247	27,502
Granted during the year	-	5,432
Vested during the year	-	(15,881)
Lapsed during the year	(6,686)	(5,806)
Transferred during the year	11,808	-
Outstanding at 31 March	16,369	11,247

The 2008/09 LTIP awards was based on achievement of economic profit targets over the vesting period. Consequently, the fair value of the awards equalled the share price at the grant date, £12.80

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.

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

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	35,317	848p	31,502	970p
Granted during the year	5,417	806p	13,634	862p
Forfeited during the year	(322)	1,172p	(628)	1,221p
Exercised during the year	(13,394)	745p	(7,660)	632p
Transferred during the year	-	-	1,070	592p
Cancelled during the year	(1,552)	1,071p	(2,601)	1,213p
Outstanding at 31 March	25,466	875p	35,317	848p

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

7. Share based payments (continued)

Sharesave options outstanding at 31 March were as follows

	Normal date of exercise	Option price	Number of shares	
			2010	2009
January 2004	2009 or 2011	592p	-	4,494
January 2005	2010 or 2012	759p	1,958	1,958
January 2006	2009, 2011 or 2013	823p	2,356	11,246
January 2007	2010, 2012 or 2014	1,172p	737	1,741
January 2008	2011 or 2013	1,221p	1,930	2,244
January 2009	2012 or 2014	862p	13,078	13,634
January 2010	2013 or 2015	862p	5,417	
			25,466	35,317

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	2009/10		2008/09	
	3 year	5 year	3 year	5 year
Scheme type				
Expected volatility	25%	25%	15%	15%
Risk free rate	1.8%	2.78%	4.24%	4.29%
Expected dividend yield	4.0%	4.0%	4.0%	4.0%
Proportion of employees expected to cease	15.0%	17.0%	15.0%	17.0%
Expected life (years)	3.25	5.25	3.25	5.25
Fair value per share - sharesave	264p	280p	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% and 40%.

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	2009/10		2008/09	
	3 year	5 year	3 year	5 year
Scheme type				
Share price at grant date	1,080p	1,080p	1,189p	1,189p
Option life	3.5	5.5	3.5	5.5

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

8. Tangible fixed assets

	Vehicles £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 April 2009	85	160	290	535
Additions	-	10	36	46
Disposals	(85)	-	-	(85)
At 31 March 2010	-	170	326	496
Depreciation				
At 1 April 2009	83	107	149	339
Charge for the year	2	22	77	101
Disposals	(85)	-	-	(85)
At 31 March 2010	-	129	226	355
Net book value				
At 31 March 2010	-	41	100	141
At 31 March 2009	2	53	141	196

9. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	358	704
Amounts owed by parent undertaking	170	185
Amounts owed by group undertakings	10,027	1,780
Other debtors	41	85
Prepayments and accrued income	205	344
	10,801	3,098
Amounts falling after more than one year		
Prepayments and accrued income	89	89
Deferred tax asset	166	206
	255	295

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

9. Debtors (continued)

Deferred tax asset

The deferred tax asset may be analysed as follows

	2010 £'000	2009 £'000
Decelerated capital allowances	63	63
Short term timing differences	103	143
Deferred tax asset	166	206
Provision at start of period	206	249
Deferred tax credit for year	(40)	(43)
Deferred tax asset at end of period	166	206

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

10. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	141	408
Amounts owed to group undertakings	172	163
Corporation tax - overseas	51	7
Other taxation and social security	225	73
Other creditors	314	335
Accruals and deferred income	142	248
	1,045	1,234

11. Share capital

	2010 £'000	2009 £'000
Allotted, called up and fully paid 10,000,000 ordinary shares of £1 each	10,000	10,000

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

12. Reserves

	Profit and loss account £'000
At 1 April 2009	1,394
Loss for the financial year	(1,064)
Share based payments	9
At 31 March 2010	339

13. Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
(Loss)/profit for the financial year	(1,064)	47
Share based payments	9	13
Net (reduction)/addition to shareholders funds	(1,055)	60
Opening shareholders' funds	11,394	11,334
Closing shareholders' funds	10,339	11,394

14. 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 Water Mirror Image Pension Scheme ('STMIPS')	31 March 2009

* The STPS is by far the largest of the group's defined benefit schemes

Severn Trent Services International Limited

Notes to the financial statements (continued) for the year ended 31 March 2010

14. Retirement benefit schemes (continued)

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 £414,000 (2009 £389,000), being 24.2% (2009 24.3%) of pensionable salary, and is based on pension costs across the group as a whole. An amount of £35,000 (2009 £39,000) 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 2010 was £1,000 (2009 £1,000).

The deficit in the group's defined benefit pension schemes as at 31 March 2010 measured under the requirements of IAS 19 was £354.9 million (2009 £233.0 million).

15. 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 2010 the company's maximum liability under this arrangement was £98,000 (2009 £8,935,000).

16. 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.

17. 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 Severn Trent Plc, Severn Trent Centre, PO Box 5309, Coventry CV3 9FH.