

**AZTEC ENVIRONMENTAL CONTROL LIMITED**  
**(REGISTERED NUMBER 1361365)**

**DIRECTORS' REPORT AND ACCOUNTS**

**31 March 1998**



## AZTEC ENVIRONMENTAL CONTROL LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

The directors present their report and the audited financial statements for the year ended 31 March 1998.

#### PRINCIPAL ACTIVITY

The principal activity of the company is that of manufacturers and suppliers of specialist equipment and instrumentation for the water and associated industries.

#### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

On 1 August 1997, the trade, assets and liabilities of the company were transferred to Capital Controls Ltd, a fellow subsidiary company of Severn Trent Plc.

#### TRADING RESULTS

The trading results for the year ended 31 March 1998 are set out on page 5. The directors do not recommend the payment of a dividend.

#### DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year were as follows:

IJ Hislop  
RK Peace

The interests of the directors in office at the year end in the ordinary share capital of Severn Trent Plc, the ultimate parent company were as follows:

	<u>B Shares</u>		<u>Ordinary shares</u>	
	31 March 1998	1 April 1997	of 65 5/19 pence each 31 March 1998	of £1 each 1 April 1997
IJ Hislop	118	-	5,993	5,665
RK Peace	118	-	270	224

	<u>Share options under approved schemes</u>			
	1 April 1997 No of shares	Exercised No of shares	Granted No of shares	31 March 1998 No of shares
IJ Hislop	15,053	-	488	15,541
RK Peace	700	-	-	700

Details of the prices and periods within which options are exercisable can be found in the accounts of Severn Trent Plc.

Options have been granted in accordance with the Severn Trent Executive Share Option Scheme and the Severn Trent Sharesave Scheme.

## AZTEC ENVIRONMENTAL CONTROL LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998 (CONTINUED)

#### DIRECTORS AND THEIR INTERESTS (CONTINUED)

After the close of business on 8 August 1997 Severn Trent Plc effected a Capital Reorganisation by way of sub-division and consolidation. Each Ordinary Share of £1.00 each was divided into one Ordinary Share of 62 pence and one B Share of 38 pence. Following this sub-division, every 20 Ordinary Shares of 62 pence each were consolidated into 19 Ordinary Shares of 65 5/19 pence each.

Messrs Hislop and Peace have further interests in Severn Trent Plc Ordinary Shares of 65 5/19 pence each by virtue of having received contingent awards of shares under the Severn Trent Plc Long Term Incentive Plan (the "Plan"). The Plan operates on a three year rolling basis. An Employee Benefit Trust is operated in conjunction with the Plan. Awards do not vest until they have been held in trust for three years and certain performance criteria have been satisfied. The initial performance criteria will be based on Severn Trent Plc's total shareholder return compared to the total shareholder return of 14 other privatised utility companies. The individual interests, which represent the maximum aggregate number of shares to which each individual could become entitled to, are as follows:

	<u>31 March 1998</u>	<u>1 April 1997</u>
IJ Hislop	4,630	-
RK Peace	2,914	-

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

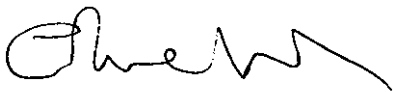
**AZTEC ENVIRONMENTAL CONTROL LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998  
(CONTINUED)**

**AUDITORS**

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'CL Wilkinson', with a stylized flourish at the end.

CL WILKINSON  
Secretary

8 June 1998

*Price Waterhouse*



## **AUDITORS' REPORT TO THE MEMBERS OF AZTEC ENVIRONMENTAL CONTROL LIMITED**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PRICE WATERHOUSE**  
**Chartered Accountants**  
**and Registered Auditors**

8 June 1998

# **AZTEC ENVIRONMENTAL CONTROL LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1998**

	<u>Notes</u>	1998 <u>Discontinued Operations</u> £'000	1997 <u>Discontinued Operations</u> £'000
<b>TURNOVER</b>	2	701	2,528
Cost of sales		(258)	(1,742)
<b>GROSS PROFIT</b>		443	786
Distribution and selling costs		(297)	(204)
Administrative expenses		(207)	(732)
<b>OPERATING LOSS</b>	3	(61)	(150)
Interest payable	4	(17)	(45)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(78)	(195)
Taxation	7	—	—
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(78)	(195)
<b>RETAINED LOSS BROUGHT FORWARD</b>		(482)	(287)
<b>RETAINED LOSS CARRIED FORWARD</b>		(560)	(482)

The notes on pages 7 to 13 form part of these financial statements.

All recognised gains and losses are reflected within the profit and loss account above (1997 - all recognised gains and losses reflected).

There is no material difference between the results on an unmodified historic cost basis and those presented above (1997 - no material difference).

# AZTEC ENVIRONMENTAL CONTROL LIMITED

## BALANCE SHEET - 31 MARCH 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible assets	8	-	5
Tangible assets	9	-	<u>407</u>
		-	412
<b>CURRENT ASSETS</b>			
Stocks	10	-	470
Debtors	11	-	<u>551</u>
		-	1,021
<b>CREDITORS (amounts falling due within one year)</b>	12	<u>(215)</u>	<u>(1,570)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(215)</u>	<u>(549)</u>
<b>NET LIABILITIES</b>		<u>(215)</u>	<u>(137)</u>
<b>CAPITAL AND RESERVES</b>		<u>=====</u>	<u>=====</u>
Called up share capital	13	340	340
Profit and loss account		5 <u>(560)</u>	5 <u>(482)</u>
<b>SHAREHOLDER'S FUNDS</b>	14	<u>(215)</u>	<u>(137)</u>
		<u>=====</u>	<u>=====</u>

Approved by the Board on 8 June 1998

  
DIRECTOR

IJ Hislop

The notes on pages 7 to 13 form part of these financial statements.

# **AZTEC ENVIRONMENTAL CONTROL LIMITED**

## **NOTES TO THE ACCOUNTS - 31 MARCH 1998**

### **1 ACCOUNTING POLICIES**

#### **(1) Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **(2) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

#### **(3) Turnover**

Turnover represents the invoiced value of goods and services supplied stated net of VAT.

#### **(4) Development expenditure**

Development expenditure relating to specific projects intended for commercial exploitation, is carried forward. Such expenditure is amortised at a rate of 20% per annum on a reducing balance basis.

#### **(5) Depreciation**

Depreciation is calculated so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

Leasehold improvements	Over the remaining life of the lease
Plant and machinery	25% per annum straight line
Fixtures and fittings	25% per annum straight line
Motor vehicles	25% per annum straight line
Electronic equipment	25% per annum straight line

#### **(6) Deferred tax**

Deferred taxation relating to capital allowances and other timing differences is provided for to the extent that it is probable that a liability will crystallise.

#### **(7) Cash flow statement**

The parent undertaking, Severn Trent Plc, has included a cash flow statement in its financial statements for the year ended 31 March 1998. In accordance with FRS1 (Revised), no cash flow statement is required in the accounts of this company.



# AZTEC ENVIRONMENTAL CONTROL LIMITED

## NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### (8) Pension costs

The company operates a defined contribution scheme and a number of employees are members of the Severn Trent Water Limited Scheme (a defined benefit scheme). Payments made to the schemes are charged annually in the accounts as part of employment costs as they fall due. The rates of contribution of the defined benefit scheme are determined by the actuary whilst contributions by employees and the company to the defined benefit scheme are administered by trustees in funds independent from the company's assets.

#### (9) Related party transactions

Advantage has been taken of the exemption under FRS8 to dispense with the requirement to disclose transactions and balances with fellow subsidiary undertakings, 90% or more of whose voting rights are held within the group and which are included in the consolidated accounts of Severn Trent Plc.

### 2 TURNOVER

Turnover and profit before taxation arise wholly from the company's principal activity. Turnover is analysed geographically by destination as follows:

	<u>1998</u> £'000	<u>1997</u> £'000
United Kingdom	627	2,228
Rest of Europe	50	180
USA	19	107
Rest of World	<u>5</u>	<u>13</u>
	<u>701</u>	<u>2,528</u>

Turnover is sourced entirely in the United Kingdom.

### 3 OPERATING LOSS

	<u>1998</u> £'000	<u>1997</u> £'000
Operating loss is stated after charging:		
Depreciation	13	47
Directors' remuneration (note 6)	-	-
Auditors' remuneration	-	5
Staff costs (note 5)	238	1,314
Operating lease rentals:		
Land and buildings	22	89
Hire of motor vehicles	26	62
Development expenditure	-	2
	<u></u>	<u></u>

# AZTEC ENVIRONMENTAL CONTROL LIMITED

## NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)

### 4 INTEREST PAYABLE

	<u>1998</u> £'000	<u>1997</u> £'000
Bank loans and overdrafts	17	45
	<u>      </u>	<u>      </u>

### 5 STAFF COSTS

	<u>1998</u> £'000	<u>1997</u> £'000
Wages and salaries (including directors' remuneration)	209	1,177
Social security costs	14	81
Other pension costs (note 16)	<u>15</u>	<u>56</u>
	238	1,314
	<u>      </u>	<u>      </u>

The average number of employees during the period was 49 (1997 - 58).

### 6 DIRECTORS' EMOLUMENTS

The emoluments of the directors excluding pension contributions were £Nil (1997 - £Nil).

None of the directors exercised share options during the year.

### 7 TAXATION

	<u>1998</u> £'000	<u>1997</u> £'000
Based on the results for the period:		
UK corporation tax at 31% (1997 - 33%)	-	-
	<u>      </u>	<u>      </u>

In accordance with the company's accounting policy there is no requirement for a provision for deferred taxation at 31 March.

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

	<u>1998</u> £'000	<u>1997</u> £'000
Accelerated capital allowances	-	3
	<u>      </u>	<u>      </u>

# AZTEC ENVIRONMENTAL CONTROL LIMITED

## NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)

### 8 INTANGIBLE FIXED ASSETS

	<u>1998</u> £'000	<u>1997</u> £'000
Deferred development expenditure:		
At 1 April 1997	5	7
Intergroup transfers	(5)	-
Amortisation at 20% per annum	-	(2)
At 31 March 1998	-	5
	=	=

### 9 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u> £'000	<u>Plant and equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
<b><u>Cost</u></b>				
At 1 April 1997	363	356	2	721
Transfer to other group companies	(363)	(361)	(2)	(726)
Additions	-	5	-	5
Disposals	-	-	-	-
At 31 March 1998	-	-	-	-
	-	-	-	-
<b><u>Depreciation</u></b>				
At 1 April 1997	81	231	2	314
Transfer to other group companies	(83)	(242)	(2)	(327)
Charge for the period	2	11	-	13
Disposals	-	-	-	-
At 31 March 1998	-	-	-	-
	-	-	-	-
<b><u>Net book amount</u></b>				
At 31 March 1998	-	-	-	-
	=	=	=	=
At 31 March 1997	282	125	-	407
	=	=	=	=

Included within land and buildings is freehold land at a cost of £Nil (1997 : £75,000), on which no depreciation is charged.

# **AZTEC ENVIRONMENTAL CONTROL LIMITED**

## **NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)**

### **10 STOCKS**

	<u>1998</u> £'000	<u>1997</u> £'000
Raw materials and consumables	-	358
Work in progress	-	35
Finished goods	<u>-</u>	<u>77</u>
	-	470
	<u>=</u>	<u>=</u>

### **11 DEBTORS**

	<u>1998</u> £'000	<u>1997</u> £'000
Trade debtors	-	405
Amounts owed by group undertakings	<u>-</u>	<u>146</u>
	-	551
	<u>=</u>	<u>=</u>

### **12 CREDITORS (amounts falling due within one year)**

	<u>1998</u> £'000	<u>1997</u> £'000
Bank loans and overdrafts	-	547
Trade creditors	-	57
Amounts owed to group undertakings	215	498
Other taxes and social security costs	-	43
Accruals and deferred income	<u>-</u>	<u>425</u>
	215	1,570
	<u>=</u>	<u>=</u>

### **13 CALLED UP SHARE CAPITAL**

	<u>1998</u>	<u>1997</u>
Authorised:		
350,000 Ordinary shares of £1 each	£350,000	£350,000
	<u>=</u>	<u>=</u>
Issued and fully paid:		
340,120 Ordinary shares of £1 each	£340,120	£340,120
	<u>=</u>	<u>=</u>

# AZTEC ENVIRONMENTAL CONTROL LIMITED

## NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)

### 14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u> £'000	<u>1997</u> £'000
Loss for the financial year	(78)	(195)
	—	—
Net reduction in shareholders' funds	(78)	(195)
Opening shareholders' funds	(137)	58
Closing shareholders' funds	(215)	(137)
	==	==

### 15 OPERATING LEASE COMMITMENTS

	<u>Land and buildings</u> £'000	<u>Other</u> £'000
Current annual rental commitments under operating leases are as follows:		
Leases which expire:		
- within 1 year	-	-
- between 1 and 5 years	-	70
- after 5 years	—	—
	-	70
	==	==

The company's annual commitments under operating leases have been transferred to Capital Controls Ltd.

### 16 PENSION COMMITMENTS

The company operates a defined contribution pension scheme and a number of employees are members of the Severn Trent Water Scheme (a defined benefit scheme). Details of the defined benefit scheme may be found in the accounts of Severn Trent Water Limited. This scheme was made available to employees from 1 January 1997. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost represents contributions payable by the company to the schemes as follows:

	<u>1998</u> £'000	<u>1997</u> £'000
Defined contribution scheme	4	12
Defined benefit scheme	11	44
	15	56
	==	==

## **AZTEC ENVIRONMENTAL CONTROL LIMITED**

### **NOTES TO THE ACCOUNTS - 31 MARCH 1998 (CONTINUED)**

#### **17 ULTIMATE CONTROLLING PARTY**

The immediate and ultimate parent undertaking and controlling party is Severn Trent Plc which is incorporated in England and Wales. Copies of the group accounts may be obtained from the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham B26 3PU.

Severn Trent Plc has indicated its intention to continue to provide financial support to the company to enable it to meet its obligations as and when they fall due.