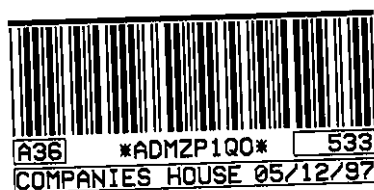


SEVERN TRENT LABORATORIES LIMITED

(REGISTERED NUMBER - 2148934)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997



# **SEVERN TRENT LABORATORIES LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	I J Hislop R S Brydon R K Peace
<b>Secretary</b>	D W Mattin
<b>Company Number</b>	2148934
<b>Auditors</b>	Price Waterhouse Cornwall Court 19 Cornwall Street Birmingham B3 2DT
<b>Bankers</b>	Lloyds Bank Plc Colmore Row Branch 125 Colmore Row Birmingham B3 3AD
<b>Registered Office</b>	2308 Coventry Road Birmingham B26 3JZ

# **SEVERN TRENT LABORATORIES LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997**

The directors present their report and the audited financial statements for the year ended 31 March 1997.

### **PRINCIPAL ACTIVITY**

The company offers a full range of analytical services and environmental consultancy.

### **REVIEW OF THE BUSINESS**

During the year the company ceased providing a service for pesticide residue analysis and closed its Reading laboratory.

The results for the year are satisfactory with profit before tax increasing by £ 258,000 to £ 633,000.

The directors do not recommend the payment of a dividend, and hence the profit after tax of £ 375,000 will be transferred to reserves.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

# **SEVERN TRENT LABORATORIES LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997 (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS (continued)**

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **DIRECTORS AND THEIR INTERESTS**

The interests of the directors at the year end in the shares of Severn Trent Plc, the ultimate parent undertaking, were as follows:

	Beneficial Holdings in ordinary shares		Share options under approved schemes			
	as at 01.04.96	as at 31.03.97	as at 01.04.96	Exercised during year	Granted during year	as at 31.03.97
I J Hislop	3,069	5,665	37,963	(23,563)	653	15,053
R S Brydon	-	-	3,760	-	-	3,760
R K Peace	155	224	3,200	(2,500)	-	700

## **SEVERN TRENT LABORATORIES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997 (continued)**

#### **DIRECTORS AND THEIR INTERESTS (continued)**

Details of the price and period 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.

The directors did not have any interest in the shares of the company.

There have been no changes in these holdings subsequent to the year end.

#### **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



R S Brydon  
Director  
27 JUNE 1997

*Price Waterhouse*



## **AUDITOR'S REPORT TO THE MEMBERS OF SEVERN TRENT LABORATORIES LIMITED**

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

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

As described on pages 2 and 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

*Price Waterhouse*

## **PRICE WATERHOUSE**

Chartered Accountants  
and Registered Auditors

27 June 1997

## **SEVERN TRENT LABORATORIES LIMITED**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997**

	Notes	1997 £000's	1996 £000's
Turnover	1 (b)	8,943	6,086
Operating costs	2	<u>(8,121)</u>	<u>(5,578)</u>
Operating profit		822	508
Interest payable	3	<u>(189)</u>	<u>(133)</u>
Profit on ordinary activities before taxation		633	375
Taxation on profit on ordinary activities	6	<u>(258)</u>	<u>(117)</u>
Retained profit for the financial year	14	<u><u>375</u></u>	<u><u>258</u></u>

The above results are derived wholly from continuing activities.

The company had no recognised gains or losses other than the profit for the year.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The movement in shareholders' funds are disclosed in note 15.

# SEVERN TRENT LABORATORIES LIMITED

## BALANCE SHEET AS AT 31 MARCH 1997

	Notes	1997		1996
		£000's	£000's	£000's
FIXED ASSETS				
Tangible assets	8		4,656	5,522
CURRENT ASSETS				
Stocks	9	225		233
Debtors	10	1,539		1,764
		<u>1,764</u>		<u>1,997</u>
CREDITORS (amounts falling due within one year)	11	<u>(3,007)</u>		<u>(4,482)</u>
NET CURRENT LIABILITIES			<u>(1,243)</u>	<u>(2,485)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,413	3,037
CREDITORS (amounts falling due after more than one year)	12		(3,123)	(3,122)
NET ASSETS/(LIABILITIES)			<u>290</u>	<u>(85)</u>
CAPITAL AND RESERVES				
Called up Share Capital	13		-	-
Profit and Loss Account	14		290	(85)
SHAREHOLDERS' FUNDS	15		<u>290</u>	<u>(85)</u>

Approved by the Board on 27 JUNE 1997, and signed on its behalf by :



R S Brydon - Director



# **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.

## **1. ACCOUNTING POLICIES**

### **(a) Basis of accounting**

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

### **(b) Turnover**

Turnover represents the value of services supplied in the United Kingdom for analytical and consultancy services, stated net of Value Added Tax.

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

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

### **(d) Depreciation**

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

Leasehold buildings	Over the remaining life of the lease on a straight line basis
Equipment	7 years on a straight line basis

### **(e) Deferred Taxation**

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

### **(f) Goodwill**

Goodwill relating to group reorganisations represents the difference between the cost of acquisition and book value of the net tangible assets acquired. Goodwill is written off to reserves in the year of acquisition.

# **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997  
(continued)

## **1. ACCOUNTING POLICIES (continued)**

### **(g) Cash flow statement**

The ultimate parent undertaking, Severn Trent Plc, has included a cashflow statement in its financial statements for the year ended 31st March 1997. In accordance with FRS1 (Revised), no cash flow statement is required in the accounts of this company.

### **(h) Pension Costs**

The Company participates in the group defined benefit schemes known as the Severn Trent Water Pension Scheme and the Severn Trent Mirror Image Scheme. Details of these schemes are set out in the accounts of the parent undertaking (see note 16).

Pension costs are determined so as to spread the cost of providing pension benefits over the estimated period of employees' average service lives with the group.

### **(i) Operating Leases**

Rentals under operating leases are charged to the profit and loss account as incurred.

### **(j) Related Party Transactions.**

Advantage has been taken of the exemption under FRS 8 to dispense with the need to disclose transactions and balances with fellow subsidiaries, 90% or more of whose voting rights are held within the group and which are consolidated in the accounts of Severn Trent Plc.

## **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.  
(continued)

### **2. OPERATING COSTS**

	1997 £000's	1996 £000's
- Materials and consumables	1,056	765
- Changes in stocks of finished goods and work in progress	8	86
- Employee costs (note 4)	3,526	2,529
- Depreciation (note 8)	877	574
- Loss on disposal of tangible fixed assets	5	14
- Hire of plant and machinery	-	10
- Other operating leases	65	27
- Rents payable for land & buildings	244	192
- Auditors' remuneration	8	7
- Power	123	103
- Rates	135	64
- Hired and contracted services	1,325	763
- Other operating charges	749	444
	<u>8,121</u>	<u>5,578</u>

### **3. INTEREST PAYABLE**

Interest payable on bank overdraft repayable  
within 5 years

	1997 £000's	1996 £000's
	<u>189</u>	<u>133</u>

# **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.  
(continued)

	1997 £000's	1996 £000's
<b>4. EMPLOYEE COSTS</b>		
Wages and salaries	2,988	2,235
Social security costs	221	152
Other pension costs (note 16)	317	142
	<u>3,526</u>	<u>2,529</u>
	Number	Number
Average number of employees during the year	<u>177</u>	<u>132</u>

	1997 £	1996 £
<b>5. DIRECTORS EMOLUMENTS</b>		
Aggregate Directors' emoluments during the period excluding pension contributions	<u>70,731</u>	<u>35,073</u>

Two directors exercised share options during the year.

The company made contributions to a defined benefit pension scheme on behalf of one of the directors.

	1997 £000's	1996 £000's
<b>6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>		
Group relief payable at 33% (1996 - 33%)	263	117
UK Corporation tax - prior years	1	0
Group relief payable -Prior Year at 33% (1996 - 33%)	(6)	0
	<u>258</u>	<u>117</u>

# SEVERN TRENT LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.  
(continued)

## 7. DEFERRED TAXATION

	Full Potential Liability		Provided	
	1997	1996	1997	1996
	£000's	£000's	£000's	£000's
Accelerated capital allowances	146	119	-	-
Other timing differences	(7)	(10)	-	-
	<u>139</u>	<u>109</u>	<u>-</u>	<u>-</u>

## 8. TANGIBLE FIXED ASSETS

	Short Leasehold Land and Buildings £000's	Fixtures, Fittings and Equipment £000's	1997 Total £000's
<b>Cost</b>			
At 1 April 1996	3,895	6,274	10,169
Additions	89	211	300
Re-Allocations	(84)	35	(49)
Disposals	(297)	(251)	(548)
At 31 March 1997	<u>3,603</u>	<u>6,269</u>	<u>9,872</u>
<b>Depreciation</b>			
At 1 April 1996	349	4,298	4,647
Charge for the year	174	703	877
Disposals	(69)	(239)	(308)
At 31 March 1997	<u>454</u>	<u>4,762</u>	<u>5,216</u>
<b>Net book value</b>			
At 31 March 1997	<u>3,149</u>	<u>1,507</u>	<u>4,656</u>
At 31 March 1996	<u>3,546</u>	<u>1,976</u>	<u>5,522</u>

# **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997  
(continued)

<b>9. STOCKS</b>	1997 £000's	1996 £000's
Raw materials and consumables	130	147
Work in progress	95	86
	<u>225</u>	<u>233</u>

The replacement cost of stock is not materially different from the amount above.

<b>10. DEBTORS</b>	1997 £000's	1996 £000's
Trade debtors	732	733
Amounts owed by group undertakings	490	659
Prepayments and accrued income	317	372
	<u>1,539</u>	<u>1,764</u>

<b>11. CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)</b>	1997 £000's	1996 £000's
Bank overdraft	1,173	2,608
Trade creditors	433	1,083
Amounts owed to group undertakings	30	44
Other creditors	1,108	630
Taxation and social security	263	117
	<u>3,007</u>	<u>4,482</u>

<b>12. CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)</b>	1997 £000's	1996 £000's
Amount owed to group undertakings	<u>3,123</u>	<u>3,122</u>

Amounts owed to group undertakings represent an interest free loan repayable on demand.

The group undertaking has indicated that it does not anticipate demanding repayment within one year.

## **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.  
(continued)

	1997	1996
13. CALLED UP SHARE CAPITAL	£	£
Authorised and issued 100 ordinary shares at £1 each	<u>100</u>	<u>100</u>

	1997	1996
14. PROFIT & LOSS ACCOUNT	£000's	£000's
At 1 April 1996	(85)	-
Profit for the year	375	258
Goodwill written off	0	(343)
At 31 March 1997	<u>290</u>	<u>(85)</u>

Goodwill written off relates to the acquisition of the trade and net assets of the laboratories division of Severn Trent Industries Limited on 31 July 1995.

### **15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	1997	1996
	£000's	£000's
Shareholders' funds as at 1 April 1996	(85)	-
Profit for the financial year	375	258
Goodwill written off	0	(343)
Shareholders' funds as at 31 March 1997	<u>290</u>	<u>(85)</u>

### **16. PENSION SCHEME**

The Company participates in group defined benefit schemes known as the Severn Trent Water Pension Scheme and Severn Trent Mirror Image Scheme. Details of these pension schemes are set out in the financial statements of the ultimate parent undertaking. The contribution in the year was £316,557 (1996 - £142,469.)

## **SEVERN TRENT LABORATORIES LIMITED**

NOTES TO THE FINANCIAL STATEMENTS - for the year ended 31 March 1997.  
(continued)

### **17. COMMITMENTS AND CONTINGENT LIABILITIES**

- (a) The company had no investment expenditure commitments other than those provided for in the financial statements.
- (b) The banking arrangements of the company operates on a pooled basis with certain group undertakings. Under these arrangements participating companies guarantee each others overdrawn balances to the extent of their credit balances and the credit balances can be off-set against overdrawn balances of participating companies. No liability is expected to arise in the normal course of business.

### **18. OBLIGATIONS UNDER LEASES**

The Company has entered into operating leases and has annual commitments under leases expiring as follows :

	1997		1996	
	Land and Buildings	Other	Land and Buildings	Other
	£000's	£000's	£000's	£000's
Within one year	-	-	-	-
Between one and five years	-	52	-	37
After five years	206	-	192	-
	<hr/> 206	<hr/> 52	<hr/> 192	<hr/> 37

### **19. ULTIMATE CONTROLLING PARTY**

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