

# **SEVERN TRENT OVERSEAS HOLDINGS LIMITED**

**( Registered Number 2455508 )**

## **Directors' Report and Financial Statements**

**for the Year Ended 31 March 2007**

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# **Severn Trent Overseas Holdings Limited**

## **Financial statements for the year ended 31 March 2007**

### **Contents**

	<i><b>Pages</b></i>
Company information	2
Directors' report	3 - 4
Independent Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 12

# **Severn Trent Overseas Holdings Limited**

## **Company information**

<b>Directors</b>	C S Matthews (resigned 31 March 2007) F B Smith (resigned 31 March 2007) R C McPheely (appointed 1 April 2007) K A A Porritt (appointed 1 April 2007) P M Senior (appointed 1 April 2007)
<b>Secretary</b>	D Chettle (resigned 31 March 2007) K A A Porritt (appointed 1 April 2007)
<b>Company number</b>	2455508
<b>Registered office</b>	2297 Coventry Road Birmingham B26 3PU
<b>Auditors</b>	Deloitte & Touche LLP 4 Brindley Place Birmingham B1 2HZ

# **Severn Trent Overseas Holdings Limited**

## **Directors' report**

The directors present their report and the financial statements for the year ended 31 March 2007

### **Business review and principal activities**

This directors' report has been prepared in accordance with the special provision relating to small companies under section 246(4) of the Companies Act 1985

The company made a profit on ordinary activities before taxation of £6,097,000 (2006 £189,000)

The principal activity of the company is to act as holding company for certain subsidiary companies of the Severn Trent group

During the year the company was acquired by Severn Trent Holdings Limited. Severn Trent Plc remains the ultimate parent company

### **Dividends**

No dividend was paid during the year or during the prior year

### **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. Their emoluments are paid by other companies within the Severn Trent group

Mr C S Matthews was a director of Severn Trent Plc, the ultimate parent undertaking, during the year. His interests in the share capital of that company are disclosed in the Annual Report and accounts of that company for the year ended 31 March 2007. The other director's interests are detailed below. Share options were granted in accordance with the Severn Trent Sharesave Scheme

F B Smith has further interests in Severn Trent Plc ordinary shares of 97 17/19 pence each by virtue of having received a contingent award of shares under the Severn Trent Plc Long Term Incentive Plan (LTIP) on 19 June 2006. The LTIP operates on a three year rolling basis. The Severn Trent Employee Share Ownership Trust is operated in conjunction with the LTIP. The award does not vest until it is held in trust for three years and specific performance criteria have been satisfied. The performance criteria for the award are based on Severn Trent Plc's Total Shareholders Return (TSR). The individual interest represents the maximum aggregate number of shares to which F B Smith could become entitled

### **Share options under approved schemes**

As at 31 March 2006

Options granted during the year

As at 31 March 2007

**F B Smith  
number**

-

1,397

1,397

### **LTIP awards**

As at 31 March 2006

Awarded during the year

As at 31 March 2007

-

14,163

14,163

# **Severn Trent Overseas Holdings Limited**

## **Directors' report (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

The directors are required to prepare such financial statements for each financial period that 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 the 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, and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the company. The directors are also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of the directors' report which complies with the requirements of the Companies Act 1985.

### **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 judgement is given in their favour or relief from any liability is granted to them by the court.

### **Auditors**

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

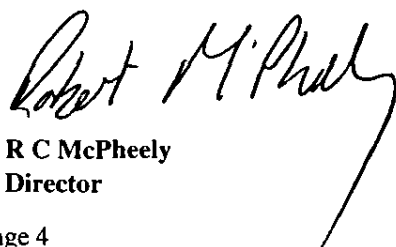
- > so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- > each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of 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 & Touche LLP have indicated their willingness to continue as auditors and a resolution to reappoint them will be proposed at the next AGM.

By order of the board



**R C McPheely**  
**Director**

## **Independent auditors' report to the members of Severn Trent Overseas Holdings Limited**

We have audited the financial statements of Severn Trent Overseas Holdings Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 16. 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**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 whether the financial statements have been 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 or material inconsistencies with the financial statements.

### **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 judgments 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 2007 and of its profit for the year then ended, and
- 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 & Touche LLP*

**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
Birmingham  
19 December 2007

## Severn Trent Overseas Holdings Limited

### Profit and loss account for the year ended 31 March 2007

	<i>Notes</i>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Net operating costs		-	-
<b>Operating profit</b>	<b>2</b>	<b>-</b>	<b>-</b>
Income from shares in group undertakings	<b>3</b>	<b>5,829</b>	<b>60</b>
<b>Profit on ordinary activities before interest</b>		<b>5,829</b>	<b>60</b>
Net interest receivable	<b>4</b>	<b>268</b>	<b>129</b>
<b>Profit on ordinary activities before taxation</b>		<b>6,097</b>	<b>189</b>
Taxation on profit on ordinary activities	<b>5</b>	<b>1,270</b>	<b>(1,177)</b>
<b>Profit/(loss) for the financial year</b>		<b>7,367</b>	<b>(988)</b>

The profit for the year arises entirely from continuing activities of the company

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

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

Movements in shareholders' funds are disclosed in note 13

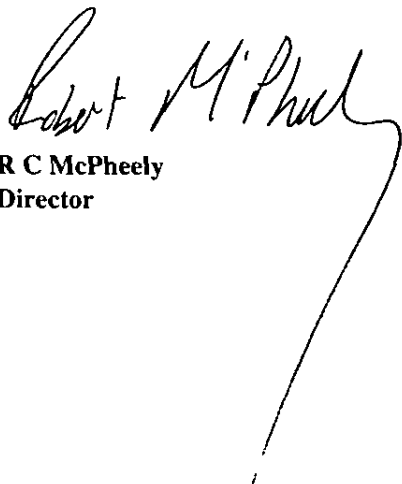
The notes on pages 8 to 12 form part of the financial statements

# Severn Trent Overseas Holdings Limited

## Balance Sheet as at 31 March 2007

	Notes	<u>2007</u> £'000	<u>2006</u> £'000
<b>Fixed assets</b>			
Investments	6	<u>268,125</u>	<u>268,125</u>
<b>Current assets</b>			
Debtors amounts payable within one year	7	350	11
Debtors amounts payable after more than one year	8	5,715	-
Cash at bank and in hand		<u>4,084</u>	<u>2,628</u>
		<u>10,149</u>	<u>2,639</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(65)</u>	<u>(1,040)</u>
Net current assets		<u>10,084</u>	<u>1,599</u>
<b>Total assets less current liabilities</b>		<u>278,209</u>	<u>269,724</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(211,504)</u>	<u>(210,386)</u>
<b>Net assets</b>		<u><u>66,705</u></u>	<u><u>59,338</u></u>
<b>Capital and reserves</b>			
Called up share capital	11	62,602	62,602
Retained earnings	12	<u>4,103</u>	<u>(3,264)</u>
Shareholders' funds	13	<u><u>66,705</u></u>	<u><u>59,338</u></u>

The financial statements on pages 6 to 12 were approved by the board on 12 December 2007



**R C McPheely**  
Director



## Severn Trent Overseas Holdings Limited

### Notes to the financial statements for the year ended 31 March 2007

#### 1 Accounting policies

i) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

ii) Cash flow statement

The ultimate parent company Severn Trent Plc has included a cash flow statement in its accounts for the year ended 31 March 2007. Under paragraph 5(a) of Financial Reporting Standard 1 (Revised), no cash flow statement is required in the financial statements of this company

iii) Investments

Investments held as fixed assets are stated at cost less amounts written off

iv) Deferred tax

Deferred tax is fully provided in respect of timing differences between the treatment of certain items for taxation and accounting purposes only to the extent that an entity has an obligation to pay more tax in the future or a right to pay less tax in the future. Material deferred tax balances arising are discounted by applying an appropriate risk free discount rate

#### 2 Operating costs

	<u>2007</u> £'000	<u>2006</u> £'000
Other income	-	3
Statutory audit fee	-	(1)
Exchange losses	-	(2)

The statutory audit fee for the year ended 31 March 2007 of £1,000 was paid on behalf of Severn Trent Overseas Holdings by its ultimate parent company, Severn Trent Plc

#### 3 Income from shares in group undertakings

	<u>2007</u> £'000	<u>2006</u> £'000
Dividends received from subsidiaries	<u>5,829</u>	<u>60</u>
	<u>5,829</u>	<u>60</u>

#### 4 Net interest receivable

	<u>2007</u> £'000	<u>2006</u> £'000
Interest receivable from group undertakings	291	6
Bank interest (payable)/receivable	<u>(23)</u>	<u>123</u>
	<u>268</u>	<u>129</u>

## Severn Trent Overseas Holdings Limited

### Notes to the financial statements (continued)

#### 5 Taxation on profit on ordinary activities

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
<u>Current tax charge</u>		
UK corporation tax at 30% (2006 30%) - prior year	-	(137)
Amounts payable for group relief - current year	87	1,381
- prior year	(1,345)	(67)
Overseas tax - prior year	(12)	-
	<u>(1,270)</u>	<u>1,177</u>

The company's full potential deferred taxation liability at 31 March 2007 was £nil (2006 £nil)

The tax assessed for the period is lower (2006 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Profit on ordinary activities before tax	<u>6,097</u>	<u>189</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	1,829	57
Effects of		
Expenses not deductible for tax purposes	7	-
Additional taxable income arising from overseas subsidiaries	-	1,342
Non taxable dividends from UK companies	(1,749)	(18)
Adjustments to tax charge in respect of prior periods	(1,357)	(204)
	<u>(1,270)</u>	<u>1,177</u>

## Severn Trent Overseas Holdings Limited

### Notes to the financial statements (continued)

#### 6 Fixed asset investment

	Subsidiary Undertakings Shares £'000
<b>Cost and carrying value</b>	
At 31 March 2006 and 2007	<u>268,125</u>

The company owns the following investments in subsidiary undertakings -

	Country of registration or incorporation (and operation)	Percentage of ordinary share capital held	Percentage of Preference share capital held	Nature of business
① Barefoot Bay Propane Gas Company Inc	USA	100%	-	Operational Services
Capital Controls China Limited	Hong Kong	60%	-	Dormant Company
Derwent Insurance Limited	Gibraltar	100%	-	Insurance
① Excel Technologies International Inc	USA	100%	-	Water Purification Equipment
Severn Trent (Del) Inc	USA	100%	-	Holding Company
① Severn Trent DeNora LLC	USA	70%	-	Water Purification Equipment
① Severn Trent DeNora S r l	Italy	70%	-	Water Purification Equipment
① Severn Trent DeNora (Texas) LLC	USA	70%	-	Water Purification Equipment
① Severn Trent Environmental Services Inc	USA	100%	-	Operational Services
Severn Trent Holdings NV	Belgium	100%	-	Holding Company
① Severn Trent Services (Del) Inc	USA	100%	-	Holding Company
① Severn Trent Services de Mexico SA de CV	Mexico	100%	-	Water Purification Equipment
① Severn Trent Services Finance Limited	UK	100%	-	Management Company
① Severn Trent Services Inc	USA	100%	-	Management Company
① Severn Trent Water Purification Inc	USA	100%	-	Water Purification Equipment
Severn Trent Water Purification S p A	Italy	100%	-	Water Purification Equipment
Severn Trent (W&S) Ltd	United Kingdom	1%	1	Holding Company

① indirectly held

In the opinion of the directors the aggregate value of the investments of the company consisting of shares in, or amounts owing from, the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated in the company's balance sheet

# **Severn Trent Overseas Holdings Limited**

## **Notes to the financial statements (continued)**

### **7 Debtors: amounts receivable within one year.**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Amounts receivable from group undertakings	59	-
Bank interest receivable	291	11
	<u>350</u>	<u>11</u>

### **8 Debtors: amounts receivable after more than one year**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed by group undertakings	<u>5,715</u>	<u>-</u>

### **9 Creditors: amounts falling due within one year**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Bank interest payable	11	2
Corporation tax	53	1,037
Accruals and deferred income	1	1
	<u>65</u>	<u>1,040</u>

### **10 Creditors: amounts falling due after more than one year**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed to group undertaking	<u>211,504</u>	<u>210,386</u>

### **11 Called up share capital**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
<b>Authorised</b>		
75,000,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
<b>Issued and fully paid</b>		
62,602,100 ordinary shares of £1 each	<u>62,602</u>	<u>62,602</u>

### **12 Profit and loss account**

	<u>£'000</u>
At 1 April 2006	(3,264)
Profit for the financial year	<u>7,367</u>
At 31 March 2007	<u>4,103</u>

## **Severn Trent Overseas Holdings Limited**

### **Notes to the financial statements (continued)**

#### **13 Statement of movements in shareholders' funds**

	<u>2007</u> £'000	<u>2006</u> £'000
Opening shareholders' funds	59,338	60,326
Profit/(loss) for the financial year	<u>7,367</u>	<u>(988)</u>
Closing shareholders' funds	<u><u>66,705</u></u>	<u><u>59,338</u></u>

#### **14 Commitments and contingent liabilities**

- a) There were no capital commitments at 31 March 2007 (2006 £nil)
- b) The banking arrangements of the company operate on a pooled basis with certain group undertakings. Under these arrangements participating companies guarantee each other's overdrawn balances to the extent of their credit balances and the credit balances can be offset against overdrawn balances of participating companies. No liability is expected to arise in the normal course of business.

#### **15 Ultimate parent undertaking**

The immediate parent undertaking is Severn Trent Holdings Limited. The ultimate parent undertaking and controlling party is Severn Trent Plc which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group accounts of Severn Trent Plc are available from the registered office (Page 2).

The company is exempt under Section 228(2) of the Companies Act 1985 from the requirement to prepare consolidated accounts. Therefore the information presented in these financial statements concerns only the company and not its group.

#### **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.