

# **SEVERN TRENT OVERSEAS HOLDINGS LIMITED**

**( Registered Number 2455508 )**

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

**for the Year Ended 31 March 2002**



## SEVERN TRENT OVERSEAS HOLDINGS LIMITED

To: Each member of the Company

### NOTICE UNDER COMPANIES ACT 1985, S 253(1)

The members of the Company have passed an elective resolution in accordance with section 252 of the Companies Act 1985 (as amended) (the "Act") the effect of which is that the Company has dispensed with the laying of accounts and reports before the Company in general meeting.

This notice is accompanied by a copy of the accounts and reports of the Company for the year ended 31 March 2002, which are sent to you in accordance with sections 238 and 253 of the Act.

Section 253(2) of the Act gives to each member of the Company the right to require the laying of the accounts and reports before a general meeting. Such right is exercisable by a member giving notice in writing to that effect deposited at the registered office of the Company before the end of the period of 28 days commencing with the date below (being the date on which the accompanying accounts and reports were sent to members). The text of section 253, which sets out the detailed rights of members in this connection, is set out below for your information.

Dated 27 September 2002

By order of the Board



Secretary

Registered office: 2297 Coventry Road, Birmingham, B26 3PU.

### Section 253 of the Companies Act 1985 (As amended)

- (1) Where an election under section 252 is in force, the copies of the accounts and reports sent out in accordance with section 238(1) –
  - (a) shall be sent not less than 28 days before the end of the period allowed for laying and delivering accounts and reports, and
  - (b) shall be accompanied, in the case of a member of the company, by a notice informing him of his right to require the laying of the accounts and reports before a general meeting;and section 238(5) (penalty for default) applies in relation to the above requirements as to the requirements contained in that section.
- (2) Before the end of the period of 28 days beginning with the day on which the accounts and reports are sent out in accordance with section 238(1), any member or auditor of the company may by notice in writing deposited at the registered office of the company require that a general meeting be held for the purpose of laying the accounts and reports before the company.
- (3) If the directors do not within 21 days from the date of the deposit of such a notice proceed duly to convene a meeting, the person who deposited the notice may do so himself.
- (4) A meeting so convened shall not be held more than three months from that date and shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.
- (5) Where the directors do not duly convene a meeting, any reasonable expenses incurred by reason of that failure by the person who deposited the notice shall be made good to him by the company, and shall be recouped by the company out of any fees, or other remuneration in respect of their services, due or to become due to such of the directors as were in default.
- (6) The directors shall be deemed not to have duly convened a meeting if they convene a meeting for a date more than 28 days after the date of the notice convening it.

**SEVERN TRENT OVERSEAS HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002**

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# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	P P Davies AS Perelman (Appointed 21.12.01) RAS Costin (Resigned 21.12.01)
<b>Secretary</b>	D Chettle
<b>Company number</b>	2455508
<b>Registered office</b>	2297 Coventry Road Birmingham B26 3PU
<b>Auditors</b>	PricewaterhouseCoopers Temple Court 35 Bull Street Birmingham B4 6JT

# **SEVERN TRENT OVERSEAS HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

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The Directors present their report and the financial statements for the year ended 31 March 2002.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is to act as holding Company for certain overseas interests of Severn Trent Plc.

### **BUSINESS REVIEW**

The Company made a loss on ordinary activities before taxation of £17,778,000 (2001 profit: £476,000).

This exceptional loss resulted from the disposal of investments in some of its subsidiaries to a fellow subsidiary of the Severn Trent Plc group.

### **DIVIDENDS**

No dividend was paid during the year

### **EURO COSTS**

Projects for preparing systems and other applications for the the introduction of the Euro are coordinated on a group wide basis by the ultimate parent Company. Further details of the actions that have and are being taken by the group to address these issues are disclosed in the Report and Accounts of Severn Trent Plc for the year ended 31 March 2002. No significant costs have been incurred by the Company in connection with the project.

### **DIRECTORS**

The Directors who served during the year and up to the date of this report are shown on page 2.

No Director had any interest in the share capital of the Company.

Mr AS Perelman is also a Director of Severn Trent Plc, the ultimate parent undertaking, and his interests in the share capital of that Company are disclosed in the Remuneration Report in that Company's Report and Accounts for the year ended 31 March 2002.

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## DIRECTORS' REPORT (Continued)

The interests of the other Director at the year end in the ordinary share capital of Severn Trent Plc, according to the register maintained under the provisions of the Companies Act 1985 was as follows:

### Beneficial Holding in Ordinary Shares of 65 5/19 each

	As at 31 March 2002	As at 01 April 2001
P P Davies	177	118

### Shares held under Sharesave Schemes

	As at 01 April 2001	Exercised during year	Lapsed during year	Granted during year	As at 31 March 2002
P P Davies	2,514	-	-	-	2,514

Mr P Davies has a further interest in Severn Trent Plc Ordinary Shares of 65 5/19 pence each by virtue of having received a contingent awards of shares under the Severn Trent Plc Long Term Incentive Plan ("the Plan"). The Plan operates on a three year rolling basis. The Severn Trent Employee Share Ownership Trust is operated in conjunction with the Plan. Awards do not vest until they have been held in trust for three years and specific performance criteria have been satisfied. Performance for the 1999 and 2000 LTIPs is measured only by reference to Total Shareholder Return ('TSR') over a three-year period compared to the TSR of similar privatised utility companies. The performance for the 2001 LTIP is measured by reference to a combination of TSR and Economic Profit ('EP') targets. Further details are given in the Severn Trent Plc accounts. The interests representing the maximum aggregate number of shares to which Mr Davies could become entitled, if the performance criteria are met in full, are as follows:-

	As at 01 April 2001	Awarded during year	Awards Lapsed during year	As at 31 March 2002
P P Davies	12,507	12,244	-	24,751

As at the 27 September 2002 a further award of 15,776 shares has been made to Mr P Davies

The performance period for allocations of shares made in 1999 ended on 31 March 2002. Based on Severn Trent Plc's total shareholder return over the three year performance period, it has been determined that participants are not entitled to any of the shares allocated. The 1999 contingent allocations of shares are included in the above figures.

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## DIRECTORS' REPORT (Continued)

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

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.

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.

### AUDITORS

An elective resolution has been passed in accordance with Section 386 of the Companies Act 1985, as amended, dispensing with the requirement to appoint auditors on an annual basis.

By order of the Board



D Chettle  
Company Secretary  
27 September 2002

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEVERN TRENT OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 7 to 13.

**PricewaterhouseCoopers**  
Temple Court  
35 Bull Street  
Birmingham B4 6JT  
Telephone +44 (0) 121 265 5000  
Facsimile +44 (0) 121 265 5050

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

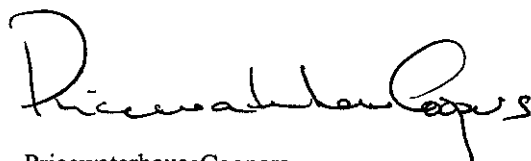
### Basis of audit opinion

We conducted our audit in accordance with 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 at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

27 September 2002

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.



# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2002

	<i>Notes</i>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Net operating (costs) / income		<u>(51)</u>	<u>144</u>
<b>Operating (loss) / profit</b>	<b>2</b>	<b>(51)</b>	<b>144</b>
Exceptional loss on disposal of fixed asset investments	3	<u>(18,030)</u>	<u>-</u>
<b>(Loss) / profit on ordinary activities before interest</b>		<b>(18,081)</b>	<b>144</b>
Interest receivable	4	<b>313</b>	<b>334</b>
Interest payable	5	<u>(10)</u>	<u>(2)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(17,778)</b>	<b>476</b>
Taxation on (loss) / profit on ordinary activities	6	<u>827</u>	<u>(146)</u>
<b>(Loss) / profit for the financial year</b>		<b>(16,951)</b>	<b>330</b>
Equity dividends paid		<u>-</u>	<u>-</u>
<b>Retained (loss) / profit for the financial year</b>	<b>12</b>	<u><b>(16,951)</b></u>	<u><b>330</b></u>

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.

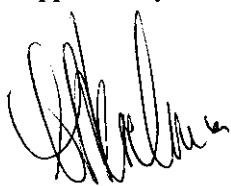
# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2002

	<i>Notes</i>	<u>2002</u> £'000	<u>2001</u> £'000
<b>Fixed assets</b>			
Investments	7	<u>208,840</u>	<u>200,609</u>
<b>Current assets</b>			
Debtors	8	116	165
Cash at bank and in hand		1,996	-
<b>Creditors: amounts falling due within one year</b>	9	<u>(106)</u>	<u>(4,211)</u>
Net current assets		<u>2,006</u>	<u>(4,046)</u>
<b>Total assets less current liabilities</b>		<b>210,846</b>	<b>196,563</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(191,205)</u>	<u>(159,971)</u>
		<u><b>19,641</b></u>	<u><b>36,592</b></u>
<b>Capital and reserves</b>			
Equity share capital	11	<b>26,100</b>	26,100
Profit and loss account	12	<u>(6,459)</u>	<u>10,492</u>
Equity shareholders' funds	13	<u><b>19,641</b></u>	<u><b>36,592</b></u>

Approved by the Board on 27 September 2002

  
**AS Perelman**  
 Director

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2002

### 1 ACCOUNTING POLICIES

#### i) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. In preparing these financial statements the company has adopted the following Financial Reporting Standards for the first time:

- FRS 18 - Accounting Policies
- FRS 19 - Deferred Tax.

No changes have been effected to the Company's accounting policies as a result of adopting FRS 18.

#### 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 2002. 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) Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the dates of the transactions. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences thus arising are dealt with through the profit and loss account.

#### v) Deferred tax

Deferred tax is fully provided in respect of timing differences between the treatment of certain items for taxation and accounting purposes. Material deferred tax balances arising are discounted by applying an appropriate risk free discount rate.

### 2 OPERATING LOSS / PROFIT

No audit fees or Directors' emoluments were paid during the year ended 31 March 2002 or the year ended 31 March 2001. Realised and unrealised losses arising on foreign currency translation and transactions of £50,938 have been included within operating loss (2001: gains of £144,220 included within operating profit).

### 3 EXCEPTIONAL LOSS ON DISPOSAL OF FIXED ASSET INVESTMENTS

	2002 £'000	2001 £'000
Loss on disposal of investment in Antwerp Waste Management	8,521	-
Loss on disposal of investment in Biffa Waste Services Nv	9,509	-
	<u>18,030</u>	<u>-</u>

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2002

4 INTEREST RECEIVABLE	2002 £'000	2001 £'000
Interest receivable from group undertakings	219	261
Bank interest receivable	94	73
	<u>313</u>	<u>334</u>

5 INTEREST PAYABLE	2002 £'000	2001 £'000
Interest payable to group undertakings	2	-
Bank interest payable	8	2
	<u>10</u>	<u>2</u>

### 6 TAXATION ON LOSS / PROFIT ON ORDINARY ACTIVITIES

<u>Current tax : (Credit) / Charge</u>	2002 £'000	2001 £'000
UK corporation tax at 30% (2001: 30%) - current year	91	78
Amounts payable for group relief - current year	-	266
- prior year	(918)	(198)
Overseas taxation	32	36
Double tax relief	(32)	(36)
	<u>(827)</u>	<u>146</u>

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

	2002 £'000	2001 £'000
(Loss) / profit on ordinary activities before tax	(17,778)	476
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001:30%)	(5,333)	143
Effects of:		
Expenses not deductible for tax purposes	5,424	201
Adjustments to tax charge in respect of prior periods	(918)	(198)
	<u>(827)</u>	<u>146</u>

In accordance with the company's accounting policy there is no provision for deferred taxation at 31 March 2002 (31 March 2001: Nil)

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2002

### 7 FIXED ASSET INVESTMENTS

	<u>Subsidiary Undertakings</u>		<u>Total</u>
	<u>Shares</u>	<u>Loans</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost			
At 1 April 2001	196,531	4,078	200,609
Additions	56,182	9	56,191
Disposals	(47,165)	(746)	(47,911)
Exchange adjustments	-	(49)	(49)
At 31 March 2002	205,548	3,292	208,840
Carrying Value as at 31 March 2002	<u>205,548</u>	<u>3,292</u>	<u>208,840</u>
Carrying Value as at 31 March 2001	<u>196,531</u>	<u>4,078</u>	<u>200,609</u>

The company owns the following investments in subsidiary undertakings:-

	<u>Country of registration or incorporation (and operation)</u>	<u>Percentage of ordinary share capital held</u>	<u>Percentage of Preference share capital held</u>	<u>Nature of business</u>
Severn Trent Water Services Plc	United Kingdom	1%	100%	Holding Company
Biffa Plc	United Kingdom	4.8%	100%	Waste Management
Capital Controls SL	Spain	100%	0%	Water Disinfection Equipment
Capital Controls Italy	Italy	100%	0%	Water Disinfection Equipment
Derwent Insurance Limited	Guernsey	100%	0%	Insurance Company
Severn Trent (Del) Inc	United States	100%	0%	Holding Company
Severn Trent Holdings Nv	Belgium	100%	0%	Holding Company

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) Year ended 31 March 2002

### 8 DEBTORS

	<u>2002</u> £'000	<u>2001</u> £'000
Amounts owed by group undertakings	<u>116</u>	<u>165</u>

### 9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2002</u> £'000	<u>2001</u> £'000
Amount owed to group undertaking	2	185
Bank overdraft	-	3,969
Bank interest payable	2	2
Corporation tax	<u>102</u>	<u>55</u>
	<u>106</u>	<u>4,211</u>

### 10 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2002</u> £'000	<u>2001</u> £'000
Amount owed to group undertaking	<u>191,205</u>	<u>159,971</u>

### 11 CALLED UP SHARE CAPITAL

	<u>2002</u> £'000	<u>2001</u> £'000
<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>		
26,100,000 ordinary shares of £1 each	<u>26,100</u>	<u>26,100</u>

### 12 PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 2001	10,492
Retained loss for the financial year	<u>(16,951)</u>
At 31 March 2002	<u>(6,459)</u>

# SEVERN TRENT OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 2002

### 13 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Retained (loss)/profit for the financial year	(16,951)	330
Opening shareholders' funds	<u>36,592</u>	<u>36,262</u>
Closing shareholders' funds	<u>19,641</u>	<u>36,592</u>

### 14 COMMITMENTS AND CONTINGENT LIABILITIES

- a) There were no capital commitments at 31 March 2002 or 31 March 2001.
- 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 AND GROUP ACCOUNTS

The ultimate and immediate parent undertaking is Severn Trent Plc which is registered in England & Wales. 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.