

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

(Registered Number 2455508)

Directors' Report and Financial Statements

for the Year Ended 31 March 2003



SEVERN TRENT OVERSEAS HOLDINGS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

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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 2003, 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.

Date 13 October 2003

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

COMPANY INFORMATION

Directors	P P Davies A S Perelman
Secretary	D Chettle
Company number	2455508
Registered office	2297 Coventry Road Birmingham B26 3PU
Auditors	PricewaterhouseCoopers LLP Temple Court 35 Bull Street Birmingham B4 6JT

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The Company made a profit on ordinary activities before taxation of £1,988,000 (2002 loss: £17,778,000).

DIVIDENDS

No dividend was paid during the year.

EURO COSTS

Projects for preparing systems and other applications for 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 2003. 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 A S 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 2003.

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 were as follows:

Beneficial Holding in Ordinary Shares of 65 5/19 each

	As at 31 March 2003	As at 01 April 2002
P P Davies	217	177

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SEVERN TRENT OVERSEAS HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

Shares held under Sharesave Schemes

	As at 01 April 2002	Exercised during year	Cancelled during year	Granted during year	As at 31 March 2003
P P Davies	2,048	-	-	3,064	5,112

Share options were granted in accordance with the rules of the Severn Trent Sharesave Scheme. Details of prices and periods within which options are exercisable are set out in the financial statements of Severn Trent Plc.

Mr Davies has further interests in Severn Trent Plc ordinary shares of 65 5/19 p each by virtue of having received contingent awards of shares under the Severn Trent Plc Long Term Incentive Plan (the 'LTIP') on 10 August 2000, 30 August 2001 and 24 September 2002. The LTIP operates on a three year rolling basis. The Severn Trent Employee Share Ownership Trust is operated in conjunction with the LTIP. Awards do not vest until they have been held in trust for three years and specific performance criteria have been satisfied. The performance criterion for the 2000 award is based on Severn Trent Plc's Total Shareholder Return ('TSR') compared to the TSR of a number of other privatised utility companies. The performance criteria for the 2001 and 2002 awards are based on a combination of TSR and Economic Profit Targets. The individual interests, which represent the maximum aggregate number of shares to which Mr Davies could become entitled are as follows:

	As at 01 April 2002	Awards Lapsed during year	Awarded during year	As at 31 March 2003
P P Davies	24,751	(4,504)	15,776	36,023

No awards vested during the year, consequently there has been no gain on vesting (2002: £nil).

As at 13 October 2003 the following further awards have been made under the LTIP:

	Shares awarded
P P Davies	15,140
A S Perelman	35,328

The performance period for allocations of shares made in 2000 ended on 31 March 2003. Severn Trent Plc's Remuneration Committee has subsequently determined, based on that company's TSR over the three year period, that participants are entitled to 50% of the award. The 2000 contingent award of shares is included in the table above and the actual number of shares to which Mr Davies has become entitled from the 2000 award is as follows:

	Date of award	Market price on date of vesting (p)	Number of Ordinary shares of 65 5/19p each vested from the 2000 award	Gain on vesting (£'000)
P P Davies	10 Aug 2000	699.25	4,001	28.0

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP will therefore, remain as auditors until further notice.

By order of the Board



D Chettle
Company Secretary
13 October 2003

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

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

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.

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. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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. The other information comprises only the directors' report and the operating and financial review.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham, 13 October 2003



SEVERN TRENT OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2003

	<i>Notes</i>	<u>2003</u> <u>£'000</u>	<u>2002</u> <u>£'000</u>
Net operating income / (costs)		<u>296</u>	<u>(51)</u>
Operating profit / (loss)	2	296	(51)
Income from shares in group undertakings	3	1,414	-
Exceptional loss on disposal of fixed asset investments	4	<u>-</u>	<u>(18,030)</u>
Profit / (loss) on ordinary activities before interest		1,710	(18,081)
Interest receivable	5	299	313
Interest payable	6	<u>(21)</u>	<u>(10)</u>
Profit / (loss) on ordinary activities before taxation		1,988	(17,778)
Taxation on profit/(loss) on ordinary activities	7	<u>(249)</u>	<u>827</u>
Profit / (loss) for the financial year		1,739	(16,951)
Equity dividends paid		<u>-</u>	<u>-</u>
Retained Profit / (loss) for the financial year	13	<u>1,739</u>	<u>(16,951)</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 14.

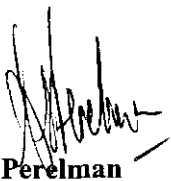
SEVERN TRENT OVERSEAS HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	8	232,701	208,840
Current assets			
Debtors	9	115	116
Cash at bank and in hand		2,135	1,996
Creditors: amounts falling due within one year	10	(16)	(106)
Net current assets		2,234	2,006
Total assets less current liabilities		234,935	210,846
Creditors: amounts falling due after more than one year	11	(213,555)	(191,205)
		21,380	19,641
Capital and reserves			
Equity share capital	12	26,100	26,100
Profit and loss account	13	(4,720)	(6,459)
Equity shareholders' funds	14	21,380	19,641

Approved by the Board on 13 October 2003


A S Perelman
Director

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2003

1 ACCOUNTING POLICIES

i) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable 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 2003. 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 PROFIT/(LOSS)

No audit fees or Directors' emoluments were paid during the year ended 31 March 2003 or the year ended 31 March 2002. Realised and unrealised gains arising on foreign currency translation and transactions of £296,498 have been included within operating profit (2002: losses of £50,938 included within operating loss).

3 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2003 £'000	2002 £'000
Dividends received from subsidiaries	1,414	-
	<u>1,414</u>	<u>-</u>

4 EXCEPTIONAL LOSS ON DISPOSAL OF FIXED ASSET INVESTMENTS

	2003 £'000	2002 £'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>-</u>	<u>18,030</u>

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2003

5 INTEREST RECEIVABLE	2003 £'000	2002 £'000
Interest receivable from group undertakings	185	219
Bank interest receivable	114	94
	<u>299</u>	<u>313</u>

6 INTEREST PAYABLE	2003 £'000	2002 £'000
Interest payable to group undertakings	21	2
Bank interest payable	-	8
	<u>21</u>	<u>10</u>

7 TAXATION ON PROFIT/LOSS ON ORDINARY ACTIVITIES

<u>Current tax : Charge / (Credit)</u>	2003 £'000	2002 £'000
UK corporation tax at 30% (2002: 30%) - current year	731	91
Amounts payable for group relief - current year	127	-
- prior year	67	(918)
Overseas taxation	26	32
Double tax relief	(702)	(32)
	<u>249</u>	<u>(827)</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.

	2003 £'000	2002 £'000
Profit / (loss) on ordinary activities before tax	<u>1,988</u>	<u>(17,778)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002:30%)	596	(5,333)
Effects of:		
Expenses not deductible for tax purposes	10	5,424
Non taxable income - UK dividends	(20)	-
Double tax relief on overseas dividends	(404)	-
Adjustments to tax charge in respect of prior periods	67	(918)
	<u>249</u>	<u>(827)</u>

In accordance with the Company's accounting policy there is no provision for deferred taxation at 31 March 2003 (31 March 2002: Nil)

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2003

8 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 2002	205,548	3,292	208,840
Additions	24,811	13	24,824
Disposals	-	(1,257)	(1,257)
Exchange adjustments	-	294	294
At 31 March 2003	230,359	2,342	232,701
Carrying Value as at 31 March 2003	230,359	2,342	232,701
Carrying Value as at 31 March 2002	205,548	3,292	208,840

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
Severn Trent Water Purification S.p.A	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 2003

9 DEBTORS

	<u>2003</u> £'000	<u>2002</u> £'000
Amounts owed by group undertakings	<u>115</u>	<u>116</u>

10 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2003</u> £'000	<u>2002</u> £'000
Amount owed to group undertaking	-	2
Bank interest payable	2	2
Corporation tax	<u>14</u>	<u>102</u>
	<u>16</u>	<u>106</u>

11 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2003</u> £'000	<u>2002</u> £'000
Amount owed to group undertaking	<u>213,555</u>	<u>191,205</u>

12 CALLED UP SHARE CAPITAL

	<u>2003</u> £'000	<u>2002</u> £'000
Authorised		
75,000,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
Issued and fully paid		
26,100,000 ordinary shares of £1 each	<u>26,100</u>	<u>26,100</u>

13 PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 2002	(6,459)
Retained profit for the financial year	<u>1,739</u>
At 31 March 2003	<u>(4,720)</u>

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2003

14 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u> £'000	<u>2002</u> £'000
Retained profit/(loss) for the financial year	1,739	(16,951)
Opening shareholders' funds	<u>19,641</u>	<u>36,592</u>
Closing shareholders' funds	<u><u>21,380</u></u>	<u><u>19,641</u></u>

15 COMMITMENTS AND CONTINGENT LIABILITIES

- a) There were no capital commitments at 31 March 2003 or 31 March 2002.
- 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.

16 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

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.