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Company number 2914860

Severn Trent Water Utilities Finance Plc

Financial Statements

Year ended 31 March 2001



Severn Trent Water Utilities Finance Plc

Year ended 31 March 2001

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Severn Trent Water Utilities Finance Plc

Company information

Company number: 2914860

Registered office: 2297 Coventry Road
Birmingham
B26 3PU

Auditors: PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

Severn Trent Water Utilities Finance Plc

Directors' report

The Directors present their report, together with the audited financial statements for the year ended 31 March 2001.

Principal activities

The Company's principal activity is the provision of long term finance for Severn Trent Water Limited.

Business review

During the course of the year the Company took out additional loans to the value of £65 million on behalf of Severn Trent Water Limited.

A review of the holding company's activities is contained within the Annual Report and Accounts of Severn Trent Plc. A copy of this report can be obtained on written request to the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham B26 3PU. There is no charge for this publication.

Results and dividends

The results for the year are shown on page 7 and the Directors do not recommend payment of a dividend.

Directors and their interests

The Directors of the Company who served during the year are listed below:

V Cocker	Resigned 30 October 2000
R A S Costin	
T E Jack	Appointed 26 January 2001
R M Walker	Appointed 30 October 2000
A W Vaughan	Resigned 19 May 2000

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

No Director has during the year or at the end of the year a material interest in any contract of significance to the Company's affairs.

Mr Walker is a Director of Severn Trent Water Limited, the Company's immediate parent undertaking and Severn Trent Plc, the ultimate parent undertaking. Mr Costin is a Director of Severn Trent Plc, the ultimate parent undertaking. Details of their interests in the share capital of Severn Trent Plc, the ultimate parent undertaking, can be found in the accounts of that Company. The remaining Director, Mr T E Jack, had no interests in the share capital of Severn Trent Plc during the year or at the end of the year.

Severn Trent Water Utilities Finance Plc

Directors' report (continued)

Share capital

There were no changes to the authorised and issued share capital during the year.

Euro costs

Costs of 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 2001. No costs have been incurred by the Company in connection with the introduction of the euro.

Severn Trent Water Utilities Finance Plc

Directors' report (continued)

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 presume 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 United Kingdom 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.

Auditors

A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors will be put to the Annual General Meeting.

On behalf of the board



D Chettle
Company Secretary

6 June 2001

Severn Trent Water Utilities Finance Plc

Report of the auditors to the shareholders of Severn Trent Water Utilities Finance Plc

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

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom Accounting Standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Temple Court
35 Bull Street
Birmingham, B4 6JT
6 June 2001

Severn Trent Water Utilities Finance Plc

Profit and loss account

Year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Turnover		-	-
Operating costs		-	-
Operating profit		-	-
Net interest receivable	3	178.0	2.8
Profit on ordinary activities before taxation		178.0	2.8
Taxation on profit from ordinary activities	4	(52.9)	(0.2)
Retained profit	10	125.1	2.6

All activities relate to continuing activities

The Company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

Severn Trent Water Utilities Finance Plc

Balance sheet

As at 31 March 2001

	Notes	2001 £'000	2000 £'000
Current assets			
Debtors: amounts falling due within one year	5	67,825.1	17,342.3
Debtors: amounts falling due after more than one year	5	613,128.0	598,122.6
Cash at bank and in hand		230.7	53.3
		<u>681,183.8</u>	<u>615,518.2</u>
Creditors: amounts falling due within one year	6	<u>(67,877.5)</u>	<u>(17,342.4)</u>
Net current assets		<u>613,306.3</u>	<u>598,175.8</u>
Creditors: amounts falling due after more than one year	7	<u>(613,128.0)</u>	<u>(598,122.6)</u>
Net assets		<u><u>178.3</u></u>	<u><u>53.2</u></u>
Capital and reserves			
Share capital	9	50.0	50.0
Profit and loss account	10	128.3	3.2
Shareholders' funds	11	<u><u>178.3</u></u>	<u><u>53.2</u></u>

Signed on behalf of the Board who approved the accounts on 6 June 2001.



R A S Costin
Director

Severn Trent Water Utilities Finance Plc

Notes to the financial statements

Year ended 31 March 2001

1. Accounting policies

a. Accounting convention

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable Accounting Standards and comply with the requirements of the United Kingdom Companies Act 1985.

b. Interest receivable

Interest receivable represents the recharge to Severn Trent Water Limited of costs and interest in respect of the raising of finance on that company's behalf.

c. Deferred taxation

Provision is only made in the accounts for deferred tax resulting from accelerated capital allowances and other timing differences to the extent that a corporation tax liability may arise within the foreseeable future.

d. Capital instruments

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowing and represents a constant proportion of the balance of capital repayments outstanding.

e. Cashflow statement

The Company is a wholly owned subsidiary of Severn Trent Plc and is included in the consolidated financial statements of Severn Trent Plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised).

2. Directors and employees

The average number of employees during the year was nil (2000: nil).

None of the directors received any fees or emoluments for their services to the Company (2000: £Nil).

Severn Trent Water Utilities Finance Plc

Notes to the financial statements (continued)

Year ended 31 March 2001

3. Net interest receivable

	2001 £'000	2000 £'000
Interest paid on other loans	(38,213.0)	(34,251.1)
Interest receivable and similar income	38,391.0	34,253.9
	<u>178.0</u>	<u>2.8</u>
	<u><u>178.0</u></u>	<u><u>2.8</u></u>

Included within the interest receivable is £38,213,049 (2000: £34,251,100) due from the parent undertaking.

4. Taxation on profit on ordinary activities

	2001 £'000	2000 £'000
UK Corporation tax at 30% (2000 : 30%)	-	(1.0)
Group relief current year at 30%	53.0	1.2
Group relief prior year	(0.1)	-
	<u>52.9</u>	<u>0.2</u>
	<u><u>52.9</u></u>	<u><u>0.2</u></u>

The Company's full potential deferred taxation liability at 31 March 2001 was £nil (2000 : £nil).

Severn Trent Water Utilities Finance Plc

Notes to the financial statements (continued)

Year ended 31 March 2001

5. Debtors

	2001 £'000	2000 £'000
Due within one year		
Amounts due from parent undertaking	67,530.8	17,047.9
Other debtors	0.2	0.3
Prepayments	294.1	294.1
	<u>67,825.1</u>	<u>17,342.3</u>
Due after one year		
Amounts due from parent undertaking	606,686.1	591,386.7
Prepayments	6,441.9	6,735.9
	<u>613,128.0</u>	<u>598,122.6</u>
	<u>680,953.1</u>	<u>615,464.9</u>

6. Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Medium term loan (Note 8)	50,000.0	-
Corporation tax payable	52.6	0.4
Other creditors	294.1	294.1
Accruals	17,530.8	17,047.9
	<u>67,877.5</u>	<u>17,342.4</u>

7. Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Guaranteed Bonds 2024 6.125% (Note 8)	298,024.6	297,938.4
Guaranteed Bonds 2029 6.25% (Note 8)	293,672.8	293,448.3
Medium term loan (Note 8)	14,988.7	-
Other	6,441.9	6,735.9
	<u>613,128.0</u>	<u>598,122.6</u>

Severn Trent Water Utilities Finance Plc

Notes to the financial statements (continued) Year ended 31 March 2001

8. Loans

Guaranteed Bonds

Net issue costs including premium on issue of £8.9 million have been incurred in relation to the bonds and is credited to the net proceeds at a constant rate over the life of the bond.

	Interest rate %	Net proceeds £m	Net issue costs £m	Nominal value £m	Unamortised amount £m	Carrying value £m
Bond 2024	6.125	297.8	(2.2)	300.0	(2.0)	298.0
Bond 2029	6.25	293.3	(6.7)	300.0	(6.3)	293.7
MTL Feb 2002	3m Libor	50.0	-	50.0	-	50.0
MTL Feb 2006	3m Libor	15.0	-	15.0	-	15.0
Total		<u>656.1</u>	<u>(8.9)</u>	<u>665.0</u>	<u>(8.3)</u>	<u>656.7</u>

9. Share capital

Authorised, allotted, called up and fully paid

	2001 £'000	2000 £'000
Ordinary shares of £1 each	<u>50.0</u>	<u>50.0</u>

10. Profit and loss account

	2001 £'000	2000 £'000
At 1 April 2000	3.2	0.6
Profit for the year	125.1	2.6
At 31 March 2001	<u>128.3</u>	<u>3.2</u>

Severn Trent Water Utilities Finance Plc

Notes to the financial statements (continued)

Year ended 31 March 2001

11. Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year and net addition to shareholders' funds	125.1	2.6
Opening shareholders' funds	53.2	50.6
Closing shareholders' funds	<u>178.3</u>	<u>53.2</u>

12. Related party disclosures

The Company has taken advantage of the exemption of Financial Reporting Standard 8 (FRS 8) Related Party Transactions relating to ninety per cent subsidiary undertakings. Accordingly the Company has not disclosed any transactions with other group companies.

13. Ultimate parent undertaking

The ultimate parent undertaking for which group accounts are prepared is Severn Trent Plc which is registered in England & Wales. The immediate parent undertaking is Severn Trent Water Limited which is registered in England & Wales. Copies of the group accounts are available from the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham B26 3PU.