

**Company number 2914860**

**SEVERN TRENT WATER UTILITIES FINANCE PLC**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 1999**



**SEVERN TRENT WATER UTILITIES FINANCE PLC**  
**YEAR ENDED 31 MARCH 1999**

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**COMPANY INFORMATION**

**Company Number:** 2914860

**Registered Office:** 2297 Coventry Road  
Birmingham  
B26 3PU

**Auditors:** PricewaterhouseCoopers  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

# **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 1999.

### **Principal activities**

The Company was incorporated for the purpose of arranging long term finance for Severn Trent Water Limited.

### **Business review**

During the course of the year the Company issued a £300 million bond on behalf of Severn Trent Water Limited. This Guaranteed Bond was issued at a coupon rate of 6.125%, at an issue price of 99.922 per cent and is due for repayment in 2024. This bond is unconditionally and irrevocably guaranteed by Severn Trent Water Limited, the company's immediate parent undertaking

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.

### **Dividend and reserves**

No dividends were paid during the year. Proposed transfer from reserves are set out in note 10 on page 10.

### **Directors**

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

R Cargill	(Resigned 31 March 1999)
V Cocker	
R A S Costin	
A W Vaughan	(Appointed 29 September 1998)

Mr Cocker is also 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 of Severn Trent Plc, the ultimate parent undertaking, can be found in the accounts of that Company. The interests of the other director at the year end in the share capital of Severn Trent Plc are as follows:

# SEVERN TRENT WATER UTILITIES FINANCE PLC

## DIRECTORS' REPORT (CONTINUED)

### Beneficial Holdings in Ordinary Shares

	1 April 1998 Ordinary Shares of 65 5/19p each	B Shares of 38p each	31 March 1999 Ordinary Shares of 65 5/19p each	B Shares of 38p each
A Vaughan	* Nil	* Nil	43	Nil

### Share Options under Approved Schemes

	1 April 1998	Exercised during Year	Lapsed during Year	Granted during Year	31 March 1999
A Vaughan	* Nil	-	-	2,437	2,437

\* At date of appointment

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.

### Share capital

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

### Post balance sheet events

On the 7 June 1999 the Company issued a £300 million bond on behalf of Severn Trent Water Limited. This Guaranteed Bond was issued at a coupon rate of 6.25%, at an issue price of 98.38 per cent and is due for repayment in 2029. This bond is unconditionally and irrevocably guaranteed by Severn Trent Water Limited, the company's immediate parent undertaking.

# **SEVERN TRENT WATER UTILITIES FINANCE PLC**

## **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 statement 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 on pages 5 to 10, 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 a 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 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 merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors and the new firm PricewaterhouseCoopers were appointed by the Board to fill the casual vacancy. The Companies Act 1985 requires that special notice be given of the resolution to appoint PricewaterhouseCoopers as auditors at the forthcoming Annual General Meeting. The appropriate special notice has been served on the company and accordingly a resolution proposing the re-appointment of PricewaterhouseCoopers and authorising the Board to fix their remuneration will be put to the Annual General Meeting.

### **BY ORDER OF THE BOARD**



**D CHETTLE  
SECRETARY**

**7 June 1999**

# SEVERN TRENT WATER UTILITIES FINANCE PLC

## PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 1999

	Notes	1999 £'000	1998 £'000
Turnover		-	-
Operating costs		-	-
Operating profit		-	-
Net interest receivable	3	1.2	-
Profit on ordinary activities before taxation		1.2	-
Taxation on profit from ordinary activities	4	(0.6)	-
Profit on ordinary activities after taxation		0.6	-
Dividend		-	-
Retained profit	10	0.6	-

### Statement of total recognised gains and losses

As there are no recognised gains or losses other than the profit for the period a statement of total recognised gains and losses has not been included.

### Historical cost profit and loss account

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

### Reconciliation of movements in shareholders' funds

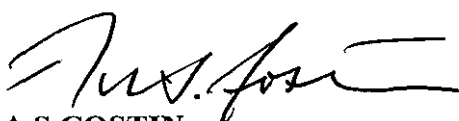
	1999 £'000	1998 £'000
Profit for the financial year	0.6	-
Dividend	-	-
Net increase in shareholders' funds	0.6	-
Opening shareholders' funds	50.0	50.0
Closing shareholders' funds	50.6	50.0

# SEVERN TRENT WATER UTILITIES FINANCE PLC

## BALANCE SHEET AS AT 31 MARCH 1999

	Notes	1999 £'000	1998 £'000
<b>Debtors: Amounts falling due after more than one year</b>	5	304,882.1	-
<b>Current assets</b>			
Debtors	5	2,029.6	50.0
Cash at bank and in hand		51.1	-
		2,080.7	50.0
<b>Creditors: Amounts falling due within one year</b>	6	(2,030.1)	-
<b>Net current assets</b>		50.6	50.0
<b>Total assets less current liabilities</b>		304,932.7	50.0
<b>Creditors: Amounts falling due after more than one year</b>	7	(304,882.1)	-
<b>Net assets</b>		50.6	50.0
<b>Capital and reserves</b>			
Share capital	9	50.0	50.0
Profit and loss account	10	0.6	-
<b>Shareholders' funds</b>		50.6	50.0

Signed on behalf of the Board who approved the accounts on 7 June 1999.

  
R A S COSTIN  
DIRECTOR

# **SEVERN TRENT WATER UTILITIES FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 1999**

### **1. ACCOUNTING POLICIES**

#### **a. Accounting convention**

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards and comply with the requirements of the Companies Act 1985 ('the Act').

#### **b. Basis of preparation**

The financial statements have been prepared for the accounting year ended 31 March 1999.

#### **c. 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)(FRS 1).

#### **d. Interest receivable**

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

#### **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

### **2. DIRECTORS**

Directors received no remuneration from the Company during the year.



## SEVERN TRENT WATER UTILITIES FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 1999

#### 3. NET INTEREST

	1999 £'000	1998 £'000
Interest paid on other loans	1,771.3	-
Interest receivable and similar income	(1,772.5)	-
	<u>(1.2)</u>	<u>-</u>

Included within the interest receivable is £1,771,300 due from the parent undertaking.

#### 4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
UK corporation tax at 31% (1998 : 31%)	0.6	-

The Company had no liability for deferred tax at 31 March 1999 (1998 : £Nil).

#### 5. DEBTORS

	1999 £'000	1998 £'000
<b>Due within one year</b>		
Amounts due from parent undertaking	1,735.4	50.0
Other debtors	0.1	-
Prepayments	294.1	-
	<u>2,029.6</u>	<u>50.0</u>
<b>Due after one year</b>		
Amounts due from parent undertaking	297,852.1	-
Prepayments	7,030.0	-
	<u>304,882.1</u>	<u>-</u>
	<u>306,911.7</u>	<u>50.0</u>

# SEVERN TRENT WATER UTILITIES FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 1999

### 5. DEBTORS (CONTINUED)

Schedule 4 of the Companies Act 1985 requires debtors which fall due after more than one year to be included within current assets. In view of the significance of the amount involved in the context of the company's accounts, in the opinion of the directors, departure from the above requirement is necessary in order for the accounts to show a true and fair view. Accordingly the above amount has been separately disclosed on the balance sheet.

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Corporation tax payable	0.6	-
Other creditors	294.1	-
Accruals	1,735.4	-
	<u>2,030.1</u>	<u>-</u>

### 7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £'000	1998 £'000
6.125% Guaranteed Bonds 2024 (Note 8)	297,852.1	-
Other	7,030.0	-
	<u>304,882.1</u>	<u>-</u>

### 8. LOANS

#### Guaranteed Bonds

Net issue costs of £2.2 million have been incurred in relation to the bond 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	(2.2)	297.8

# SEVERN TRENT WATER UTILITIES FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED 31 MARCH 1999

### 9. SHARE CAPITAL

#### Authorised, allotted and fully paid

	1999 £'000	1998 £'000
Ordinary shares of £1 each	50.0	50.0

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

### 10. PROFIT AND LOSS ACCOUNT

	1999 £'000	1998 £'000
At 1 April 1998	-	-
Profit for the year	0.6	-
At 31 March 1999	0.6	-

### 11. 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.

### 12. EMPLOYEES

The number of people employed by the Company at 31 March 1999 was nil (1998 : nil).

# **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 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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

As described on page 4 the Directors are responsible for preparing the Annual Report, including as described above, the financial statements. Our responsibilities, as independent auditors, are established 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 Companies Act. 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.

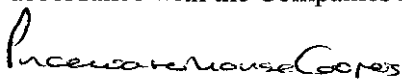
### **Basis of audit opinion**

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**PricewaterhouseCoopers**

**Chartered Accountants and Registered Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT**

**7 June 1999**