

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

Registered Number 2387816

Annual report and financial statements

for the year ended 31 March 2007



SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International 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 2007, 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 21 September 2007

By order of the Board



Director

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 SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

Annual report and financial Statements for the year ended 31 March 2007

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SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

Company information

Directors W F Earp (resigned 30 April 2007)
 L F Graziano
 B M Horner (resigned 30 April 2007)
 R C McPheely (appointed 25 April 2007)
 A Norman (resigned 30 April 2007)
 K A A Porritt (appointed 25 April 2007)
 P M Senior (appointed 25 April 2007)
 W G Weatherdon (resigned 30 April 2007)

Secretary J R M Davey (resigned 25 April 2007)
 K A A Porritt (appointed 25 April 2007)

Company number 2387816

Registered office 2297 Coventry Road
 Birmingham
 B26 3PU

Auditors Deloitte & Touche LLP
 Chartered Accountants
 Four Brindleyplace
 Birmingham
 United Kingdom
 B1 2HZ

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

DIRECTORS' REPORT

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

Business review and principal activities

The company is a wholly owned subsidiary of Severn Trent (W&S) Limited

The company's principal activities are providing consultancy and management services to its worldwide customer base. The directors are not aware of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 8 the company's sales have increased by £682,000 to £2,390,000 and reflects the value of work undertaken on consultancy and management projects. The profit after tax has decreased by £672,000 to £338,000. Of this reduction £1,993,000 related to the prior year's recovery of bid costs. The profit after tax also benefits from an improved tax position.

The balance sheet on page 9 shows net assets are consistent with the prior year. The cash position has increased by £5,541,000 to £10,658,000. The majority of this movement was caused by the repayment of loans received from Severn Trent Plc and Severn Trent (W & S) Limited, together £3,678,000.

Other KPI's focus on health and safety standards where statistics are monitored to include RIDDOR's (Reporting of Injuries, Diseases and Dangerous Occurrences) (2007: 0, 2006: 0), non RIDDOR injuries (2007: 0, 2006: 1), and near misses (2007: 6, 2006: 4).

Principal risks and uncertainties

Competitive pressure from around the world puts continuing pressure on the business' order book. To ensure the order book is maximised the business works closely with key clients which include the World Bank, the European Bank for Restructuring and Development (EBRD), the Asian Development Bank (ADB), various European Union bodies, the Department for International Development (DFID) and the Swedish International Development Agency (SIDA). Longer term management contracts provide the company with the stability which helps mitigate this risk, e.g. Jordan - NGWA contracts.

The company does have contracts in various currencies which provides exposure to movements to the pound exchange rate. Currently, management do not judge these to be of sufficient exposure to require specific hedging instruments to be put in place.

Results and dividends

The profit after taxation for the year amounted to £338,000 (2006: £1,010,000).

During the year the company did not pay a dividend (2006: £nil).

Future developments

Marketing activities in the future will continue to be centred on the worldwide consultancy business and key territories in Europe, looking to expand the company's longer term management contracts.

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

DIRECTORS' REPORT (continued)

Directors and directors' interests

The directors who served during the year and subsequently are shown on page 2

Subsequent to the year end Mr R C McPheely, Mr P M Senior and Mrs K A A Porritt were appointed as directors with effect from 25 April 2007

No director had any interest in the issued share capital of the company

The interests of the directors in the share capital of Severn Trent Plc according to the register maintained under the provisions of the Companies Act 1985 were as follows

Shares in Severn Trent Plc

	At 1 April 2006	At 6 October 2006	At 9 October 2006	At 31 March 2007
	Number of ordinary shares of 65 ³ / ₁₀ p each	Number of ordinary shares of 65 ³ / ₁₀ p each	Number of ordinary shares of 97 ¹⁷ / ₁₀ p each	Number of ordinary shares of 97 ¹⁷ / ₁₀ p each
W F Earp	244	244	162	162
L F Graziano	23,423	23,423	15,615	15,615
B M Horner	5,080	4,580	3,053	2,703
A Norman	3,987	6,141	4,093	4,093
W G Weatherdon	4,221	9,700	6,466	6,466

Share options under approved schemes

	Number at 1 April 2006	Exercised during the year	Cancelled during the year	Granted during the year	Number at 31 March 2007
W F Earp	12,219	(1,141)	-	279	11,357
L F Graziano	-	-	-	-	-
B M Horner	1,248	-	-	-	1,248
A Norman	7,098	(4,505)	-	-	2,593
W G Weatherdon	6,698	(5,479)	-	161	1,380

Share options were granted and are exercisable 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. Following the consolidation of Severn Trent Plc's ordinary shares, no adjustment was made to options granted under the Severn Trent Sharesave scheme and options will be exercised over ordinary shares of 97 ¹⁷/₁₀ pence each.

Messrs Earp, Graziano, Horner, Norman and Weatherdon have further interests in Severn Trent Plc ordinary shares of 97 ¹⁷/₁₀ pence each by virtue of having received contingent awards of shares under the Severn Trent Plc Long Term Incentive Plan (the "LTIP") on 15 December 2004, 5 September 2005 and 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. Awards do not vest until they have been held in trust for three years and specific performance criteria have been satisfied. The performance criteria for the awards are based on a combination of Severn Trent Plc's Total Shareholder Return ("TSR") compared to the TSR of a number of other privatised utility companies and a selection of FTSE 100 "high yield" stocks and economic profit targets. The individual interests, which represent the maximum aggregate number of shares to which each individual could become entitled are as follows:

	1 April 2006				31 March 2007
	Number of Ordinary Shares of 65 ³ / ₁₀ p each	Awards lapsed during year	Awarded during year	Market price at time of award (p)	Number of Ordinary Shares of 97 ¹⁷ / ₁₀ p each
W F Earp	7,099	(2,552)	2,474	1,178	7,021
L F Graziano	46,783	(18,738)	10,137	1,178	38,182
B M Horner	13,291	(5,084)	-	-	8,207
A Norman	14,377	(4,395)	4,212	1,178	14,194
W G Weatherdon	10,521	(3,815)	-	-	6,706

Following the consolidation of Severn Trent Plc's ordinary shares no adjustment was made to the shares awarded under the LTIP. LTIP awards will vest over ordinary shares of 97 ¹⁷/₁₀ pence each.

The performance period for allocations of shares made in 2004 ended on 31 March 2007. Severn Trent Plc's Remuneration Committee has subsequently determined, based on that company's TSR and economic profit targets over the three year period, that participants are not entitled to an award. The 2004 contingent awards of shares are included in the table above.

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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DIRECTORS' REPORT (continued)

Post balance sheet event

With effect from 4 June 2007 the company changed its name to Severn Trent Services International Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985.

In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed,
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 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.

Statement on information given to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

Deloitte & Touche LLP has indicated its willingness to continue as auditors and a resolution to reappoint them will be proposed at the next AGM.

By order of the Board



K A A Porritt
Director

21 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEVERN TRENT SERVICES INTERNATIONAL LIMITED (formerly Severn Trent Water International Limited)

We have audited the financial statements of Severn Trent Services International Limited (formerly Severn Trent Water International Limited) for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 are 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 within it.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEVERN TRENT SERVICES INTERNATIONAL LIMITED (formerly Severn Trent Water International Limited) (continued)

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,
- 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, United Kingdom

28 September 2007

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2007

	<i>Notes</i>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Turnover	2	2,390	1,708
Operating costs	3	(3,233)	(859)
		<u>(843)</u>	<u>849</u>
Operating (loss)/profit			
Net interest receivable	5	355	247
(Loss)/profit on ordinary activities before taxation		(488)	1,096
Taxation on (loss)/profit on ordinary activities	6	826	(86)
Profit for the financial year	12	<u>338</u>	<u>1,010</u>

The above results are derived from continuing operations

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

Movements in shareholders' funds are disclosed in note 11

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

BALANCE SHEET
As at 31 March 2007

	<i>Notes</i>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Fixed assets			
Tangible assets	7	314	100
Current assets			
Debtors amounts falling due within one year	8	2,463	5,442
Debtors amounts falling due after more than one year	8	89	3,767
Cash at bank and in hand		<u>10,658</u>	<u>5,117</u>
		13,210	14,326
Creditors: amounts falling due within one year	9	<u>(2,400)</u>	<u>(3,865)</u>
Net current assets		<u>10,810</u>	<u>10,461</u>
		11,124	10,561
Creditors amounts falling due after more than one year	9	<u>(225)</u>	<u>-</u>
Net assets		<u>10,899</u>	<u>10,561</u>
Capital and reserves			
Called up share capital	10	10,000	10,000
Profit and loss account	12	<u>899</u>	<u>561</u>
Shareholders' funds	11	<u>10,899</u>	<u>10,561</u>

The financial statements on pages 8 to 19 are approved by the board on 21 September 2007



K A A Porritt
Director

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
(formerly Severn Trent Water International Limited)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

1 ACCOUNTING POLICIES

a) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom Accounting Standards and on the basis that the company will continue to operate as a going concern

The company's ultimate parent company is Severn Trent Plc, for which consolidated accounts have been prepared. Accordingly the company is exempt under Section 228(2) of the Companies Act 1985 from the requirement to prepare consolidated accounts

b) Cashflow statement

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

c) Turnover

Turnover represents the income receivable in the ordinary course of business for services provided. On fixed fee management contracts, turnover is recognised on a percentage completion basis. Where fees are performance based, income is recorded only when management have reasonable certainty that performance targets have been met

d) Tangible fixed assets and depreciation

Assets are included at cost less accumulated depreciation. Additions are included at cost. Assets are depreciated over their estimated economical lives, which are principally as follows:

Fixtures, fittings and equipment	3-10 years
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e) Operating leases

Rental costs arising under operating leases are expensed in the year in which they are incurred

f) 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, except in those instances where forward cover has been arranged, in which case the forward rate is used

All foreign exchange translation differences are included within the profit and loss account

g) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

1 ACCOUNTING POLICIES (continued)

g) Taxation (continued)

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more or less taxation in future. An asset is recognised to the extent that the transfer of economic benefits in future is more likely than not. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised are not discounted.

h) Pension costs

The company participates in two defined benefit pension schemes but is currently unable to identify its share of assets and liabilities. The pension costs charged against the operating profit are the contributions payable to the schemes in respect of the accounting period.

2 SEGMENTAL ANALYSIS

The company operates in the United Kingdom

Analysis of turnover by geographical destination	2007 £'000	2006 £'000
United Kingdom	-	5
Rest of the world	2,390	1,703
	<u>2,390</u>	<u>1,708</u>

3 OPERATING COSTS

	2007 £'000	2006 £'000
Operating (loss)/profit is stated after charging/(crediting)		
Employee costs (note 4)	2,985	2,690
Fees paid to auditor	9	10
audit fees		
other fees	19	7
Depreciation (note 7)	80	87
Rents payable for land and buildings	188	163
Materials and consumables	91	41
Hired and contracted services	1,245	794
Travel and related costs	325	561
Bad debts	31	(90)
Other operating costs	647	622
Amounts charged to parent undertaking	(269)	(291)
Amounts charged to other group companies	(2,118)	(3,735)
	<u>3,233</u>	<u>859</u>

Amounts charged to other group companies in the prior year includes £1,993,000 recharged to C2C Services Limited in respect of bidding costs incurred and written off in previous years.

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

3 OPERATING COSTS (continued)

The analysis of auditors remuneration is as follows

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>9</u>	<u>10</u>
Other services pursuant to legislation		
Taxation services	<u>19</u>	<u>7</u>

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Directors		
Emoluments excluding pension contributions	<u>577</u>	<u>503</u>
Details of the emoluments, excluding pension contributions, of the highest paid director	<u>170</u>	<u>165</u>

The number of directors who are accruing benefits under defined benefit pension schemes is four (2006 four)

The accrued pension at 31 March 2007 for the highest paid director was £17,193 per annum (2006 £14,958 per annum) The pension entitlement is that which would be paid annually on retirement based on service to the end of the year

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Employees:		
Staff costs	2,233	2,095
Social security costs	224	149
Pension costs	<u>528</u>	<u>446</u>
	<u>2,985</u>	<u>2,690</u>

	<u>2007</u>	<u>2006</u>
	<u>No.</u>	<u>No.</u>
Average number of employees during the year	<u>42</u>	<u>39</u>

5 NET INTEREST RECEIVABLE

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on bank loans and overdrafts	-	(111)
Interest receivable on bank loans and overdrafts	355	-
Interest receivable from group companies	<u>-</u>	<u>358</u>
	<u>355</u>	<u>247</u>

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	<u>2007</u> £'000	<u>2006</u> £'000
Current tax		
UK corporation tax - prior years at 30%	(89)	769
Group relief - current year at 30%	44	497
Group relief/surrender of ACT - Prior Year	(781)	(1,186)
Overseas taxation - prior year	<u>-</u>	<u>6</u>
	<u>(826)</u>	<u>86</u>

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

	<u>2007</u> £'000	<u>2006</u> £'000
Profit on ordinary activities before tax	<u>(488)</u>	<u>1,096</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(146)	329
Effects of		
Expenses not deductible for tax purposes	132	9
Capital allowances for period in excess of depreciation	(29)	(6)
Utilisation of/movement in short term timing differences	87	165
Adjustments to tax charge in respect of prior periods	(870)	(411)
	<u>(826)</u>	<u>86</u>

Factors that may affect the future tax charge

No account has been taken of the potential deferred tax asset of £215k (2006 £335k) calculated at 30% (2006 30%) representing accelerated capital allowances and other timing differences that should be available to offset future profits made by the company

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

7 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2006	783
Additions	<u>294</u>
At 31 March 2007	<u>1,077</u>
Depreciation	
At 1 April 2006	683
Charge for the year	<u>80</u>
At 31 March 2007	<u>763</u>
Net book value	
At 31 March 2007	<u>314</u>
At 31 March 2006	<u>100</u>

8 DEBTORS

	<u>2007</u> £'000	<u>2006</u> £'000
Amounts falling due within one year		
Trade debtors	529	198
Amounts owed by parent undertaking	269	606
Amounts owed by group undertakings	1,455	4,511
Other debtors	34	-
Prepayments and accrued income	<u>176</u>	<u>127</u>
	2,463	5,442
Amounts falling due after more than one year		
Prepayments and accrued income	89	89
Amounts owed by group undertakings	<u>-</u>	<u>3,678</u>
	<u>89</u>	<u>3,767</u>
	<u>2,552</u>	<u>9,209</u>

Amounts due after one year by group undertakings are unsecured, interest free and have no fixed repayment date

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

9 CREDITORS

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Amounts falling due within one year		
Trade creditors	587	679
Amounts owed to group undertakings	108	568
Other creditors	714	843
Taxation and social security	155	523
Corporation tax - Overseas	31	31
Corporation tax - UK	680	769
Corporation tax - Group relief	49	441
Accruals and deferred income	<u>76</u>	<u>11</u>
	<u>2,400</u>	<u>3,865</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment rate

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Amounts falling due after more than one year		
Accruals and deferred income	<u>225</u>	<u>-</u>

10 CALLED UP SHARE CAPITAL

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Authorised		
10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued, allotted and fully paid		
10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

11 MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2007</u>	<u>2006</u>
	£'000	£'000
Retained profit for the year	<u>338</u>	<u>1,010</u>
Net increase in shareholders' funds	338	1,010
Opening shareholders' funds	<u>10,561</u>	<u>9,551</u>
Closing shareholders' funds	<u>10,899</u>	<u>10,561</u>

SEVERN TRENT SERVICES INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

12 PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 2006	561
Retained profit for the year	338
At 31 March 2007	899

13 SHARE BASED PAYMENT

The company participates in a number of shared based remuneration schemes for employees operated by the Severn Trent group. Details of the share awards outstanding during the year are as follows:

	Number of share options	Employee Sharesave Scheme Weighted average exercise price	Number of share options	Approved Share Option Scheme Weighted average exercise price	Number of share options	Approved Share Option Scheme Weighted average exercise price
Outstanding at 1 April 2005	58,530	5.72	13,865	701	145	688
Granted during the year	11,661	8.23	-	-	-	-
Forfeited during the year	(2,341)	5.75	-	-	-	-
Cancelled during the year	-	-	-	-	-	-
Exercised during the year	(13,313)	4.95	(5,436)	720	-	-
Outstanding at 1 April 2006	54,537	6.45	8,429	688	145	688
Granted during the year	2,578	11.72	-	-	-	-
Forfeited during the year	(239)	7.83	-	-	-	-
Cancelled during the year	-	-	-	-	-	-
Exercised during the year	(11,050)	5.50	(8,429)	688	(145)	688
Expired during the year	(141)	5.36	-	-	-	-
Outstanding at 31 March 2007	45,685	7.22	-	-	-	-

The weighted average share price of Severn Trent Plc during the period was £13.82 (2006: £10.29).

Share option schemes

The options outstanding at the end of the period are exercisable as shown below:

a) Employee Sharesave Scheme

Under the terms of the Sharesave Scheme, the board may grant those employees who have entered into an Inland revenue approved 'Save As You Earn' contract for a period of three, five or seven years, the right to purchase ordinary shares in the Severn Trent Plc. Options outstanding at 31 March 2007 were as follows:

Date of grant	Normal date of exercise	Option price	Number of shares	
			2007	2006
January 1999	2006	831p	-	-
January 2000	2007	473p	2,020	2,020
January 2001	2006 or 2008	568p	647	5,458
January 2002	2007 or 2009	548p	1,811	1,811
January 2003	2006, 2008 or 2010	536p	6,247	12,627
January 2004	2007, 2009 or 2011	592p	12,933	12,933
January 2005	2008, 2010 or 2012	759p	7,878	8,027
January 2006	2009, 2011 or 2013	823p	11,571	11,661
January 2007	2010, 2012 or 2014	1,172p	2,578	-
			45,685	54,537

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

13 SHARE BASED PAYMENT (continued)

b) Approved Share Option Scheme

Under the terms of the Share Option Scheme (formerly Executive Share Option Scheme), the board has granted directors and other executives options to purchase ordinary shares in Severn Trent Plc. Options outstanding under this scheme at 31 March 2007 were as follows

Date of grant	Normal date of exercise	Option price	Number of shares	
			2007	2006
June 2000	2003-2010	688p	-	8,429
			-	8,429

c) Unapproved Share Option Scheme

The board has granted executives options to purchase ordinary shares in Severn Trent Plc under an unapproved share option scheme. Options outstanding under this scheme at 31 March 2007 were as follows

Date of grant	Normal date of exercise	Option price	Number of shares	
			2007	2006
June 2000	2003-2010	688p	145	145
			145	145

d) Fair values of awards made in the year

	2007		2006	
	Number	Fair Value (£'000)	Number	Fair Value (£'000)
LTIP awards	6,686	40	23,867	210
Sharesave options	2,578	8	11,661	21

The fair value of the LTIP awards was calculated using the Monte Carlo method. The principal assumptions were as follows

LTIP award year	2006/07	2005/06
Share price at grant date	1178p	1017p
Number of shares awarded	6,686	23,867
Vesting period (years)	3	3
Expected volatility	15%	17%
Expected life (years)	3	3
Expected dividend yield	n/a	n/a
Proportion of employees expected to cease employment before vesting	0%	0%
Expectation of meeting economic profit performance criteria	n/a	100%
Fair value per share (EP scheme/TSR scheme)	604p	1017p/468p

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For the year ended 31 March 2007

13 SHARE BASED PAYMENT (continued)

The fair value of the Sharesave options was calculated using the Black Scholes model. The principal assumptions were as follows:

Scheme year	2006/07			2005/06			2004/05		
Scheme type	3 year	5 year	7 year	3 year	5 year	7 year	3 year	5 year	7 year
Share price at grant date	1428p	1428p	1428p	1069p	1069p	1069p	979p	979p	979p
Vesting period (years)	3	5	7	3	5	7	3	5	7
Expected volatility	15%	15%	15%	17%	17%	17%	30%	30%	30%
Option life (years)	3.5	5.5	7.5	3.5	5.5	7.5	3.5	5.5	7.5
Expected life (years)	3.25	5.25	7.25	3.25	5.25	7.25	3.25	5.25	7.25
Risk free rate	5.19%	5.04%	4.92%	4.31%	4.28%	4.24%	4.52%	4.54%	4.56%
Expected dividend yield	4.0%	4.0%	4.0%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Proportion of employees expected to cease employment before vesting	15.0%	17.0%	13.0%	15.0%	17.0%	13.0%	15.0%	17.0%	13.0%
Fair value per share - Sharesave	295p	305p	306p	189p	168p	149p	232p	227p	216p

Volatility is based on historical observations as adjusted for unusual market fluctuations

14 COMMITMENTS AND CONTINGENT LIABILITIES

- The company had no investment expenditure commitments other than those provided for in the financial statements
- 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. At 31 March 2007 the maximum liability to which the Company was exposed as a result of these arrangements was £10,410,000 (2006 £5,028,000)

15 PENSION COSTS

Severn Trent Plc, the ultimate holding company, operates two group defined benefit pension schemes, the "Severn Trent Water Pension Scheme" (STWPS) and the "Severn Trent Mirror Image Pension Scheme" (STMIPS), to which some employees of the company are members. However, the contributions paid by the company are accounted as if the schemes were defined contribution schemes, as the company is currently unable to identify its share of the underlying assets and liabilities in the schemes. The cost of contributions to the group schemes amount to £528,000 (2006 £446,000), and is based on pension costs across the group as a whole. An amount of £44,000 (2006 £39,000) is included in creditors being the outstanding contributions to the STWPS and STMIPS.

The company has adopted Financial Reporting Standard 17, Retirement benefits ("FRS 17"). However as it is currently unable to identify its share of the underlying assets and liabilities from within the STWPS and STMIPS schemes, the company is not required to make the full disclosures required by FRS 17. The company has taken the multi employer exemption per FRS 17.

Disclosures in relation to the STWPS and STMIPS schemes are given in the Severn Trent Plc annual report and accounts.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2007

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8 relating to 90% subsidiary undertakings and has not disclosed details of transactions with other undertakings within the Severn Trent Plc group

Details of directors' related parties transactions are disclosed in the directors' report on page 4 and in note 4 to the financial statements

17 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Severn Trent (W & S) Limited

The ultimate parent undertaking and controlling party which is the parent undertaking of the largest and smallest group to consolidate group accounts is Severn Trent Plc incorporated and registered in England and Wales. Copies of the group accounts may be obtained from the Company Secretary, Severn Trent Plc, 2297 Coventry Road, Birmingham, B26 3PU

18 POST BALANCE SHEET EVENTS

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted on 26 June 2007. In future periods, the deferred tax assets and liabilities, currently stated at 30% of the timing differences, will be restated at 28% of those amounts. In addition, the effective rate for the period to 31 March 2009 will reduce accordingly
