

**Severn Trent Technology
Limited
Annual Report and Accounts
31st March 1997**

Company No 2409826



SEVERN TRENT TECHNOLOGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1997

The directors present their report together with the audited financial statements for the year ended 31st March 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is to provide management and other services to companies within the Severn Trent Technology strategic business unit of Severn Trent Plc.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £194,000 (1996 - £6,000). The loss for the year has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors of the company who served during the year were;

I J Hislop

R K Peace

N A Rummens

V Cocker (appointed 1.5.96)

Mr V Cocker is also a director of Severn Trent Plc, the ultimate parent undertaking, and his interest in the share capital of that company is disclosed in the Report of the Remuneration Committee contained in that Company's report and accounts for the year ended 31 March 1997. The interests of the other directors 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		Share Options under approved schemes			
	31 March 1997	1 April 1996	1 April 1996	Exercised in year	Granted in year	31 March 1997
I J Hislop	5,665	3,069	37,963	23,563	653	15,053
R K Peace	224	155	3,200	2,500	-	700
N A Rummens	330	255	7,640	-	-	7,640

Share options were granted in accordance with the Severn Trent Executive Share Option Scheme and the Severn Trent Sharesave Scheme as appropriate. Details of prices and periods within which options are exercisable are set out in the financial statements of Severn Trent Plc. According to the register required to be kept under section 325 of the Companies Act 1985, no director held any shares in the company as at 31st March 1997.

SEVERN TRENT TECHNOLOGY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1997

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, subject to any explanations and any material departures disclosed in the notes to the financial statements.

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.

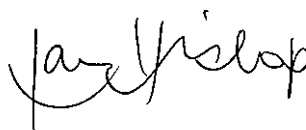
AUDITORS

In accordance with section 385 of the Companies Act 1985 a resolution proposing the reappointment of Price Waterhouse as auditors of the company will be put to the annual general meeting.

BY ORDER OF THE BOARD

2297 Coventry Road
Birmingham
B26 3PU
Date: 9 June 1997

I.J.Hislop
Director



Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF SEVERN TRENT TECHNOLOGY LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 31st March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors**

9 June 1997

SEVERN TRENT TECHNOLOGY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1997


	<u>Notes</u>	<u>Year ended</u> <u>31st March 1997</u>	<u>Year ended</u> <u>31st March 1996</u>
		<u>£'000</u>	<u>£'000</u>
Turnover	1(b)	581	504
Administrative expenses		(651)	(435)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT	2	(70)	69
Interest payable and similar charges	3	(124)	(75)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(194)	(6)
Taxation	5	-	-
		<hr/>	<hr/>
LOSS FOR THE YEAR		(194)	(6)
Retained loss brought forward		(6)	-
		<hr/>	<hr/>
RETAINED LOSS CARRIED FORWARD	12	(200)	(6)
		<hr/> <hr/>	<hr/> <hr/>

The movement on reserves is shown in note 12 to the accounts. The company had no recognised gains or losses other than the loss for the year. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical basis.

SEVERN TRENT TECHNOLOGY LIMITED
BALANCE SHEET
31ST MARCH 1997

	<u>Notes</u>	<u>31st March 1997</u>	<u>31st March 1996</u>
		<u>£'000</u>	<u>£'000</u>
FIXED ASSETS			
Tangible assets	6	7	11
Investment in associated undertakings	7	92	92
		<u> </u>	<u> </u>
		99	103
CURRENT ASSETS			
Debtors	8	2,739	1,691
		<u> </u>	<u> </u>
		2,739	1,691
CREDITORS : amounts falling due within one year	9	(2,338)	(1,100)
		<u> </u>	<u> </u>
NET CURRENT ASSETS		401	591
		<u> </u>	<u> </u>
NET ASSETS		500	694
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Called up share capital	11	700	700
Profit and loss account	12	(200)	(6)
		<u> </u>	<u> </u>
SHAREHOLDERS' FUNDS	13	500	694
		<u> </u>	<u> </u>

Signed on behalf of the board who approved the accounts on 9 June 1997

.....R K Peace-Director

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover consists of management charges made to the companies within the Severn Trent Technology strategic business unit of Severn Trent Plc for whom the management and other services are provided.

c) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computers	3 years straight line
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d) 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 crystallize.

e) Cash flow statement

The parent undertaking, Severn Trent Plc, has included a cash flow statement in its financial statements for the year ended 31st March 1997. In accordance with FRS1 (Revised) no cash flow statement is required in the accounts of this company.

f) Related Party Transactions

Advantage has been taken of the exemption under FRS 8 to dispense with the requirement to disclose transactions and balances with fellow subsidiary undertakings, 90% or more of whose voting rights are held within the group, and which are consolidated in the accounts of Severn Trent Plc

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

2. OPERATING (LOSS)/PROFIT

	<u>Year ended</u> <u>31st March 1997</u>	<u>Year ended</u> <u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
This is stated after charging:		
Staff costs	358	290
Hired and contracted services	44	27
Raw materials and consumables	8	13
Other operating costs	237	102
Auditors' remuneration	-	1
Depreciation	4	2
	<u><u> </u></u>	<u><u> </u></u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31st March 1997</u>	<u>Year ended</u> <u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
On bank overdraft	124	75
	<u><u> </u></u>	<u><u> </u></u>

4. STAFF COSTS

Staff costs including directors remuneration are as follows:

	<u>Year ended</u> <u>31st March 1997</u>	<u>Year ended</u> <u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	267	226
Social security costs	24	19
Other pension costs	67	45
	<u><u> </u></u>	<u><u> </u></u>
	<u><u>358</u></u>	<u><u>290</u></u>

No of Employees

5

5

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

	<u>Year ended</u> <u>31st March 1997</u>	<u>Year ended</u> <u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>

4. DIRECTORS' REMUNERATION

Aggregate emoluments excluding pension contributions	256	220
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Two directors exercised share options this year. Retirement benefits are accruing to three directors under a defined benefit scheme.

	<u>£</u>	<u>£</u>
Highest paid directors' aggregate emoluments excluding pension contributions	125,670	108,595

The accrued pension at 31st March 1997 for the highest paid director was £66,511. The pension entitlement is that which would be paid annually on retirement based on service to the end of the year.

5. TAXATION

No corporation tax is payable on the loss for the year ended 31st March 1997 or the year ended 31st March 1996.

6. TANGIBLE FIXED ASSETS

	<u>Equipment</u> <u>£'000</u>
COST	
At 31st March 1996 and 31st March 1997	12
DEPRECIATION	
At 31st March 1996	1
Charge for year	4
At 31st March 1997	5
	<u>£'000</u>
NET BOOK VALUE	
At 31st March 1997	7
At 31st March 1996	11

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

7. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

The investment at cost of £92,000 relates to a holding of 49% in the ordinary share capital of Minworth Systems Limited a company incorporated in England. The shares were acquired on 29th March 1996. The company's share of post acquisition accumulated losses of the company at 31st March 1997 is £25,063. The company is exempt from producing consolidated accounts as it is a wholly owned subsidiary of Severn Trent Plc which has prepared consolidated accounts for the year ended 31st March 1997.

8. DEBTORS

	<u>31st March 1997</u>	<u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
Amounts due within one year		
Amounts owed by parent undertakings	2,505	1,538
Amount owed by fellow subsidiaries	187	153
	<u>2,692</u>	<u>1,691</u>
Amounts due after more than one year		
Prepaid pension contributions	<u>47</u>	<u>-</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31st March 1997</u>	<u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
Bank overdraft	1,986	814
Taxes and social security	-	5
Amounts due to fellow subsidiaries	9	-
Accruals and deferred income	343	281
	<u>2,338</u>	<u>1,100</u>

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

10. DEFERRED TAXATION

In accordance with the company's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1997. The company has no potential deferred taxation liability as calculated under the liability method at a tax rate of 33%, for the years ended 31st March 1997 and 31st March 1996.

11. CALLED UP SHARE CAPITAL

	<u>31st March 1997</u>		<u>31st March 1996</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
Authorised:				
Ordinary shares of £1 each	700,000	700,000	700,000	700,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted and called up:				
Ordinary shares of £1 each	700,000	700,000	700,000	700,000
	<hr/>	<hr/>	<hr/>	<hr/>

12. RESERVES

	<u>Profit and Loss</u>
	<u>£'000</u>
At 1st April 1996	(6)
Loss for the year	(194)
	<hr/>
At 31st March 1997	(200)
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SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1997

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31st March 1997</u>	<u>31st March 1996</u>
	<u>£'000</u>	<u>£'000</u>
Loss for the financial year	(194)	(6)
opening Shareholders' funds	694	(700)
closing Shareholders' funds	<u>500</u>	<u>694</u>

14. ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent undertaking and controlling party is Severn Trent Plc which is incorporated 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.

15. CONTINGENT LIABILITIES

The banking arrangements of the company operate on a pooled basis with certain fellow group undertakings and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies.