

**Severn Trent Technology
Limited
Annual Report and Accounts
31st March 1998**

Company No 2409826



SEVERN TRENT TECHNOLOGY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1998

The Directors present their report together with the audited financial statements for the year ended 31st March 1998.

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 £533,000 (1997 - £194,000). The directors do not recommend the payment of a dividend and hence 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

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 1998. The interests of the 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:-

	1.4.97	31.3.98		Share Options under approved schemes				
	Ordinary Shares of £1.00 each	Ordinary Shares of 65 5/19 pence each	B Shares of 38 pence each	1.4.97	Exercised During year	Lapsed during year	Granted during year	31.3.98
V Cocker	See Note (iii)							
I J Hislop	5,665	5,993	118	15,053	Nil	Nil	488	15,541
R K Peace	224	270	118	700	Nil	Nil	Nil	700
N A Rummens	334	376	118	7,640	3,200	Nil	976	5,416

SEVERN TRENT TECHNOLOGY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1998

DIRECTORS AND THEIR INTERESTS (Continued)

Notes:

(i) After the close of business on 8 August 1997 Severn Trent Plc effected a Capital Reorganisation by way of sub-division and consolidation. Each Ordinary Share of £1.00 each was divided into one ordinary share of 62 pence and one B share of 38 pence. Following this sub-division, every 20 ordinary shares of 62 pence each were consolidated into 19 Ordinary Shares of 65 5/19 pence each.

(ii) Messrs Hislop, Peace and Rummens have further interests in Severn Trent Plc Ordinary Shares of 65 5/19 pence each by virtue of having received contingent awards of shares under the Severn Trent Plc Long Term Incentive Plan (the "Plan"). The Plan operates on a three year rolling basis. An Employee Benefit Trust is operated in conjunction with the Plan. Awards do not vest until they have been held in trust for three years and have satisfied performance criteria. The initial performance target will be based on the Company's total shareholder return compared to the total shareholder return of 14 other privatised utility companies. The individual interests, which represent the maximum aggregate number of shares to which each individual could become entitled, are as follows:-

I J Hislop	4,630	(1997 – Nil)
R K Peace	2,914	(1997 – Nil)
N A Rummens	2,661	(1997 – Nil)

(iii) Mr Cocker is also a Director of the Company's ultimate parent undertaking, Severn Trent Plc and his interests in the share capital of that Company are shown in that Company's report and accounts.

(iii) 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.

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.

SEVERN TRENT TECHNOLOGY LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1998

STATEMENT OF DIRECTORS RESPONSIBILITIES (Continued)

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.


YEAR 2000 COMPLIANCE

The Company has made an assessment of the Year 2000 problem and an action plan has been developed. The action plan is expected to be complete by March 1999 with minimal associated costs.

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



I.J.Hislop
Director

2297 Coventry Road
Birmingham
B26 3PU
Date: 8th June 1998

AUDITORS' REPORT TO THE MEMBERS OF
SEVERN TRENT TECHNOLOGY LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out in page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 2 and 3, 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 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date : 8th June 1998

SEVERN TRENT TECHNOLOGY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1998

	<u>Notes</u>	<u>Year ended</u> <u>31st March 1998</u> <u>£'000</u>	<u>Year ended</u> <u>31st March 1997</u> <u>£'000</u>
Turnover	1(b)	398	581
Administrative expenses		<u>(683)</u>	<u>(651)</u>
OPERATING LOSS	2	(285)	(70)
Interest Payable	3	<u>(248)</u>	<u>(124)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(533)	(194)
Taxation on loss on ordinary activities	5	<u>-</u>	<u>-</u>
RETAINED LOSS FOR THE FINANCIAL YEAR		(533)	(194)
Retained loss brought forward		<u>(200)</u>	<u>(6)</u>
RETAINED LOSS CARRIED FORWARD	12	<u>(733)</u>	<u>(200)</u>

The movement on reserves is shown in note 12 to the accounts. The above results are derived wholly from the continuing activities of the company. 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 1998

	<u>Notes</u>	<u>31st March 1998</u>		<u>31st March 1997</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS					
Tangible assets	6		12		7
Investment in associated undertakings	7		<u>93</u>		<u>92</u>
			105		99
CURRENT ASSETS					
Debtors	8	3,129		2,739	
CREDITORS: Amounts falling due within one year	9	<u>(3,267)</u>		<u>(2,338)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(138)</u>		<u>401</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(33)</u>		<u>500</u>
CAPITAL AND RESERVES					
Called up share capital	11		700		700
Profit and loss account	12		<u>(733)</u>		<u>(200)</u>
SHAREHOLDERS' FUNDS	13		<u>(33)</u>		<u>500</u>

Signed on behalf of the board who approved the accounts on 8th June 1998

..........R K Peace-Director

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1998

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 and office equipment	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 crystallise.

e) Cashflow statement

The parent undertaking, Severn Trent Plc, has included a cash flow statement in its financial statements for the year ended 31st March 1998. 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 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 1998

2. OPERATING (LOSS)

	<u>Year ended</u> <u>31st March 1998</u>	<u>Year ended</u> <u>31st March 1997</u>
This is stated after charging:	<u>£'000</u>	<u>£'000</u>
Staff costs	372	358
Hired and contracted services	55	44
Raw materials and consumables	10	8
Hire of Vehicles	9	0
Other operating costs	168	237
Auditors' remuneration -- audit work	-	-
-- non audit work	15	-
Depreciation	<u>5</u>	<u>4</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31st March 1998</u>	<u>Year ended</u> <u>31st March</u> <u>1997</u>
	<u>£'000</u>	<u>£'000</u>
On bank overdraft	<u>248</u>	<u>124</u>

4. STAFF COSTS

	<u>Year ended</u> <u>31st March 1998</u>	<u>Year ended</u> <u>31st March 1997</u>
Staff costs including directors remuneration are as follows:	<u>£'000</u>	<u>£'000</u>
Wages and salaries	288	267
Social security costs	24	24
Other pension costs	60	67
	<u>372</u>	<u>358</u>
No of Employees	<u>5</u>	<u>5</u>

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1998

	<u>Year ended</u> <u>31st March 1998</u> <u>£'000</u>	<u>Year ended</u> <u>31st March 1997</u> <u>£'000</u>
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4. DIRECTORS' REMUNERATION

Aggregate emoluments excluding pension contributions	<u>242</u>	<u>256</u>
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One director exercised share options this year. Retirement benefits are accruing to two directors under a defined benefit scheme.

	<u>£</u>	<u>£</u>
Highest paid directors' aggregate emoluments excluding pension contributions	<u>134,485</u>	<u>125,670</u>

The accrued pension at 31st March 1998 for the highest paid director was £59,148 (1997-£56,163). The highest paid director did not exercise any share options during the year. 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 1998 or the year ended 31st March 1997.

6. TANGIBLE FIXED ASSETS

	<u>Equipment</u> <u>£'000</u>
COST	
At 31st March 1997	14
Additions	10
At 31st March 1998	<u>24</u>
DEPRECIATION	
At 31st March 1997	7
Charge for year	5
At 31st March 1998	<u>12</u>
NET BOOK VALUE	
At 31st March 1998	<u>12</u>
At 31st March 1997	<u>7</u>

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1998

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The investment of £93,000 relates to a holding of 100% in the ordinary share capital of Minworth Systems Limited a company incorporated in England. 49% of the shares were acquired on 29th March 1996, the remaining 51% was acquired on 1st September 1997, for nominal consideration. The principal activity of Minworth Systems Limited is the supply and maintenance of monitoring equipment for the water industry. 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 1998.

8. DEBTORS

	<u>31st March 1998</u>	<u>31st March 1997</u>
Amounts due within one year	<u>£'000</u>	<u>£'000</u>
Amounts owed by parent undertakings	3,019	2,505
Amount owed by fellow subsidiaries	8	187
Prepayments and accrued income	<u>55</u>	<u>-</u>
	<u>3,082</u>	<u>2,692</u>
Amounts due after more than one year		
Prepaid pension contributions	<u>47</u>	<u>47</u>

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1998

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31st March 1998</u>	<u>31st March 1997</u>
	<u>£'000</u>	<u>£'000</u>
Bank overdraft	2,713	1,986
Amounts due to fellow subsidiaries	149	9
Accruals and deferred income	405	343
	<u>3,267</u>	<u>2,338</u>

10. DEFERRED TAXATION

In accordance with the Company's accounting policy there is no requirement for a provision for deferred taxation at 31 March 1998. At 31st March 1998 the company had £nil (1997:£nil) potential liability for deferred tax.

11. CALLED UP SHARE CAPITAL

	<u>31st March 1998</u>		<u>31st March 1997</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
Authorised:				
Ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
Allotted and called up:				
Ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>

12. RESERVES

	<u>Profit and Loss</u>
	<u>£'000</u>
At 1st April 1997	(200)
Retained loss for the financial year	<u>(533)</u>
At 31st March 1998	<u>(733)</u>

SEVERN TRENT TECHNOLOGY LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1998

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31st March 1998</u>	<u>31st March 1997</u>
	<u>£'000</u>	<u>£'000</u>
Retained loss for the financial year	(533)	(194)
Opening Shareholders' funds	<u>500</u>	<u>694</u>
Closing Shareholders' funds	<u>(33)</u>	<u>500</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.