

**SEVERN TRENT TECHNOLOGY
LIMITED**
(Formerly Aqua'lity Water Limited)
ANNUAL REPORT AND ACCOUNTS
31ST MARCH 1996

Company No: 2409826



SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1996

The directors present their report together with the audited financial statements for the year ended 31st March 1996.

PRINCIPAL ACTIVITY

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.

REVIEW OF THE BUSINESS

The company commenced business on 1st April 1995. On 1st April 1995, as part of a group reorganisation, the trade and assets at 1st April 1995 of the Severn Trent Technology section of Severn Trent Industries Limited were transferred in to the company.

On 30th November 1995 the company changed its name from Aqua'lity Water Limited to Severn Trent Technology Limited.

On 29th March 1996, as part of the reorganisation of the Severn Trent Group, 699,998 £1 ordinary shares were issued and allotted at par to Severn Trent Plc. The proceeds were in the form of a non interest bearing loan with Severn Trent Plc.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £6,018. The loss for the year has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors of the company at 31st March 1996 and their beneficial interests in the share capital of Severn Trent Plc, the parent undertaking were as follows:-

	Beneficial holding in ordinary shares		Share Options under approved schemes			
	31 March 1996	1 April 1995	1 April 1995	Exercised in year	Granted in year	31 March 1996
I J Hislop	3,069	2,860	37,319	-	644	37,963
R K Peace (appointed 15/1/96)	155	*155	*3,200	-	-	3,200
N A Rummens (appointed 15/1/96)	255	*255	*7,640	-	-	7,640

* at date of appointment

SEVERN TRENT TECHNOLOGY LIMITED
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DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1996

DIRECTORS AND THEIR INTERESTS (Continued)

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 1996.

Dr. T Kitson resigned as a director on 15th January 1996.
Mr V Cocker was appointed as a director on 1st May 1996.

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.

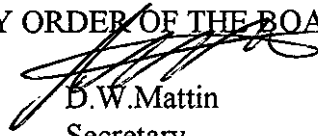
The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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


D.W. Mattin
Secretary

2297 Coventry Road
Birmingham
B26 3PU
Date: 17th December 1996

AUDITORS' REPORT TO THE MEMBERS OF
SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY 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 in 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 and independent opinion, based on our audit, on those statements and to report 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 1996 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 Street
19 Cornwall Street
Birmingham
B3 2DT

17th December 1996

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1996

	<u>Notes</u>	<u>Year ended</u> <u>31st March 1996</u>	<u>Year ended</u> <u>31st March 1995</u>
		<u>£'000</u>	<u>£'000</u>
Turnover	1(b)	504	-
Administrative expenses		(435)	-
		<hr/>	<hr/>
OPERATING PROFIT	2	69	-
Interest payable and similar charges	3	(75)	-
		<hr/>	<hr/>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(6)	-
Taxation	5	-	-
		<hr/>	<hr/>
(LOSS) FOR THE YEAR		(6)	-
Retained profits brought forward		-	-
		<hr/>	<hr/>
RETAINED LOSS CARRIED FORWARD	12	(6)	-
		<hr/>	<hr/>

The movement on reserves is shown in note 11 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
(FORMERLY AQUA'LITY LIMITED)
BALANCE SHEET
31ST MARCH 1996

	Notes	31st March 1996		31st March 1995	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS					
Tangible assets	6		11		-
Investment in associated undertakings	7		92		-
			<u> </u>		<u> </u>
			103		-
CURRENT ASSETS					
Debtors	8	1,691		-	
		<u> </u>		<u> </u>	
		1,691		-	
CREDITORS : amounts falling due within one year	9	(1,100)		-	
		<u> </u>		<u> </u>	
NET CURRENT ASSETS			591		-
			<u> </u>		<u> </u>
NET ASSETS			694		-
			<u> </u>		<u> </u>
CAPITAL AND RESERVES					
Called up share capital	10		700		-
Profit and loss account	11		(6)		-
			<u> </u>		<u> </u>
SHAREHOLDERS' FUNDS	12		694		-
			<u> </u>		<u> </u>

Signed on behalf of the board who approved the accounts on 17th December 1996

..... J. Hislop -Director
 R K Peace-Director

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

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 1996. Under paragraph (8c) of the Financial Reporting Standard 1 no cash flow statement is required in the accounts of this company.

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

2. OPERATING PROFIT

This is stated after charging:	<u>Year ended</u> <u>31st March 1996</u>	<u>Year ended</u> <u>31st March 1995</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs	290	-
Hired and contracted services	27	-
Raw materials and consumables	13	-
Other operating costs	102	-
Auditors' remuneration	1	-
Depreciation	2	-
	<u> </u>	<u> </u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>Year ended</u> <u>31st March 1996</u>	<u>Year ended</u> <u>31st March 1995</u>
	<u>£'000</u>	<u>£'000</u>
On bank overdraft	75	-
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs including directors remuneration are as follows:	<u>Year ended</u> <u>31st March 1996</u>	<u>Year ended</u> <u>31st March 1995</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	226	-
Social security costs	19	-
Other pension costs	45	-
	<u> </u>	<u> </u>
	<u>290</u>	<u>-</u>
No of Employees	<u>5</u>	<u>0</u>

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

4. DIRECTORS' REMUNERATION

Aggregate directors' emoluments during the year:	£	£
Chairman's emoluments	-	-
Highest paid director	152,958	-
	<u> </u>	<u> </u>
Emoluments of all the directors (excluding pension contributions) who held office during the year were in the ranges:	<u>Number</u>	<u>Number</u>
£ Nil - £5,000	1	2
£55,001 - £60,000	1	-
£60,001 - £65,000	1	-
£115,001 - £120,000	1	-
	<u> </u>	<u> </u>

5. TAXATION

No corporation tax is payable on the loss for the year ended 31st March 1996.
At 31st March 1996 the company had no potential liability for deferred taxation.

6. TANGIBLE FIXED ASSETS

	<u>Equipment</u>
	<u>£'000</u>
COST	
At 31st March 1995	-
Acquisitions from fellow subsidiaries	6
Additions	10
Disposals	(4)
	<u> </u>
At 31st March 1996	<u>12</u>
DEPRECIATION	
At 31st March 1995	-
Charge for year	2
Elimination on disposals	(1)
	<u> </u>
At 31st March 1996	<u>1</u>

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

6. TANGIBLE FIXED ASSETS(CONTINUED)

	<u>£'000</u>
NET BOOK VALUE	
At 31st March 1996	<u>11</u>
At 31st March 1995	<u>-</u>

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 1996 is £11.

8. DEBTORS

	<u>31st March 1996</u>	<u>31st March 1995</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed by parent undertakings	1,538	-
Amount owed by fellow subsidiaries	153	-
	<u>1,691</u>	<u>-</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>£'000</u>	<u>£'000</u>
Bank overdraft	814	-
Taxes and social security	5	-
Accruals and deferred income	281	-
	<u>1,100</u>	<u>-</u>

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

10. CALLED UP SHARE CAPITAL

	<u>31st March 1996</u>		<u>31st March 1995</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
Authorised:				
Ordinary shares of £1 each	700,000	700,000	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted and called up:				
Ordinary shares of £1 each	700,000	700,000	2	2
	<hr/>	<hr/>	<hr/>	<hr/>

On 29th March 1996, 699,998 £1 ordinary shares were allotted and issued at par to Severn Trent Plc. The proceeds were in the form of a non interest bearing loan with Severn Trent Plc.

11. RESERVES

	<u>Profit and Loss</u>
	<u>£'000</u>
At 1st April 1995	-
Loss for the year	(6)
	<hr/>
At 31st March 1996	(6)
	<hr/> <hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31st March 1996</u>	<u>31st March 1995</u>
	<u>£'000</u>	<u>£'000</u>
(Loss) for the financial year	(6)	-
Opening shareholders' funds	700	-
	<hr/>	<hr/>
	694	-
	<hr/> <hr/>	<hr/> <hr/>

SEVERN TRENT TECHNOLOGY LIMITED
(FORMERLY AQUA'LITY LIMITED)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 1996

13. PARENT UNDERTAKING

The holding company 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

14. 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.