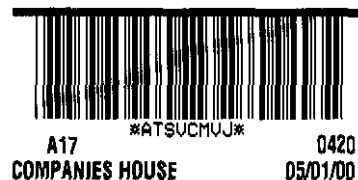


SEVERN TRENT OVERSEAS HOLDINGS LIMITED

(Registered Number 2455508)

Directors' Report and Financial Statements for the Year Ended 31 March 1999



SEVERN TRENT OVERSEAS HOLDINGS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

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SEVERN TRENT OVERSEAS HOLDINGS LIMITED

Company information

Directors	V Cocker C L Wilkinson (Mrs)
Secretary	C L Wilkinson (Mrs)
Company number	2455508
Registered office	2297 Coventry Road Birmingham B26 3PU
Auditors	PricewaterhouseCoopers Cornwall Court 19 Cornwall Street Birmingham B3 2DT

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as holding company for certain overseas interests of Severn Trent Plc.

BUSINESS REVIEW

The company made a profit on ordinary activities before taxation of £3,106,000 (1998: £4,715,000).

DIVIDENDS

A dividend of £1,770,626 was paid during the year (1998: £144,000).

YEAR 2000 AND EURO COSTS

Costs of preparing systems and other applications for the Year 2000 and the introduction of the euro will be dealt with through the profit and loss account of the ultimate parent company as incurred. If there is a significant enhancement to the system or application, the costs will be capitalised and depreciated in line with group policy through the ultimate parent company's accounts. Further details of the action being taken by the group to address these issues are disclosed in the Report and Accounts of Severn Trent Plc for the year ended 31 March 1999.

DIRECTORS

The directors who served during the year and up to the date of this report are shown on page 3.

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

Mr V Cocker is also a director of Severn Trent Plc, the ultimate parent undertaking, and his interests in the share capital of that company are disclosed in the Remuneration Report in that company's Report and Accounts for the year ended 31 March 1999.

The interests of the other director 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 was as follows:

Beneficial Holding in Ordinary Shares

	As at 1 April 1998		As at 31 March 1999	
	Ordinary Shares of 65 5/19 pence each	B Shares of 38 pence each	Ordinary Shares of 65 5/19 pence each	B Shares of 38 pence each
C L Wilkinson	239	175	1,152	175

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

Share Options under Approved Schemes

	As at 1 April 1998	Exercised during year	Lapsed during year	Granted during year	As at 31 March 1999
C L Wilkinson	6,254	5,034	-	1,989	3,209

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.

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.

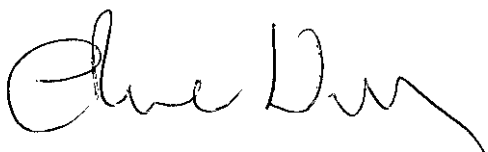
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

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.

A resolution proposing the reappointment of PricewaterhouseCoopers as auditors will be put to the Annual General Meeting.

By order of the Board



C L Wilkinson
Company Secretary and Director
7 June 1999

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	<i>Notes</i>	<u>1999</u> £'000	<u>1998</u> £'000
Net operating costs		<u>(276)</u>	<u>(2,048)</u>
Operating profit/(loss)	<i>2</i>	(276)	(2,048)
Other operating income	<i>3</i>	689	1,000
Dividends receivable from subsidiary undertakings		<u>2,389</u>	<u>4,607</u>
Profit on ordinary activities before interest		2,802	3,559
Interest receivable	<i>4</i>	<u>304</u>	<u>1,156</u>
Profit on ordinary activities before taxation		3,106	4,715
Taxation on profit on ordinary activities	<i>5</i>	<u>89</u>	<u>(822)</u>
Profit for the financial year		3,195	3,893
Equity dividends paid		<u>(1,771)</u>	<u>(144)</u>
Retained profit transferred to reserves	<i>11</i>	<u><u>1,424</u></u>	<u><u>3,749</u></u>

The company had no recognised gains or losses other than the profit for the year.

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

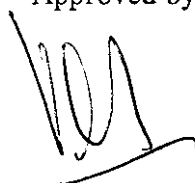
Movements in shareholders' funds are disclosed in note 12.

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	<i>Notes</i>	<u>1999</u> £'000	<u>1998</u> £'000
Fixed assets			
Investments	6	<u>192,504</u>	<u>142,448</u>
Current assets			
Debtors	7	729	1,502
Cash at bank and in hand		901	822
Creditors: amounts falling due within one year	8	<u>(438)</u>	<u>(1,138)</u>
Net current assets		<u>1,192</u>	<u>1,186</u>
Total assets less current liabilities		193,696	143,634
Creditors: amounts falling due after more than one year	9	<u>(157,637)</u>	<u>(108,999)</u>
		<u>36,059</u>	<u>34,635</u>
Capital and reserves			
Equity share capital	10	26,100	26,100
Profit and loss account	11	<u>9,959</u>	<u>8,535</u>
Equity shareholders' funds	12	<u>36,059</u>	<u>34,635</u>

Approved by the Board on 7 June 1999



V Cocker
Director

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 1999

1 ACCOUNTING POLICIES

i) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

ii) Cash flow statement

The ultimate parent company Severn Trent Plc has included a cash flow statement in its accounts for the year ended 31 March 1999. Under paragraph 5(a) of Financial Reporting Standard 1 (Revised), no cash flow statement is required in the financial statements of this company.

iii) Investments

Investments held as fixed assets are stated at cost less amounts written off.

iv) 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. Exchange differences thus arising are dealt with through the profit and loss account.

v) 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 OPERATING PROFIT/(LOSS)

No audit fees or directors' emoluments were paid during the year ended 31 March 1999 or the year ended 31 March 1998. Realised and unrealised profits arising on foreign currency translation and transactions of £237,596 have been included within operating costs (1998: £2,048,389 losses). Net operating costs in the year ended 31 March 1999 includes a provision of £514,000 against fixed asset investments (1998: £nil), see note 6.

3 OTHER OPERATING INCOME

	1999	1998
	£'000	£'000
Profit on sale of Industrias del Agua SA de CV (1998: provision release prior to sale (note 6))	689	1,000

4 INTEREST RECEIVABLE

	1999	1998
	£'000	£'000
Interest receivable from group undertakings	225	1,081
Bank interest receivable	79	75
	304	1,156

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 1999

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

<u>(Credit)/Charge</u>	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
UK taxation at 31% (1998: 31%)	411	3,117
Amounts payable for group relief and ACT surrenders	(376)	-
Overseas taxation	19	157
Double tax relief	(143)	(2,452)
	<u>(89)</u>	<u>822</u>

The company has no potential liability for deferred taxation (1998: Nil).

6 FIXED ASSET INVESTMENTS

	<u>Subsidiary</u> <u>Undertakings</u>		<u>Associated</u> <u>Undertakings</u>	
	<u>Shares</u>	<u>Loans</u>	<u>Shares</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cost				
At 1 April 1998	138,318	3,130	6,483	147,931
Additions	49,087	-	514	49,601
Disposals	-	-	(6,483)	(6,483)
Exchange adjustments	1,784	185	-	1,969
At 31 March 1999	189,189	3,315	514	193,018
Provision				
At 1 April 1998	-	-	(5,483)	(5,483)
Charge	-	-	(514)	(514)
Disposals	-	-	5,483	5,483
At 31 March 1999	-	-	(514)	(514)
Carrying Value as at 31 March 1999	<u>189,189</u>	<u>3,315</u>	<u>-</u>	<u>192,504</u>
Carrying Value as at 31 March 1998	<u>138,318</u>	<u>3,130</u>	<u>1,000</u>	<u>142,448</u>

The company owns the following investments in subsidiary undertakings:-

	<u>Country of</u> <u>registration or</u> <u>incorporation</u> <u>(and operation)</u>	<u>Percentage of</u> <u>ordinary</u> <u>share capital</u> <u>held</u>	<u>Nature of</u> <u>business</u>
Biffa Waste Services SA	Belgium	100%	Waste Management
Antwerp Waste Management	Belgium	100%	Waste Management
Capital Controls SL	Spain	100%	Water Disinfection Equipment
Derwent Insurance Limited	Guernsey	100%	Insurance Company
Severn Trent (Del) Inc	United States	100%	Holding Company
Capital Controls Italy	Italy	100%	Water Disinfection Equipment
IACMEX	Mexico	-	Water Undertaking

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 1999

6 FIXED ASSET INVESTMENTS (Continued)

During the year the company purchased a 100% shareholding in Capital Controls Italy at a total cost of £7,094. In March 1999, Severn Trent (Del) Inc issued further shares to the company for consideration of £47,079,755.

During the year the company sold its 49% shareholding in Industrias del Agua SA de CV for consideration of £1,175,000 in cash and a promisory note for £514,000 which was used to subscribe for 685 preference shares on IACMEX.

In the opinion of the directors the aggregate value of the investments of the company consisting of shares in, or amounts owing from, the company's subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated in the company's balance sheet.

7 DEBTORS	1999	1998
	£'000	£'000
Amounts owed by group undertakings	<u>729</u>	<u>1,502</u>
8 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	1999	1998
	£'000	£'000
Amount owed to group undertakings	278	717
Corporation tax	<u>160</u>	<u>421</u>
	<u>438</u>	<u>1,138</u>
9 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1999	1998
	£'000	£'000
Amount owed to group undertakings	<u>157,637</u>	<u>108,999</u>
10 CALLED UP SHARE CAPITAL	1999	1998
	£'000	£'000
Authorised		
75,000,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
Issued and fully paid		
26,100,000 ordinary shares of £1 each	<u>26,100</u>	<u>26,100</u>
11 PROFIT AND LOSS ACCOUNT	£'000	
At 1 April 1998	8,535	
Retained profit for the financial year	<u>1,424</u>	
At 31 March 1999	<u>9,959</u>	

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 1999

12 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Retained profit for the financial year	1,424	3,749
Opening shareholders' funds	34,635	30,886
Closing shareholders' funds	36,059	34,635

13 COMMITMENTS AND CONTINGENT LIABILITIES

- a) There were no capital commitments at 31 March 1999 or 31 March 1998.
- b) 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. No liability is expected to arise in the normal course of business.

14 ULTIMATE PARENT UNDERTAKING AND GROUP ACCOUNTS

The ultimate parent undertaking is Severn Trent Plc which is registered in Great Britain. Copies of the group accounts of Severn Trent Plc are available from the registered office (Page 3)

The company is exempt under Section 228(2) of the Companies Act 1985 from the requirement to prepare consolidated accounts. Therefore the information presented in these financial statements concerns only the company and not its group.

SEVERN TRENT OVERSEAS HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF SEVERN TRENT OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 5, 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.

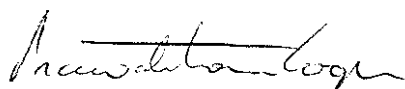
Basis of audit opinion

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