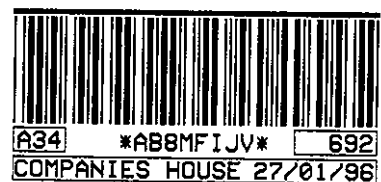


AZTEC ENVIRONMENTAL CONTROL LIMITED
(REGISTERED NUMBER 1361365)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 1995



AZTEC ENVIRONMENTAL CONTROL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 1995

The directors present their report and accounts for the year ended 31 March 1995.

PRINCIPAL ACTIVITY

The principal activity of the company is that of manufacturers and suppliers of specialist equipment and instrumentation for the water and associated industries.

REVIEW OF THE BUSINESS

The directors are satisfied with the trading performance of the company during the year. Further growth is expected to be achieved in 1995/96.

At the end of November 1994 the assets and liabilities of JaBay Limited were transferred to Aztec Environmental Control Limited. This added the manufacture and sale of Ultra Violet equipment for use in the water industry to the Aztec Environmental Control Limited current product range.

TRADING RESULTS

The trading results for the year ended 31 March 1995 are set out on page 4. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are:

S W Fierce - appointed 7 September 1994
J D Melbourne
I J Hislop

Directors interests in the shares of Severn Trent Plc which is the Company's parent undertaking were as follows:

	Beneficial holdings in ordinary shares		Share options under approved schemes		
	31 March <u>1995</u>	1 April <u>1994</u>	31 March <u>1995</u>	1 April <u>1994</u>	Grant during the period
S W Fierce	-	-*	-	-*	
J D Melbourne	1000	-	5902	5902	NIL
I J Hislop	2860	2665	37319	36488	831

* at date of appointment.

Details of the prices and periods within which options are exercisable can be found in the accounts of Severn Trent Plc. Options have been granted in accordance with the Severn Trent Executive Share Option Scheme and the Severn Trent Sharesave Scheme. No options were exercised by the directors during the year.

AZTEC ENVIRONMENTAL CONTROL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 1995 (CONTINUED)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company maintains insurance under Section 310(3) of the Companies Act 1985 for its directors and officers against liabilities in relation to the company.

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.

FIXED ASSETS

Fixed assets movements are set out in notes 7 and 8 to the accounts.

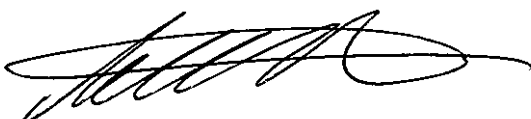
SHARE CAPITAL

There was no change in the share capital of the company during the year.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



D W MATTIN - Secretary

Date: 30 June 1995

AUDITORS' REPORT TO THE MEMBERS OF AZTEC ENVIRONMENTAL CONTROL LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of 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 mis-statement, 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 31 March 1995 and of its profit for the financial 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 2DY

Date: 30 June 1995

AZTEC ENVIRONMENTAL CONTROL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1995

	<u>NOTES</u>	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER	1 (2)	3,050	3,275
Cost of sales		<u>(1,840)</u>	<u>(1,737)</u>
GROSS PROFIT		1,210	1,538
Distribution and selling costs		<u>(272)</u>	<u>(312)</u>
Administrative expenses		<u>(886)</u>	<u>(812)</u>
OPERATING PROFIT	2	52	414
Interest payable	3	<u>(36)</u>	<u>(23)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16	391
Taxation	6	<u>(9)</u>	<u>(139)</u>
PROFIT RETAINED FOR THE FINANCIAL YEAR		7	252
Retained profit brought forward		542	290
Goodwill arising on acquisition	15	<u>(201)</u>	<u>—</u>
RETAINED PROFIT CARRIED FORWARD		<u>348</u>	<u>542</u>

The company has no recognised gains or losses other than those included in the profit and loss account above.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and the historical cost equivalent.

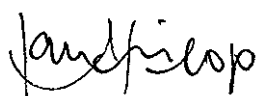
Movements in shareholder's funds are disclosed in Note 14. The notes on pages 6 to 13 form part of these financial statements.

AZTEC ENVIRONMENTAL CONTROL LIMITED

BALANCE SHEET - 31 MARCH 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets	7	211	225
Intangible assets	8	<u>9</u>	<u>12</u>
		220	237
CURRENT ASSETS			
Stocks	9	651	577
Debtors	10	<u>1,227</u>	<u>763</u>
		1,878	1,340
CREDITORS (amounts falling due within one year)	11	<u>(1,405)</u>	<u>(681)</u>
NET CURRENT ASSETS		473	659
TOTAL ASSETS LESS CURRENT LIABILITIES		693	896
CREDITORS (amounts falling due after more than one year)		—	<u>(9)</u>
		<u>693</u>	<u>887</u>
CAPITAL AND RESERVES			
Called up share capital	13	340	340
Share premium		5	5
Profit and Loss Account		<u>348</u>	<u>542</u>
SHAREHOLDERS FUNDS	14	<u>693</u>	<u>887</u>

Approved by the Board on 30 June 1995



I Hislop
DIRECTOR

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

1. ACCOUNTING POLICIES

(1) Basis of accounting

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

(2) Turnover

Turnover represents the invoiced value of goods and services supplied stated net of V.A.T. All turnover is derived from sales in the United Kingdom.

(3) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

(4) Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation, is carried forward. Such expenditure is amortised at a rate of 20% per annum on a reducing balance basis.

(5) Depreciation

Depreciation is calculated so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

Leasehold improvements	Over the remaining life of the lease
Plant and machinery	25% per annum reducing balance
Fixtures and fittings	25% per annum straight line
Motor vehicles	25% per annum reducing balance
Electronic equipment	25% per annum reducing balance

(6) Deferred tax

Deferred taxation relating to capital allowances and other timing differences is provided for to the extent that it is probable that a liability will crystallise.

(7) 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 1995. Under paragraph 8(c) of Financial Reporting Standard 1, no cash flow statement is required in the accounts of this company.

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(8) Operating and Finance Commitments

Assets purchased under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the capital obligations is charged to the profit and loss account over the period of the hire purchase contract and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income as incurred.

(9) Pension Costs

Pension costs are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' average service lives with the Group.

2. OPERATING PROFIT

	<u>1995</u> £'000	<u>1994</u> £'000
Operating profit is stated after charging:		
Depreciation	57	65
Directors' remuneration (note 5)	69	70
Auditors' remuneration	5	4
Staff costs (note 4)	930	985
Operating lease rentals:		
Land and buildings	74	72
Hire of motor vehicles	<u>68</u>	<u>42</u>

The auditors received no other fees in respect of their services to the company.

3. INTEREST PAYABLE

	<u>1995</u> £'000	<u>1994</u> £'000
Bank loans and overdrafts	33	16
Hire purchase interest	<u>3</u>	<u>7</u>
	<u>36</u>	<u>23</u>

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995

4. STAFF COSTS

	<u>1995</u> £'000	<u>1994</u> £'000
Wages and salaries (including director's remuneration)	846	889
Social security costs	79	92
Other pension costs	<u>5</u>	<u>4</u>
	<u>930</u>	<u>985</u>

The average number of employees during the period was 55 (1994 - 51)

5. DIRECTORS' EMOLUMENTS

	<u>1995</u> £'000	<u>1994</u> £'000
Chairman	Nil	Nil
Highest paid director	<u>69</u>	<u>70</u>

Pension costs included in the above amounted to £4,500 (1994 - £4,170)

The other directors did not receive any emoluments in respect of their services to the company.

6. TAXATION

	<u>1995</u> £'000	<u>1994</u> £'000
Based on the profits for the period:		
Group relief payable - current year	-	134
prior year	<u>9</u>	<u>5</u>
	<u>9</u>	<u>139</u>

There is no tax charge for the year due to the receipt of Group relief for nil consideration.

At 31 March 1995 the company had no potential liability to deferred tax (1994 - Nil)

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (CONTINUED)

7. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u> £'000	<u>Plant and equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
<u>Cost</u>				
At 1 April 1994	63	263	109	435
Additions	19	55	-	74
Disposals	<u>(6)</u>	<u>(11)</u>	<u>(55)</u>	<u>(72)</u>
At 31 March 1995	<u>76</u>	<u>307</u>	<u>54</u>	<u>437</u>
<u>Depreciation</u>				
At 1 April 1994	14	130	66	210
Charge for the period	7	39	11	57
Disposals	<u>-</u>	<u>(1)</u>	<u>(40)</u>	<u>(41)</u>
At 31 March 1995	<u>21</u>	<u>168</u>	<u>37</u>	<u>226</u>
<u>Net book amount</u>				
At 31 March 1995	<u>55</u>	<u>139</u>	<u>17</u>	<u>211</u>
At 31 March 1994	<u>49</u>	<u>133</u>	<u>43</u>	<u>225</u>

Additions for the year include £32,409 transferred in from JaBay Limited.

Included in tangible fixed asset are assets held under finance leases as follows,

	<u>1995</u> £'000	<u>1994</u> £'000
Cost	54	109
Accumulated depreciations	<u>(37)</u>	<u>(66)</u>
Net Book Value	<u>17</u>	<u>43</u>

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (CONTINUED)

8. INTANGIBLE FIXED ASSETS

	<u>1995</u> £'000	<u>1994</u> £'000
Deferred development expenditure:		
At 1 April 1994	12	15
Amortisation at 20% per annum	<u>(3)</u>	<u>(3)</u>
At 31 March 1995	<u>9</u>	<u>12</u>

9. STOCKS

	<u>1995</u> £'000	<u>1994</u> £'000
Raw materials and consumables	225	281
Work in progress	234	77
Finished goods	<u>192</u>	<u>219</u>
	<u>651</u>	<u>577</u>

10. DEBTORS

	<u>1995</u> £'000	<u>1994</u> £'000
Trade debtors	1,090	643
Amounts owed by group undertakings	<u>137</u>	<u>120</u>
	<u>1,227</u>	<u>763</u>

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (CONTINUED)

11. CREDITORS (amounts falling due within one year)

	<u>1995</u> £'000	<u>1994</u> £'000
Bank loans and overdrafts	702	115
Trade creditors	390	205
Amounts owing to group undertakings	50	155
Hire purchase creditors	9	9
Other taxes and social security costs	131	70
Accruals and deferred income	<u>123</u>	<u>127</u>
	<u>1405</u>	<u>681</u>

12. CREDITORS (amounts falling due after more than one year)

	<u>1995</u> £'000	<u>1994</u> £'000
Hire purchase creditors	<u>-</u>	<u>9</u>

13. CALLED UP SHARE CAPITAL

	<u>1995</u> £'000	<u>1994</u> £'000
Authorised:		
350,000 Ordinary shares of £1 each	<u>£350,000</u>	<u>£350,000</u>
Issued and fully paid:		
340,120 Ordinary shares of £1 each	<u>£340,120</u>	<u>£340,120</u>

AZTEC ENVIRONMENTAL CONTROL LIMITED

NOTES TO THE ACCOUNTS - 31 MARCH 1995 (CONTINUED)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u> £'000	<u>1994</u> £'000
Profit for the financial year	7	252
Goodwill on acquisition	(201)	-
Opening shareholders' funds	<u>887</u>	<u>635</u>
CLOSING SHAREHOLDERS' FUNDS	<u>693</u>	<u>887</u>

15. ACQUISITION

On 30 November 1994 the business, assets and liabilities of JaBay Limited were acquired at book value for nil consideration.

The goodwill arising as a result of the acquisition has been written off to reserves.

	£'000
Tangible Fixed Assets	47
Stocks	139
Debtors	128
Bank Overdraft	(204)
Creditors	<u>(311)</u>
Total Net Liabilities	(201)
Consideration	<u>Nil</u>
Goodwill	<u>(£201)</u>

16. OPERATING LEASE COMMITMENTS

	<u>Land and buildings</u> £'000	<u>Other</u> £'000
Current annual rental commitments under operating leases are as follows:		
Leases which expire:		
- within 1 year	-	2
- between 2 and 5 years	-	50
- over 5 years	<u>74</u>	<u>-</u>
	<u>74</u>	<u>52</u>

17. PENSION SCHEME

Employees are eligible to become members of pensions schemes operated on behalf of the Severn Trent Group.

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £4,500 (1994 - £4,170).

18. DIRECTOR'S INTEREST IN A CONTRACT

Dr J D Melbourne personally owns the premises occupied by the company. The lease on the premises has an unexpired term of 6 years at a current annual rental of £67,000 per annum. This is subject to three yearly rent reviews, the next of which is due in October 1997.

19. ULTIMATE PARENT UNDERTAKING

The ultimate holding undertaking is Severn Trent Plc which is incorporated in England. Copies of the group accounts may be obtained from the Company Secretary, Severn Trent Plc, 2308 Coventry Road, Birmingham, B26 3JZ.