



SOUTHERN ELECTRIC POWER GENERATION LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1997

Company No : 2310571



SOUTHERN ELECTRIC POWER GENERATION LIMITED

DIRECTORS

DR J HART
H R CASLEY
I D MARCHANT
J FORBES

SECRETARY

H WALKER

REGISTERED OFFICE

SOUTHERN ELECTRIC HOUSE
WESTACOTT WAY
LITTLEWICK GREEN
MAIDENHEAD
BERKSHIRE
SL6 3QB

AUDITORS

ARTHUR ANDERSEN
1 SURREY STREET
LONDON
WC2R 2PS

BANKERS

NATIONAL WESTMINSTER BANK
13 MARKET PLACE
READING
BERKSHIRE
RG1 2EP

SOUTHERN ELECTRIC POWER GENERATION LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report and audited accounts for the Company for the year ended 31 March 1997.

Principal Activities

The principal activity of the Company is to make and hold investments in electricity generation enterprises and other energy related businesses.

Profit and Dividends

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (1996 : £nil).

Business Review

The Company intends to continue its involvement in generation and other energy related projects.

Fixed Assets

Movements in fixed assets are shown in Note 7 to the financial statements.

Policy on Payment of Creditors

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

Directors and Their Interests

Mr J A Forbes was appointed as a director on 17 September 1996.

Mr J W Deane resigned as a director on 28 May 1996.

The directors of the Company as at 31 March 1997 were:-

J A Forbes
H R Casley
Dr J Hart (Chairman)
I D Marchant

Mr J A Forbes, Mr H R Casley, Dr J Hart and Mr I D Marchant are directors and Mr J W Deane was a director of the ultimate parent company, Southern Electric plc, accordingly their beneficial interests in the share capital are shown in that company's Annual Report & Accounts.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements, the directors are required to:

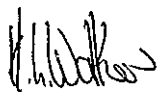
- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In 1994 Binder Hamlyn became part of the Arthur Andersen organisation. During 1997 Arthur Andersen was appointed and have indicated their willingness to continue as the Company's auditors.

A resolution will be proposed at the Annual General Meeting to reappoint the firm of Arthur Andersen as auditors for the coming year.

A handwritten signature in black ink, appearing to read 'H. Walker', with a stylized flourish at the end.

On Behalf of the Board
Hazel Walker
Company Secretary
10 July 1997

AUDITORS' REPORT TO THE MEMBERS OF
SOUTHERN ELECTRIC POWER GENERATION LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared on the basis of the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3, 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 work, 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 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

SOUTHERN ELECTRIC POWER GENERATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997 £000	1996 £000
Other income		1	83
Investment income	2	8,478	2,837
Interest	3		
Receivable		200	175
Payable		(1,323)	(1,696)
Administrative Expenses		(570)	(1,202)
Profit on Ordinary Activities Before Taxation	4	6,786	197
Tax on Profit on Ordinary Activities	6	(269)	(987)
Profit/(loss) on Ordinary Activities After Taxation and Retained Profit for the Year	13	6,517	(790)

All activities relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the period and preceeding period.

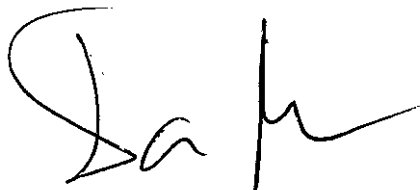
SOUTHERN ELECTRIC POWER GENERATION LIMITED

BALANCE SHEET AS AT 31 MARCH 1997

	Note	1997 £000	1996 £000
<hr/>			
Fixed Assets:			
Investments	7	27,063	45,339
Current Assets:			
Debtors			
Amounts due within one year	8	56	155
Amounts due after one year	8	2,079	5,266
Cash at Bank		42	81
		<hr/>	<hr/>
		2,177	5,502
Creditors: Amounts falling due within one year	9	(2,003)	(207)
		<hr/>	<hr/>
Net Current Assets		174	5,295
Total Assets less Current Liabilities		27,237	50,634
Creditors - amounts falling due after more than one year	10	(2,716)	(31,100)
		<hr/>	<hr/>
Provisions for Liabilities and Charges	11	(276)	(1,806)
		<hr/>	<hr/>
		24,245	17,728
		<hr/>	<hr/>
Capital and Reserves			
Called up equity share capital	12	18,970	18,970
Profit and loss account	13	5,275	(1,242)
		<hr/>	<hr/>
Equity Shareholders' Funds	14	24,245	17,728
		<hr/>	<hr/>

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 5 to 13 were approved by the Board on 10 July 1997.



I D MARCHANT
DIRECTOR

SOUTHERN ELECTRIC POWER GENERATION LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

A summary of the Principle Accounting Policies, all of which have been applied consistently throughout the period and the preceeding period, is set out below.

Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Investments

Fixed asset investments are stated at cost. Current asset investments are stated at the lower of cost and net realisable value.

Cash Flow Statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its accounts because its ultimate parent undertaking, Southern Electric plc, has prepared consolidated accounts which include the accounts of the Company for the year and which are available to the public.

Investment Income

Investment income comprises dividends received from the Company's investments in associated undertakings together with interest income in respect of loans to such companies.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, is made to the extent that it is possible that the liability or asset will crystallise in the foreseeable future.

Pensions

Employees of Southern Electric Power Generation Limited are members of Southern Electric plc's defined benefit scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Financial Statements

Under the provisions of CA85 s228, Southern Electric Power Generation Limited is exempt from preparing group financial statements. The accounts of Southern Electric Power Generation Limited and its subsidiary and associates are consolidated in the accounts of its parent company, Southern Electric plc, registered in England and Wales.

2. Investment Income

	1997 £000	1996 £000
Income from subsidiary undertakings	20	10
Income from associated undertakings	8,458	2,783
Listed investment income	-	44
	<u>8,478</u>	<u>2,837</u>

3. Interest Receivable/Payable

	1997 £000	1996 £000
Interest receivable		
Bank interest	8	7
Interest receivable from subsidiary undertaking	34	44
Interest receivable from associated undertakings	158	124
	<u>200</u>	<u>175</u>
Interest payable		
Interest payable to parent undertaking	<u>(1,323)</u>	<u>(1,696)</u>

4. Profit on Ordinary Activities Before Taxation

	1997 £000	1996 £000
<hr/>		
Profit on ordinary activities is stated after charging:		
Auditors' remuneration - audit services	4	1
- non-audit services	8	28
	<hr/>	<hr/>

5. Directors and Employees

Total directors emoluments, including pension contributions were £13,870 (1996 - £53,515) and relate solely to Mr I D Marchant before he was appointed to the Board of Southern Electric plc. No other director, including the Chairman, received any emoluments.

Staff Costs

	1997 £000	1996 £000
<hr/>		
Salaries	270	284
Social Security costs	29	28
Pension costs	30	34
	<hr/>	<hr/>
	329	346
	<hr/>	<hr/>

The average monthly number of employees during the year was 8 (1996 - 9). All employees are involved in the evaluation, management and administration of generation investments.

6. Taxation

UK Taxation on Profit for the Year	1997 £000	1996 £000
<hr/>		
Corporation tax at 33% (1996 - 33%)	1,799	-
Deferred tax	(1,530)	987
Total charge for the year	<hr/>	<hr/>
	269	987
	<hr/>	<hr/>

7. **Fixed Asset Investment**

	Share Capital £000	Loans £000	Total £000
Cost at 1 April 1996			
Subsidiary undertakings	1,200	400	1,600
Associated undertakings	1,748	41,991	43,739
	2,948	42,391	45,339
Additions			
Subsidiary undertakings	-	300	300
Associated undertakings	152	3,865	4,017
Repayment of loans			
Subsidiary undertakings	-	-	-
Associated undertakings	-	(22,593)	(22,593)
At 31 March 1997	3,100	23,963	27,063
Subsidiary undertakings	1,200	700	1,900
Associated undertakings	1,900	23,263	25,163
At 31 March 1997	3,100	23,963	27,063

Details of the investments in which the Company has an interest are as follows:

	Holding	Proportion Held	Nature of Business
Subsidiary undertaking			
SEPG (Operations) Ltd	Ordinary Shares	100%	Power Generation
Associated undertakings			
Southern Electric Gas Ltd *	Ordinary Shares Class A	50%	Purchase and Sale of Gas
Barking Power Ltd	Ordinary Shares	22.05%	Power Generation
Medway Power Ltd	Ordinary Shares	37.5%	Power Generation
Derwent Cogeneration Ltd	Ordinary Shares	49.5%	Power Generation

* Southern Electric Gas Ltd is now a wholly owned subsidiary when the remaining 50% shareholding was acquired on 1 May 1997.

8 Debtors

	1997 £000	1996 £000
Other debtors	-	91
Amounts owed by subsidiary undertaking	20	64
Amounts owed by associated undertaking	36	-
Amounts falling due after one year		
Amounts owed by associated undertakings	2,079	5,266
	<u>2,135</u>	<u>5,421</u>

9. Creditors (Amounts Falling Due Within One Year)

	1997 £000	1996 £000
Amounts owed to parent undertaking	30	38
Corporation tax	1,798	-
Other creditors and accruals	175	169
	<u>2,003</u>	<u>207</u>

10. Creditors (Amounts Falling Due After One Year)

	1997 £000	1996 £000
Loan from parent company.	2,716	31,100

Interest is charged on outstanding balances at six month LIBOR + 1%

11. Provision for Liabilities and Charges

A transfer of £1,529,402 (1996 - £(986,508)) was made from the deferred tax account with regard to accrued interest from fixed asset investment. There is no unprovided liability for deferred tax.

Movement in Deferred Tax Provision	£000	£000
At 1 April 1996	1,806	819
Transferred to Profit and Loss Account	(1,530)	987
At 31 March 1997	<u>276</u>	<u>1,806</u>

12. Share Capital

	1997 £000	1996 £000
Authorised		
325,000,000 (1996 : 325,000,000) ordinary shares of £1 each	325,000	325,000
Allotted, Called up and Fully Paid		
18,970,002 (1996 : 18,970,002) ordinary shares of £1 each	18,970	18,970

13. Reserves

	1997 £000	1996 £000
At 1 April 1996	(1,242)	(452)
Profit/(loss) for the year	6,517	(790)
At 31 March 1997	5,275	(1,242)

14. Reconciliation of Movement in Shareholders' Funds

	1997 £000	1996 £000
Profit/(Loss) for the financial year	6,517	(790)
Opening Shareholders' funds	17,728	18,518
Closing Shareholders' funds	24,245	17,728

15. Capital Commitments

At 31 March 1997 the company had contractual commitments amounting to £Nil (1996 : £15.5m) which are authorised but have not been provided for in the accounts.

16. Pension Costs

The Company is a member of Southern Electric plc's group pension scheme, which is a defined benefit scheme, the assets of which are held in a separately administered trust fund. Contributions are based on pension costs across the group as a whole. The pension cost is assessed in accordance with advice of a professionally qualified actuary. The most recent valuation was carried out as at 31 March 1995. Particulars of the actuarial valuation are contained in the financial statements of Southern Electric plc.

17. Parent Company and Controlling Party

Southern Electric plc is the parent undertaking of the only group of which the Company is a member and for which group financial statements are drawn up and is also the controlling party for the purposes of FRS8. Copies of the group financial statements are available from the Company Secretary, Southern Electric plc, Southern Electric House, Westacott Way, Littlewick Green, Maidenhead, Berkshire, SL6 3QB.