

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1995

Company Registration No 2317133



SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and accounts for the year ended 31 March 1995.

Principal Activities

The principal activities of the Company consist of the design and installation of electrical services.

Dividends

The Directors recommend a dividend payment of £960,000 and propose the retained profit amounting to £1,950,000 be transferred to reserves.

Business Review

The year has seen a small increase in turnover with a significant improvement in profitability as a result of concentrating on end user work, with selective involvement in the tender market. The tender market continues to suffer from over supply and margins remain tight.

In the year ahead, we intend to develop further the provision of high quality services to end user clients, with emphasis placed on profit growth.

	1995 £000's	1994 £000's
Turnover	<u>84,389</u>	<u>76,952</u>
Profit on ordinary activities before taxation	4,150	2,927
Taxation	<u>1,240</u>	<u>963</u>
Profit for the year	<u>2,910</u>	<u>1,964</u>

Fixed Assets

Changes in the fixed assets of the Company during the year are shown in note 8 to the accounts.

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT (continued)

Directors and their Interests

On 7 March 1995 Mr H R Casley, Chairman, resigned as a Director. Dr J Hart was appointed as a Director and Chairman.

The Directors of the Company as at 31 March 1995 were :

Dr J Hart	Chairman
Mr D M Gauntlett	Chief Executive
Mr R Murawski	Finance Director
Mr R M Hall	Commercial Director
Mr B Law	Non-Executive Director

All, except Dr J Hart, held office throughout the financial year.

Dr J Hart is a director of the parent company Southern Electric plc. His beneficial interests in the share capital of the parent company are shown in that company's Directors' Report and Accounts.

The beneficial interests of the other Directors and their families in the ordinary shares of Southern Electric plc and full details of all outstanding options granted to Directors and those exercised in the year under that Company's Sharesave Scheme, Long Term Incentive Plan and Executive Share Option Scheme are shown in note 5 to the accounts.

The liabilities of the Directors and officers of the Company are insured under a policy maintained by Southern Electric plc.

Disabled Employees

As an equal opportunity employer, it is the Company's policy to give full and fair consideration to every application for employment from disabled persons, bearing in mind the abilities and aptitudes of the applicants in relation to available vacancies.

Employee Participation

The Company has maintained and developed a wide range of methods of communicating with employees including briefing meetings, the Group's monthly newspaper and Company quarterly news sheet which are mailed to employees' homes, bulletins on specific issues and a joint consultative council where matters of mutual interest are considered by the Company's managers and representatives of the staff. The Company operates a bonus scheme for its professional, technical and administrative staff, which rewards achievement against targets, and a profit related pay scheme for all staff.

417 staff participate in the Southern Electric Sharesave Scheme as at 31 March 1995 under which options were granted on 11 December 1990.

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' REPORT (continued)

Safety and Health

The Company places high emphasis on the importance of Safety in all its operations, and has issued a comprehensive set of Safety Procedures, together with a rigorous reporting system of incidents and near misses.

The Company has a formal structure of Health and Safety Committees both at Company and Regional level, supported by a full time Safety Manager.

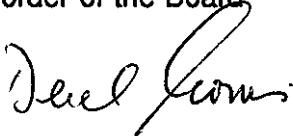
A system of depot and site audits ensures that staff are achieving the required standards.

Auditors

On the 1 October 1994, the Company's auditors changed their name and now practise as Binder Hamlyn.

The Directors will place a resolution before the Annual General Meeting to reappoint Binder Hamlyn as auditors for the ensuing year and to authorise the Directors to determine their remuneration.

By order of the Board



Derek Morris
Company Secretary and Solicitor
17 May 1995

SOUTHERN ELECTRIC CONTRACTING LIMITED

DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law 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 that period. In preparing these financial statements the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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.

SOUTHERN ELECTRIC CONTRACTING LIMITED

AUDITORS' REPORT

to the members of Southern Electric Contracting Limited

We have audited the financial statements on pages 7 to 18 which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 5, 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 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn
Chartered Accountants
Registered Auditors

Newbury
20 June 1995

SOUTHERN ELECTRIC CONTRACTING LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1995

	Note	1995 £000's	1994 £000's
Turnover	2	84,389	76,952
Cost of sales		70,193	64,072
Gross profit		14,196	12,880
Distribution costs		1,555	602
Administrative expenses		8,447	9,289
Operating profit	3	4,194	2,989
Interest payable	6	44	62
Profit on ordinary activities before taxation		4,150	2,927
Taxation	7	1,240	963
Profit for the financial year		2,910	1,964
Dividends		960	648
Retained profit for the financial year		1,950	1,316

The above results derive from continuing operations.

There are no recognised gains or losses for the year other than the retained profit.


SOUTHERN ELECTRIC CONTRACTING LIMITED

BALANCE SHEET

at 31 March 1995

	Note	1995 £000's	1994 £000's
Fixed assets			
Tangible assets	8	<u>6,392</u>	<u>4,728</u>
Current assets			
Stocks	9	4,776	6,878
Debtors	10	15,188	13,923
Cash at bank and in hand		<u>1,964</u>	<u>1,653</u>
		21,928	22,454
Creditors - amounts falling due within one year	11	<u>19,248</u>	<u>19,249</u>
Net current assets		<u>2,680</u>	<u>3,205</u>
Total assets less current liabilities		9,072	7,933
Provisions for liabilities and charges	13	<u>1,771</u>	<u>2,582</u>
		<u>7,301</u>	<u>5,351</u>
Capital and reserves			
Called up share capital	14	4,000	4,000
Profit and loss account	15	<u>3,301</u>	<u>1,351</u>
	16	<u>7,301</u>	<u>5,351</u>

The accounts on pages 7 to 18 were approved by the Board on 17 May 1995.



R Murawski
Finance Director

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

a. Basis of preparation

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

b. Turnover

Turnover comprises the sales value of work done during the year, exclusive of value added tax.

c. Recognition of profits on contracts

Profit is taken on contracts whilst the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable losses.

d. Pension costs

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The capital cost of ex-gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

e. Deferred taxation

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 probable that the liability or asset will crystallise in the foreseeable future.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

f. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. The charge for depreciation is calculated to write off these assets on a straight line basis over their estimated useful lives to their estimated residual value. The lives of each major class of depreciable asset are as follows :

Vehicles and mobile plant	5 years
Fixtures, equipment and other plant and machinery	5 years

g. Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of direct labour and material plus attributable overheads.

h. Cash flow statement

The Company's parent company has produced a cash flow statement in accordance with Financial Reporting Standard 1. Accordingly the Company, which is a wholly owned subsidiary, is not required to produce a cash flow statement.

2. Turnover

The Company's turnover arose from the provision of electrical services in the United Kingdom.

3. Operating Profit

Operating profit is stated after charging/(crediting):

	1995 £000's	1994 £000's
Depreciation	1,433	1,429
Hire of plant and machinery	282	279
Auditors' remuneration - audit work	15	15
- other services	9	-
Exceptional charge for rationalisation	-	707
Provisions utilised in the year	(997)	(2,133)

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

4. Employees

	1995 £000's	1994 £000's
Total employee costs during the year:		
Wages and salaries	20,533	18,840
Social security costs	1,787	1,677
Other pension costs	<u>1,278</u>	<u>1,369</u>
	<u>23,598</u>	<u>21,886</u>
	Number	Number
Direct staff	985	920
Management, engineers, sales and administration	<u>318</u>	<u>267</u>
	<u>1,303</u>	<u>1,187</u>

5. Directors' Emoluments

The Directors' emoluments (including pension contributions) were £245,536 (1994 £229,943).

The Chairman and Non-Executive Director receive no remuneration from the Company. The remuneration (excluding pension contributions) of the highest paid Director was £100,109 (1994 £93,638). Other Directors received remuneration (excluding pension contributions) in the ranges :

	1995 Number	1994 Number
£55,001 - £60,000	-	2
£60,001 - £65,000	2	-

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Directors' Emoluments (continued)

Full details of all outstanding options granted to Directors and those exercised in the year under Southern Electric plc's Sharesave Scheme, Long Term Incentive Plan and Executive Share Option Scheme are:-

	Exercisable Price	D M Gauntlett	R Murawski	R M Hall	B Law	Market Price at Exercise	Date Exercisable	
	£						First	Final
At 1 April 1994								
Sharesave	1.75	4,842	-	4,842	1,371	-	Mar 96	Sept 96
Sharesave	3.93	-	-	-	1,328	-	June 98	Dec 98
Executive Option	3.28	16,691	-	-	18,553	-	Jan 95	Jan 02
Executive Option	4.46	-	-	-	7,548	-	Jan 96	Jan 03
Executive Option	7.04	7,000	7,000	7,000	4,394	-	Jan 97	Jan 04
Exercised during year	3.28	28,533	7,000	11,842	33,194	7.77	Jan 95	Jan 02
		3,658	-	-	18,553			
Granted during year	7.84	24,875	7,000	11,842	14,641		Jan 98	Jan 05
		5,000	3,000	3,000	-			
Long Term Incentive Plan	*	-	-	-	1,813		Oct 97	Dec 97
Total		5,000	3,000	3,000	1,813			
At 31 March 1995		29,875	10,000	14,842	16,454			

* £1 per grant

Under the Sharesave Scheme staff are given an option to acquire shares at a fixed price, through regular savings over a five year period. The Directors and 417 staff participate in the scheme.

Under the Long Term Incentive Plan the Executive Directors and 15 senior executives of Southern Electric plc are granted awards over shares purchased in the market by the independent trustees of Southern Electric plc's Employee Share Ownership Trust. These awards can be realised after three years for a nominal consideration of £1 per award.

The Executive Share Option Scheme enables the above Directors to purchase a given number of shares after three years at the market price when the option is granted.

The market price of Southern Electric plc ordinary shares at 31 March 1995 was £5.82.

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Directors' Emoluments (continued)

The beneficial interests of the Directors and their families in the ordinary shares of Southern Electric plc are:-

	D M Gauntlett	R Murawski	R M Hall	B Law
At 1 April 1994	16,464	544	3,654	12,684
At 31 March 1995	15,740	544	3,654	18,637

6. Interest Payable

Interest payable for the year of £44,000 (1994 £62,000) was all payable to the parent company.

7. Tax on Profit on Ordinary Activities

	1995 £000's	1994 £000's
UK taxation on profit for the year:		
Corporation tax at 33% (1994 33%)	917	541
Deferred taxation (Note 10)	269	398
Corporation tax under-provided in previous years	54	24
	<hr/>	<hr/>
Taxation charge for the year	<u>1,240</u>	<u>963</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Tangible Fixed Assets

	Vehicles and Mobile Plant £000's	Fixtures and Equipment £000's	Total £000's
Cost			
At 1 April 1994	5,850	1,481	7,331
Transfers from parent company	222	-	222
Additions	3,078	342	3,420
Disposals	<u>(893)</u>	<u>-</u>	<u>(893)</u>
At 31 March 1995	<u>8,257</u>	<u>1,823</u>	<u>10,080</u>
Depreciation			
At 1 April 1994	1,848	755	2,603
Transfers from parent company	179	-	179
Charge for the year	1,214	219	1,433
Disposals	<u>(527)</u>	<u>-</u>	<u>(527)</u>
At 31 March 1995	<u>2,714</u>	<u>974</u>	<u>3,688</u>
Net book value			
At 31 March 1995	<u>5,543</u>	<u>849</u>	<u>6,392</u>
At 31 March 1994	<u>4,002</u>	<u>726</u>	<u>4,728</u>

9. Stocks

	1995 £000's	1994 £000's
Work in progress	4,183	6,065
Payments on account	<u>(633)</u>	<u>(639)</u>
	3,550	5,426
Raw materials	<u>1,226</u>	<u>1,452</u>
	<u>4,776</u>	<u>6,878</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

10. Debtors	1995 £000's	1994 £000's
Amounts falling due within one year:		
Trade debtors	11,662	9,409
Amounts owed by group undertakings - parent company and fellow subsidiaries	2,723	3,487
Other debtors	3	6
Accrued income and prepayments	<u>163</u>	<u>64</u>
	14,551	12,966
Amounts falling due after one year:		
Trade debtors	93	144
Deferred tax asset (note 12)	<u>544</u>	<u>813</u>
	<u>15,188</u>	<u>13,923</u>
11. Creditors (amounts falling due within one year)	1995 £000's	1994 £000's
Payments received on account	4,054	3,701
Trade creditors	5,365	5,810
Amounts owed to group undertakings - parent company and fellow subsidiaries	3,358	4,339
Corporation tax	917	541
Taxation and social security	2,908	2,609
Other creditors	1,185	717
Accruals and deferred income	<u>1,461</u>	<u>1,532</u>
	<u>19,248</u>	<u>19,249</u>

12. Deferred Taxation

No provision for deferred tax is required at 31 March 1995 (1994 Nil). A deferred tax asset of £544,000 (1994 £813,000) has been recognised as a current asset in respect of rationalisation and other provisions (see note 10). The potential deferred tax liabilities, for which no provision has been made, computed at the future rate of Corporation Tax of 33% are as follows:-

	1995 £000's	1994 £000's
Capital allowances in excess of depreciation	285	119
Other non-recognised timing differences	<u>(222)</u>	<u>(249)</u>
	<u>63</u>	<u>(130)</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

13. Provisions for Liabilities and Charges

	Rationalisation £000's	Other £000's	Total £000's
At 1 April 1994	2,497	85	2,582
Utilised in the year	(997)	-	(997)
Transferred from profit and loss account	5	181	186
	<u> </u>	<u> </u>	<u> </u>
At 31 March 1995	<u>1,505</u>	<u>266</u>	<u>1,771</u>

14. Share Capital

	1995 £000's	1994 £000's
Authorised:		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid:		
4,000,002 ordinary shares of £1 each	4,000	4,000

15. Profit and Loss Account

	£000's
At 1 April 1994	1,351
Retained profit for the year	<u>1,950</u>
At 31 March 1995	<u>3,301</u>

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

16. Reconciliation of Movements in Shareholders' Funds

	1995 £000's	1994 £000's
Profit for the year	2,910	1,964
Dividends	<u>960</u>	<u>648</u>
Net addition to shareholders' funds	1,950	1,316
Opening shareholders' funds	<u>5,351</u>	<u>4,035</u>
Closing shareholders' funds	<u>7,301</u>	<u>5,351</u>

17. Pension Commitments

Most of the Company's employees are entitled to join the Electricity Supply Pension Scheme which provides pension and other related benefits based on final pensionable pay to employees throughout the Electricity Supply Industry in England and Wales. The assets of the Scheme are held in a separate trustee administered fund.

The latest full actuarial valuation of the Southern Electric Group's section of the Scheme was carried out by Bacon & Woodrow, consulting actuaries, as at 31 March 1992 and the results of this valuation have been used as the basis for assessing pension costs. The attained age method was used for the valuation and the principal actuarial assumptions adopted were that the investment return would average 9.5% per annum, that salary increases (exclusive of merit awards) would average 7.5% and that pensions increases would average 5.5% per annum.

The valuation showed that the actuarial value of the assets of the Group's section of the Scheme as at 31 March 1992 represented 106% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service completed to date for active members, allowing for future salary rises.

The total market value of the assets of the Scheme at 31 March 1992 was £9,492m of which £524m relates to the members and beneficiaries of the Group.

Contributions payable by the Company to the Scheme during the year were £1,214,000 (1994 £1,338,000) and no sums were paid in respect of ex gratia pensions (1994 Nil).

SOUTHERN ELECTRIC CONTRACTING LIMITED

NOTES TO THE ACCOUNTS (continued)

18. Capital Commitments

	1995 £000's	1994 £000's
Capital expenditure:		
Contracted for but not provided in the accounts	133	418
Authorised but not contracted for	150	91

19. Ultimate Parent Company

The ultimate parent company is Southern Electric plc, a company registered in England and Wales. Copies of the group accounts of Southern Electric plc may be obtained from :-

Director of Corporate Relations
Southern Electric plc
Westacott Way
Littlewick Green
Maidenhead
Berkshire
SL6 3QB