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Directors' report



The directors present their report and the audited accounts of PowerGen plc for the financial year ended 29 March 1992.

ACTIVITIES The Company's principal activity is the generation and sale of electricity. The Chairman's Statement and Chief Executive's Review, contained in the Annual Review, report on the development of the business during the financial year and the outlook for the future. They contain information about the Company's research and development activities, its commitment to ensuring that environmental implications for the business are properly identified, assessed and managed, and its arrangements with regard to health and safety and employees' welfare at work.

PROFIT AND DIVIDEND Profit before taxation for the financial year to 29 March 1992 was £359 million (an increase on the restated figure (see note 1 on page 10) for 1990/91 of £87 million or 32 per cent).

The directors are recommending a final dividend of 6.20p net per ordinary share, payable on 19 October 1992, making a total dividend for the year of 9.25p net per ordinary share. This compares with a total dividend paid for the financial year to 31 March 1991 of 5.55p net, although the directors indicated that, had the flotation of the Company taken place at the beginning of 1990/91, they would have recommended a notional dividend of 8.32p for the full year.

After providing for taxation (£117 million), and for payment of the dividend (£72 million), the retained profit for the year amounted to £170 million.

SUBSTANTIAL SHAREHOLDINGS At 7 June 1992 a nominee of HM Treasury, in whose name HM Government's shareholding is registered, held 40.5 per cent of the Company's issued ordinary shares. At the same date the Company had been notified of an interest in approximately 3.1 per cent of the issued ordinary shares of the Company by the Prudential Corporation group of companies and the segregated funds which they manage for clients. The Company is not aware of any other interest in the issued ordinary share capital of the Company of 3 per cent or more.

FIXED ASSETS Changes in fixed assets during the year are shown in note 13 on page 14 of the accounts. Edward Erdman, property consultants, valued the Company's properties, excluding the specialised parts of its power stations' sites and certain minor properties, on the basis of the properties' open market value within their existing use in the Company's occupation, as at 31 December 1990. That valuation of £135 million is approximately £114 million in excess of the net book value of the properties as at 29 March 1992. The directors consider that there has been no significant reduction in value since the date of the valuation.

The Company's properties are subject to the property clawback debenture arrangements entered into shortly before flotation which entitle HM Government to a proportion of any property gains (above certain thresholds) accruing to the Company. Further details of these arrangements are set out in note 27 on page 22.

DIRECTORS Information about the directors is set out on page 16 of the Annual Review enclosed with this document. All the directors held office throughout the year.

In accordance with the Company's Articles of Association, Mr P Myners, Mr J I Rennocks, and Dr A Roberts will retire by rotation at the forthcoming Annual General Meeting and will offer themselves for reappointment.

Mr J L Rennocks has a service contract with the Company which can be terminated on 2 years' notice. Dr A Roberts has a service contract with the Company which can be terminated on 3 years' notice. Mr P Myners does not have a service contract with the Company or any of its subsidiaries.

The interests of the directors and their families in the share capital of the Company according to the register maintained in accordance with the provisions of the Companies Act were:

Directors' beneficial interests in shares

	<i>Number of shares</i>		<i>Number of shares under option</i>	
	<i>1 April 1991</i>	<i>29 March 1992</i>	<i>1 April 1991</i>	<i>29 March 1992</i>
Sir Graham Day	190	5,190	—	—
Mr E A Wallis	501	5,501	408,000	462,000
Mr D Dance	9,777	9,777	263,395	263,395
Mr R T Jump	4,488	4,488	242,895	247,156
Mr M F Reidy	5,461	5,461	205,000	205,000
Mr J L Rennocks	19,745	19,983	250,895	255,156
Dr A Roberts	9,766	9,999	283,895	315,156
Prof Sir Frederick Crawford	266	2,766	—	—
Mr J A Gardiner	247	247	—	—
Mr P Myners	5,000	5,000	—	—
Sir Colin Southgate	0	2,000	—	—

The movement in shares under option represents options granted during the year.

Since 29 March 1992, Professor Sir Frederick Crawford has increased his shareholding to 5,266 shares. There have been no other changes in directors' beneficial interests between 29 March 1992 and the date of this report.

No director had at any time during the financial year any interest (other than as a nominee on behalf of the Company) in the shares of any subsidiary company.

No director during the financial year had a material interest in any contract significant to the Company's business.

EMPLOYEES The Company's policy is to provide employment opportunities and training where possible for disabled people, to care for employees who become disabled and generally to make the best use of the skills of such employees. The Company operates an equal opportunities pay policy.

The Company's newspaper, 'The Gen', is distributed monthly to current and retired employees. Regular briefings by managers on Company performance take place. Other means of communication within the Company are adapted to meet the particular needs of individual sites. These include video links and dedicated local facilities.

Extensive consultation on topics affecting the workforce takes place at regular intervals within a framework of local and national procedures, which have now been enhanced by the implementation of the PowerGen Agreement.

EMPLOYEE SHARE SCHEMES The Company operates three Inland Revenue approved employee share schemes, the PowerGen Profit Sharing Scheme, the PowerGen Sharesave Scheme and the PowerGen Executive Share Option Scheme. These cover respectively shares acquired by employees at flotation under the Free and Matching Offers, options available to employees generally and options available to executives. Grants of shares by way of reward for long service are being considered.

Further savings contracts have been offered to employees under the PowerGen Sharesave Scheme, taking advantage of the increased savings limit, following approval given by shareholders at the last Annual General Meeting. Amendments to the PowerGen Executive Share Option Scheme, also approved, have been implemented. Exercise of the options under these schemes would, together with their existing personal holdings, result in current and past employees having a 5 per cent interest in the then enlarged share capital of the Company.

CONTRIBUTIONS FOR POLITICAL AND CHARITABLE PURPOSES Donations to charitable organisations during the financial year amounted to £191,825.

No political donations were made.

INSURANCE PURCHASED FOR OFFICERS During the financial year, the Company maintained directors' and officers' liability insurance.

CLOSE COMPANY STATUS The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

SUMMARY FINANCIAL STATEMENTS The Company is permitted under the Companies Act 1985 to send to its shareholders a summary financial statement in place of its full report and accounts. With the despatch of their share certificates in February 1992, shareholders were invited to notify the Company if they wished to receive only the Annual Review, which includes a summary financial statement. A substantial number of shareholders chose this option. In future years, shareholders will be sent only the Annual Review unless they notify the Company to the contrary by completing and returning Section B of the white form enclosed with this report or otherwise give written notice to this effect.

TAURUS The full implications of the London Stock Exchange's TAURUS system for the dematerialisation of shares are still unclear and there have been delays in its implementation. In these circumstances, the directors have decided not to put resolutions to the forthcoming Annual General Meeting to take powers to implement the system. The directors recognise that the TAURUS system will represent a major change in the manner in which shares are dealt and will take steps to ensure that shareholders' interests are properly protected.

AUDITOR A resolution to reappoint the auditor, Coopers & Lybrand, and to authorise the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting. Until 1 June 1992 the firm practised in the name of Coopers & Lybrand Deloitte.

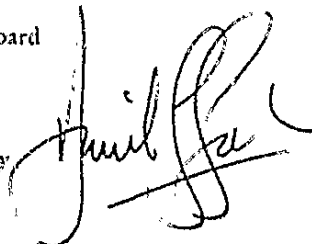
ANNUAL GENERAL MEETING The Annual General Meeting of the Company will take place at 2.30 p.m. on Tuesday 8 September 1992 in the Forum, at the NEC, Birmingham. A letter from the Chairman explaining the business to be considered at the meeting together with a Notice of Meeting will be sent to shareholders.

By order of the Board

D J Jackson

Company Secretary

22 June 1992



Consolidated profit and loss account
for the financial year ended 29 March 1992



		1992 <i>Actual</i>	1991 <i>Restated (note 1)</i>
	<i>Note</i>	£m	£m
Turnover	2	3,009	2,651
Operating costs	3	(2,677)	(2,384)
Operating profit before exceptional items		332	267
Exceptional items	6	(6)	(26)
Operating profit		326	241
Net interest receivable	7	33	31
Profit on ordinary activities before taxation		359	272
Tax on profit on ordinary activities	8	(117)	(92)
Profit on ordinary activities after taxation		242	180
Extraordinary items	9	-	(54)
Profit for the year		242	126
Dividends	10	(72)	(43)
Retained profit for year	25	170	83
Earnings per ordinary share	12	31.0p	23.0p

Balance sheets

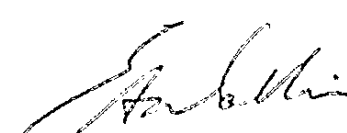
as at 29 March 1992

	Note	The Group		The Company	
		29 March 1992	31 March 1991	29 March 1992	31 March 1991
		£m	£m	£m	£m
Fixed assets					
Tangible assets	13	1,735	1,448	1,735	1,448
Fuel security stocks	14	129	174	129	174
Investments	15	132	79	18	9
		<u>1,996</u>	<u>1,701</u>	<u>1,882</u>	<u>1,631</u>
Current assets					
Stocks		387	237	387	237
Debtors	16	422	385	445	403
Short term deposits		234	470	234	470
		<u>1,043</u>	<u>1,092</u>	<u>1,066</u>	<u>1,110</u>
Creditors: amounts falling due within one year					
Bank overdraft		(58)	(104)	(58)	(104)
Other	18	(832)	(820)	(833)	(817)
Net current assets		<u>153</u>	<u>168</u>	<u>175</u>	<u>189</u>
Total assets less current liabilities		<u>2,149</u>	<u>1,869</u>	<u>2,057</u>	<u>1,820</u>
Creditors: amounts falling due after more than one year					
	19	(325)	(300)	(325)	(300)
Provisions for liabilities and charges	22	<u>(359)</u>	<u>(274)</u>	<u>(277)</u>	<u>(224)</u>
		<u>1,465</u>	<u>1,295</u>	<u>1,455</u>	<u>1,296</u>
Capital and reserves					
Called up share capital	24	391	391	391	391
Capital reserve	25	474	474	474	474
Profit and loss account	25	600	430	590	431
		<u>1,465</u>	<u>1,295</u>	<u>1,455</u>	<u>1,296</u>

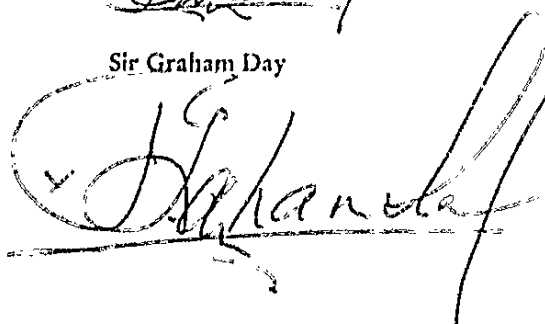
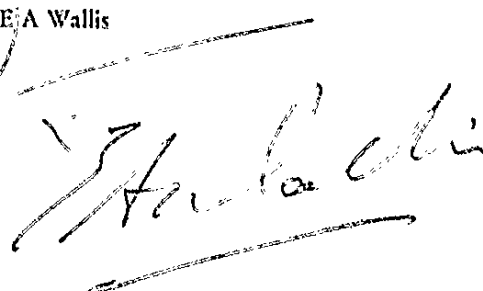
Approved by the Board on 22 June 1992



Sir Graham Day



E A Wallis

Consolidated cash flow statement
for the financial year ended 29 March 1992



	Note	1992 £m	1991 £m
Net cash inflow from operating activities	26	513	577
Returns on investments and servicing of finance			
Interest received		59	58
Interest paid		(21)	(8)
Interest element of finance lease rental payments		(1)	(1)
Dividends paid		(67)	—
		(30)	49
Taxation			
UK corporation tax paid		(123)	(139)
		(123)	(139)
Investing activities			
Payments for tangible fixed assets		(361)	(127)
Payments for fixed asset investments		(43)	(14)
Payment for share of associated undertaking		—	(1)
Loan to associated undertaking		(9)	—
Receipts from sales of tangible fixed assets		6	10
		(407)	(132)
Net cash (outflow)/inflow before financing		(47)	355
Financing			
Capital element of finance lease rental payments		(5)	(7)
Repayment of debenture		(138)	—
		(143)	(7)
Net cash (outflow)/inflow		(190)	348
Represented by:			
(Decrease)/Increase in money market instruments		(253)	368
Increase/(Decrease) in cash and cash equivalents	26	63	(20)
		(190)	348

Principal accounting policies

BASIS OF PREPARATION OF ACCOUNTS The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards. Values of assets and liabilities vested in the Company on 31 March 1990 under the Transfer Scheme made pursuant to the Electricity Act 1989 (the Transfer Scheme) are based on their historical cost to the Central Electricity Generating Board (CEGB).

BASIS OF CONSOLIDATION The Group accounts comprise a consolidation of the accounts of the Company and its wholly owned subsidiaries together with the Group's share of the results and net assets of its associated undertaking, Kinetica Limited, Ergon Insurance Limited, a wholly-owned subsidiary, and the Group's share of the results of Kinetica Limited are consolidated based on nine months' results extracted from audited accounts to 31 December 1991 together with three months' results extracted from unaudited management accounts to 31 March 1992, which the directors consider to be reliable.

TURNOVER Turnover comprises sales of electricity, including fees under contracts for differences stated net of difference payments and revenue from direct sales contracts.

OVERHAUL AND DECOMMISSIONING OF GENERATION PLANT Charges are made annually against profits to provide for the accrued proportion of the estimated costs of the cyclical programme for the major overhaul and maintenance of generation plant and of decommissioning such plant at the end of its useful life.

RESTRUCTURING COSTS Amounts are set aside for the Company's ongoing restructuring programme which involves the future closure of power stations and reductions in staff numbers. Amounts relating to future station closures are included in provisions for liabilities and charges in the balance sheet; other restructuring costs, where amounts and timing of payments can be assessed with greater accuracy, are included in other creditors.

DEPRECIATION Provision for depreciation is made so as to write off, on a straight line basis, the book value of tangible fixed assets including those held under finance leases. Assets are depreciated over their estimated useful lives or, in the case of leased assets, over the lease term if shorter. No depreciation is provided on freehold land. The estimated useful lives for the other principal categories of fixed assets are:

Asset	Life in years
Power stations	25-40
Other buildings	40
Office equipment and other short term assets	3-5

FOREIGN EXCHANGE Assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year. Transactions denominated in foreign currencies are translated to sterling at the exchange rate ruling on the date payment takes place unless related or matching forward foreign exchange contracts have been entered into when the rate specified in the contract is used. Exchange differences are included in the profit and loss account.

TANGIBLE FIXED ASSETS Tangible fixed assets, including plant spares, are stated at original cost less accumulated depreciation. In the case of assets constructed by the Company, related works, administrative overheads and commissioning costs are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure incurred at the balance sheet date.

LEASES Assets held under finance leases are capitalised where material and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rents payable under operating leases are charged to the profit and loss account evenly over the term of the lease.

FUEL SECURITY STOCKS The Company has been directed by the Secretary of State for Energy under Section 34 of the Electricity Act 1989 to maintain a minimum level of coal stocks as security against breakdown in supply. Stocks in excess of the levels required by the Company for operational purposes are classified as fixed assets in the balance sheet and are valued at cost less any provision for permanent diminution in value.

FIXED ASSET INVESTMENTS Investments in associated undertakings are stated at cost plus, in the Group's balance sheet, the Group's share of retained earnings. Other investments are stated at cost. Provision is made for any permanent diminution in the value of investments.

FUEL STOCKS AND STORES Fuel stocks and general and engineering stores are stated at the lower of cost and net realisable value.

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 a liability or asset will crystallise in the foreseeable future.

PENSIONS Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' remaining working lives. The regular cost is attributed to individual years using the attained age method. Variations in pension costs, which are identified as a result of actuarial valuations, are normally expressed as a percentage of pensionable salary and amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Notes to the accounts
for the financial year ended 29 March 1992



1 RESTATED RESULTS FOR THE COMPARATIVE YEAR ENDED 31 MARCH 1991

The Company's capital structure was changed shortly before flotation. As part of this restructuring, debt was issued to HM Treasury on 18 January 1991 as described in note 20 below. The actual results for 1991 did not, therefore, include interest payable on the debt prior to 18 January 1991 and are not considered to be fully representative of the Group's performance. Accordingly, to assist comparability, the actual results for the year ended 31 March 1991 have been restated as if the debt had been in place for the whole of that year. Adjustments have been made to the actual results of the comparative year to include additional interest payable of £29 million and associated tax relief of £10 million. The balance sheets at 31 March 1991 have not been restated.

2 TURNOVER

Turnover principally derives from sales of electricity, made predominantly through the electricity market (the Pool), to United Kingdom customers.

3 OPERATING COSTS

Operating costs are made up as follows:

	1992 £m	1991 £m
Cost of sales	2,596	2,300
Administration expenses	101	102
Other operating income	2,697	2,402
	(20)	(18)
	<u>2,677</u>	<u>2,384</u>

Operating costs include:

	1992 £m	1991 £m
Depreciation		
Owned assets	92	75
Assets held under finance leases	3	3
Research and development costs	12	14
Operating leases		
Hire of plant and machinery	2	2
Other	1	1
Loss on disposal of fixed assets	10	1
Share of (profit)/loss of associated undertaking	(1)	1
Auditor's remuneration (Group and Company)	0.3	0.3

4 EMPLOYEE INFORMATION

The average number of persons employed by the Group, including directors, during the year was 7,771 (1991 8,840). Substantially all employees are engaged in the generation and sale of electricity in the United Kingdom.

The salaries and related costs of employees, including directors, were:

	1992	1991
	£m	£m
Wages and salaries	166	171
Social security costs	14	14
Other pension costs	25	25
	<u>205</u>	<u>210</u>

5 DIRECTORS' EMOLUMENTS

Details of directors' emoluments are as follows:

	1992	1991
	£	£
Total emoluments, including pension contributions, as directors	70,024	28,886
for management – salaries	1,219,682	1,035,755
– performance-related bonuses	176,000	208,190
	<u>1,465,736</u>	<u>1,272,831</u>
Emoluments, excluding pension contributions, of the chairman	110,000	41,250
former chairman – emoluments	–	109,189
– compensation for loss of office, including car	–	150,779
highest paid director – salary	226,043	203,632
– performance-related bonus	57,500	80,000

Performance-related incentive payments previously have been shown in the year of the cash payment. These are now shown on an accruals basis and thus relate directly to the results upon which they are based. Accordingly, the 1991 figures have been restated on the accruals basis.

The payments in the comparative year to the former chairman covered the period until his resignation on 15 November 1990. Payments to the current chairman in that year covered the period from his appointment on 16 November 1990.

Notes to the accounts

for the financial year ended 29 March 1992

5 DIRECTORS' EMOLUMENTS continued

The number of directors whose emoluments, excluding pension contributions, fell within the following ranges were as follows:

£	1992 Number	1991 Number
Nil- 5,000	-	1
5,001- 10,000	-	3
15,001- 20,000	4	-
45,001- 50,000	-	1
50,001- 55,000	-	1
105,001- 110,000	1	1
120,001- 125,000	1	-
140,001- 145,000	-	1
145,001- 150,000	1	1
150,001- 155,000	2	-
155,001- 160,000	-	1
180,001- 185,000	1	-
190,001- 195,000	-	1
280,001- 285,000	1	1

6 EXCEPTIONAL ITEMS

The results for the year include £88 million of electricity income which the directors consider unlikely to be repeated as it arose principally from short term system requirements met from power stations scheduled for closure. These system requirements have since been largely removed by transmission investment. Also, in the light of uncertainties faced in the evolving UK electricity generation market and further development of the Company's plans, exceptional amounts totalling £94 million have been set aside for restructuring costs, the decommissioning of power stations and liability and damage claims.

Exceptional items in the comparative year of £26 million consisted of provisions for the equalisation of employees' retirement ages and liability and damage claims.

7 NET INTEREST RECEIVABLE

	1992 Actual	1991 Restated (note 2)
	£m	£m
Interest receivable	55	74
Interest payable on loans not paid by instalments		
Wholly repayable within five years	(3)	(24)
Not wholly repayable within five years	(18)	(18)
Finance charges payable on finance leases and hire purchase agreements	(1)	(1)
	<u>33</u>	<u>31</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1992 <i>Actual</i>	1991 <i>Restated</i> <i>(note 1)</i>
	£m	£m
United Kingdom corporation tax at 33% (1991 34%)		
Current	135	99
Deferred	(18)	(7)
	117	92
Adjustments in respect of prior years		
Current	—	(4)
Deferred	—	4
	117	92

9 EXTRAORDINARY ITEMS

Extraordinary items in the comparative year comprised £30 million provision for pre-vesting liabilities and £24 million in respect of privatisation costs.

10 DIVIDENDS

	1992 £m	1991 £m
Net dividend per ordinary share		
Interim paid 3.05p (1991 nil)	24	—
Final proposed 6.20p (1991 5.55p)	48	43
	72	43

The directors consider that they would have recommended a notional dividend of 8.32p per share for the year ended 31 March 1991 had the flotation of the Company taken place at the beginning of that year.

11 PROFIT OF THE COMPANY

The retained profit for the year of the Group includes £159 million (1991 £83 million, restated (see note 1)) attributable to the Company. The Company is not publishing a separate profit and loss account, as permitted by Section 230 of the Companies Act 1985.

12 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation of £242 million by 781,260,050 ordinary shares, being the weighted average of ordinary shares in issue and ranking for dividend during the year.

Earnings per share for the comparative year have been calculated by dividing the restated profit (see note 1) on ordinary activities after taxation of £180 million by the 781,258,150 ordinary shares in issue in the period 12 March 1991 to 31 March 1991.

Notes to the accounts

for the financial year ended 29 March 1992

12 EARNINGS PER ORDINARY SHARE continued

Actual earnings per share for the year ended 31 March 1991 have not been presented; the actual profit for the year ended 31 March 1991 is not considered to be representative for this purpose of the Group's performance.

13 TANGIBLE FIXED ASSETS

The Group and the Company	Freehold land and buildings £m	Generation plant £m	Assets in the course of construction £m	Other £m	Total £m
Cost					
At 1 April 1991	641	1,508	200	137	2,486
Additions	2	37	261	8	308
Payments on account	—	—	144	—	144
Transfers	—	59	(59)	—	—
Transfer to stocks	—	(86)	—	—	(86)
Disposals	(2)	(18)	—	(20)	(40)
At 29 March 1992	641	1,500	546	125	2,812
Depreciation					
At 1 April 1991	385	561	—	92	1,038
Charge for year	15	57	—	23	95
Transfer to stocks	—	(32)	—	—	(32)
Disposals	(2)	(5)	—	(17)	(24)
At 29 March 1992	398	581	—	98	1,077
Net book value at 29 March 1992	243	919	546	27	1,735
Net book value at 31 March 1991	256	947	200	45	1,448

Generation plant held under finance leases and hire purchase agreements with a total net book value of £33 million (1991 £35 million) is included above.

Following a review of plant spares, consumable spares with a net book value of £54 million have been reclassified as current assets; £24 million of plant spares have been retained as fixed assets.

14 FUEL SECURITY STOCKS

The Group and the Company	£m
As at 1 April 1991	174
Transfer to operational stocks	(45)
As at 29 March 1992	129

The transfer to operational stocks results from a relaxation of the direction issued by the Secretary of State under Section 34 of the Electricity Act 1989.

15 INVESTMENTS

	<i>The Group</i>	<i>The Company</i>
	£m	£m
As at 1 April 1991	79	9
Additions	52	9
Share of profit of associated undertaking for the year	1	—
As at 29 March 1992	132	18

Group investments comprise funds, including investments listed on a recognised stock exchange of £109 million (1991 £78 million), set aside for certain medium and long term insurance liabilities and the Group's share of the net assets of its associated undertaking Kinetica Limited, which is represented by the cost of investment of £1 million plus the Group's share of Kinetica's retained profit of £0.3 million (1991 loss of £0.6 million). At 29 March 1992, the market value of listed investments was £1 million in excess of cost (1991 £4 million).

Company investments principally comprise a 100 per cent ordinary shareholding at cost of £8 million in a subsidiary undertaking, Ergon Insurance Limited, a company incorporated in the Isle of Man, which provides insurance services to the Company, and a 49.99 per cent ordinary shareholding at cost of £1 million, and a loan of £9 million, in Kinetica Limited, a company registered in England and Wales, whose principal activity is the transportation and marketing of natural gas in the United Kingdom. For commercial reasons the accounting reference date of Ergon Insurance Limited is 31 December.

16 DEBTORS

	<i>The Group</i>		<i>The Company</i>	
	1992	1991	1992	1991
	£m	£m	£m	£m
Trade debtors	223	222	223	222
Other debtors	18	34	16	32
Advance corporation tax	16	14	16	14
Prepayments	68	36	68	36
Deferred tax asset	97	79	97	79
Amounts due from subsidiary undertaking	—	—	25	20
	422	385	445	403

Advance corporation tax of £16 million and substantially all of the deferred tax asset are recoverable after more than one year.



Notes to the accounts

for the financial year ended 29 March 1992

17 DEFERRED TAX

An analysis of the full potential liability and the deferred tax asset recognised at 29 March 1992 at 33 per cent (1991 33 per cent) is as follows:

	1992		1991	
	Full potential liability	Asset recognised	Full potential liability	Asset recognised
	£m	£m	£m	£m
The Group and the Company				
Accelerated capital allowances	393	—	341	—
Other timing differences	(151)	(97)	(144)	(79)
	<u>242</u>	<u>(97)</u>	<u>197</u>	<u>(79)</u>

An asset has been recognised for those timing differences which are expected to crystallise in the foreseeable future. No reversal of accelerated capital allowances is expected in the foreseeable future.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1992	1991	1992	1991
	£m	£m	£m	£m
Debenture (note 20)	—	138	—	138
Trade creditors	262	225	262	225
Payments on account	7	33	7	33
Corporation tax	111	106	111	106
Obligations under finance leases and hire purchase agreements (note 21)	6	5	6	5
Other taxation and social security	52	51	52	51
Other creditors	346	219	347	216
Proposed dividend	48	43	48	43
	<u>832</u>	<u>820</u>	<u>833</u>	<u>817</u>

Other creditors falling due both within and after one year include amounts provided in respect of major plant overhaul, correction of major plant defects, capital expenditure and rationalisation and restructuring of the Company.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1992	1991
The Group and the Company	£m	£m
Long term bonds (note 20)	150	150
Obligations under finance leases and hire purchase agreements (note 21)	11	17
Other creditors	164	133
	<u>325</u>	<u>300</u>

20 DEBENTURE AND LONG TERM BONDS

Pursuant to directions given by the Secretary of State under Section 71 of the Electricity Act 1989, on 18 January 1991 the Company issued to HM Treasury a debenture in the amount of £138 million and £150 million of long term bonds due for repayment in March 2005, for which no proceeds were received in either case. The debenture was repaid on 19 April 1991.

HM Treasury has an option to market the long term bonds, on which interest accrues at 11.869 per cent per annum, at any time after March 1993 at which time, or thereafter, the Company would have a redemption option.

21 ANALYSIS OF LEASE AND HIRE PURCHASE COMMITMENTS

An analysis of obligations under finance leases and hire purchase agreements by due date of repayment is set out below:

	1992	1991
The Group and the Company	£m	£m
Within one year	6	5
Between one and two years	6	6
Between two and five years	4	10
More than five years	1	1
	<u>17</u>	<u>22</u>

The Group is not committed to significant payments under operating leases during the next financial year. The total value of leases repayable by instalments, any part of which falls due after more than five years, is £17 million (1991 £22 million).

Notes to the accounts

for the financial year ended 29 March 1992

22 PROVISIONS FOR LIABILITIES AND CHARGES

Movements on provisions comprise:

	<i>Charged to profit and loss account</i>				<i>29 March 1992</i>
	<i>1 April 1991</i>	<i>Ordinary activities</i>	<i>Exceptional items</i>	<i>Provisions utilised</i>	
The Group	£m	£m	£m	£m	£m
Rationalisation and restructuring of the Company	80	-	51	(40)	91
Liability and damage claims	124	16	16	(2)	154
Pensions	47	8	-	-	55
Decommissioning	23	9	27	-	59
	274	33	94	(42)	359

The Company

The above figures apply to the Company with the exception of the liability and damage claims provision. At 29 March 1992 the balance on that provision in the Company's accounts was £72 million (1991 £74 million) reflecting additional charges during 1991/92 of £3 million and amounts utilised in that year of £5 million.

23 PENSION SCHEME ARRANGEMENTS

The Group participates in the industry wide scheme, the Electricity Supply Pension Scheme (ESPS), for the majority of its employees. This scheme is of the defined benefit type, with assets invested in separate trustee administered funds.

In the financial year ended 29 March 1992 the normal pension cost amounted to £25 million (1991 £25 million) and was determined in accordance with the advice of an independent, professionally qualified actuary using the attained age method. An actuarial valuation of the ESPS is normally carried out every three years by a professionally qualified actuary, who recommends the rates of contribution payable by each group participating in the scheme. In intervening years the actuary reviews the continuing appropriateness of the rates. The latest completed assessment of the ESPS was at 31 March 1989, at which date the market value of the assets of the ESPS that related to the Group was £608 million and the actuarial value of those assets covered 101 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salary and pensions. In that valuation it was assumed that, over the long term, the annual rate of return on investments would be 2 per cent higher than the annual increase in salaries and 3.5 per cent higher than the annual increase in pensions. An actuarial valuation as at 31 March 1992 is currently being undertaken by the Scheme's actuary.

23 PENSION SCHEME ARRANGEMENTS continued

Following a decision by the European Court of Justice in May 1992 to the effect that the practice of different retirement ages for men and women is discriminatory, a provision was made in previous accounts for the past service deficiency which was estimated to arise on the equalisation of retirement benefits between men and women. Normal pension costs charged against operating profits in the current and comparative years reflect the higher annual cost consequent upon the decision. The provision has been retained pending clarification of the issues involved.

Amounts set aside in other creditors and provisions for liabilities and charges for the Company's rationalisation and restructuring programme include costs associated with the early retirement of employees. An element of these costs, which cannot presently be determined, is likely to be payable to the ESPS to augment pensions.

24 SHARE CAPITAL

The share capital of the Company comprises:

	1992 £m	1991 £m
Authorised		
1,050,000,000 ordinary shares of 50p each	525	525
Special rights redeemable preference share of £1	—	—
	<u>525</u>	<u>525</u>
Allotted, called up and fully paid		
781,280,945 (1991 781,258,150) ordinary shares of 50p each	391	391
Specia ^l rights redeemable preference share of £1	—	—
	<u>391</u>	<u>391</u>

During the year, 22,795 ordinary shares of 50p each were issued under employee share schemes realising £30,545. An amount of £19,148 has been credited to share premium account (balance at 31 March 1991, nil).

The special share is redeemable at par any time after 31 March 1993 at the option of the Secretary of State after consulting the Company. This share, which may only be held by the Secretary of State or another person acting on behalf of HM Government, does not carry any rights to vote at general meetings but entitles the holder to attend and speak at such meetings. Certain matters, in particular the alteration of specific sections of the Articles of Association of the Company (including the Article relating to limitations that prevent a person from owning or having an interest in 15 per cent or more of the ordinary shares in the Company), require the prior written consent of the holder of the special share.

Notes to the accounts

for the financial year ended 29 March 1992

24 SHARE CAPITAL continued

Options outstanding at 29 March 1992, together with their exercise prices and date of exercise, are as follows:

	Price per share £	Normal dates of exercise	Number of ordinary shares	
			1992	1991
PowerGen Sharesave Scheme	1.34	1996	20,476,023	20,498,818
	1.76	1997	8,231,850	-
PowerGen Executive Option Scheme	1.96	1994-2001	4,552,500	4,552,500
	2.21	1994-2001	453,000	-

In addition, 3,665,554 ordinary shares of the Company (1991 3,678,367) were held in trust at 29 March 1992 on behalf of employees who were beneficially entitled to the shares under special arrangements made at the time of the Offer for Sale.

25 RESERVES

	The Group		The Company	
	Capital reserve £m	Profit and loss account £m	Capital reserve £m	Profit and loss account £m
At 1 April 1991	474	430	474	431
Profit for the year	-	170	-	159
At 29 March 1992	474	600	474	590

The capital reserve, which is not distributable, was determined in accordance with the Transfer Scheme made pursuant to the Electricity Act 1989, under which the CEEB's net assets were vested in its successor companies.

26 CASH FLOW

a) Reconciliation of operating profit to net cash inflow from operating activities

	1992 £m	1991 £m
Operating profit	326	241
Depreciation charge	95	78
Loss on sale of tangible fixed assets	10	1
(Profit)/Loss of associated undertaking	(1)	1
Increase in stocks, excluding transfer from fixed assets	(51)	(40)
(Increase)/Decrease in debtors	(7)	167
Increase in creditors and provisions	141	129
	513	577

Operating profit for the year ended 29 March 1992 includes £38 million of cash inflows in respect of exceptional income. The movement in creditors and provisions includes cash outflows of £65 million (1991 £125 million) arising from extraordinary and exceptional items

26 CASH FLOW continued

b) Analysis of changes in cash and cash equivalents

	1992 £m	1991 £m	Change in year £m
Short term deposits	234	470	(236)
Bank overdraft	(58)	(104)	46
	176	366	(190)
Deduct money market instruments	(115)	(368)	253
Cash and cash equivalents	61	(2)	63

Cash inflows and outflows include movements in money market instruments, which are treated for this purpose as though they were cash balances. This represents a departure from the Financial Reporting Standard FRS 1, necessary in order to show clearly the scale of true investing activities and the resultant net outflow during the year. Movements in money market instruments are shown separately in the cash flow statement.

c) Analysis of changes in financing during the year

	Share capital £m	Debenture £m	Long term bonds £m	Finance leases £m
Balance at 1 April 1991	391	138	150	22
Cash flow from financing	-	(138)	-	(5)
Balance at 29 March 1992	391	-	150	17

27 COMMITMENTS AND CONTINGENT LIABILITIES

a) At 29 March 1992, the Company had commitments of £404 million (1991 £386 million) for capital expenditure, of which £81 million (1991 £154 million) related to expenditure to be incurred after one year. A further £553 million (1991 £114 million) of capital expenditure had been approved by the directors but had not been contracted for; of this £409 million is in respect of a CCGT power station at Connah's Quay for which consent from the Department of Trade and Industry is awaited.

b) The Company is required to meet reductions in emissions of sulphur dioxide and oxides of nitrogen set out in the National Plan drawn up by HM Government under the Environmental Protection Act 1990 to implement the requirements on the UK of the EC's Large Combustion Plants Directive. This Plan sets out, inter alia, annual emission limits for sulphur dioxide for the period 1991 to 2003. Measures are being pursued to enable the Company to reduce its sulphur dioxide emissions, including the burning of low sulphur coals, the use of natural gas and the retrofitting of flue gas desulphurisation equipment.

c) The Company has given guarantees in respect of forward purchase commitments of its associated undertaking, Kinetica Limited, on which no losses are anticipated.

Notes to the accounts
for the financial year ended 29 March 1992

27 COMMITMENTS AND CONTINGENT LIABILITIES continued

d) In accordance with the Transfer Scheme, certain of the property, rights and liabilities (including contingent liabilities) of the CEEB were vested in the Company. The Company is aware of the following claims and potential claims which involve or may involve legal proceedings against the Group:

- i) claims in respect of current and former employees, including former employees of the CEEB, and contractors in respect of industrial illness and injury;
- ii) the Company and others have received a claim for damages on behalf of a member of the National Association of Licensed Opencast Operators (NALOO) in respect of alleged breaches of EC law arising from their existing, and the CEEB's past, coal purchasing arrangements and have been informed that a number of other members of NALOO and the Federation of Small Mines of Great Britain propose to initiate similar claims. Proceedings are continuing in the English courts by proprietors of coal mines in South Wales against the Company and another successor company to the CEEB claiming, inter alia, damages of an unquantified amount in respect of alleged breaches of EC law arising from coal purchasing arrangements entered into by the CEEB.

The directors are of the opinion, having regard to legal advice received, the Group's insurance arrangements and provisions held, as appropriate, that it is unlikely that the matters referred to in this sub-paragraph (d) will, in aggregate, have a material effect on the Group's financial position.

e) **Property clawback.** On 2 November 1990, a debenture was issued to the Secretary of State for Energy pursuant to a direction under Section 71 of the Electricity Act 1989 which entitles HM Government to a proportion of any property gains (above certain thresholds) accruing or deemed to accrue to the Group as a result of disposals or deemed disposals of property occurring between 31 March 1990 and 31 March 2000 in relation to land in which the Company had an interest at 31 March 1990 (clawback). For clawback purposes, the directors estimate the individual and aggregate base values of the properties categorised as "surplus, investment and reserve properties" calculated on an historical cost basis, to be substantially lower than their open market value. The base value for clawback purposes of other properties is their valuation on existing use or general industrial use basis as at 31 March 1990. Provision for payment under the clawback arrangements is made only where it is probable that a liability will crystallise.

28 REGULATORY ACCOUNTS

The Company has been appointed by the Secretary of State for Energy as a generator of electricity under the Electricity Act 1989 and is required to comply with the conditions set out in its Generation Licence. Condition 2 of the Licence requires the publication of certain additional specified accounting information. This information is available, free of charge, by applying to:

D J Jackson
Company Secretary
PowerGen plc
53 New Broad Street
London
EC2M 1JJ



Report of the auditor
to the members of PowerGen plc

We have audited the accounts on pages 5 to 23 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 29 March 1992 and of the profit and cash flows of the Group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

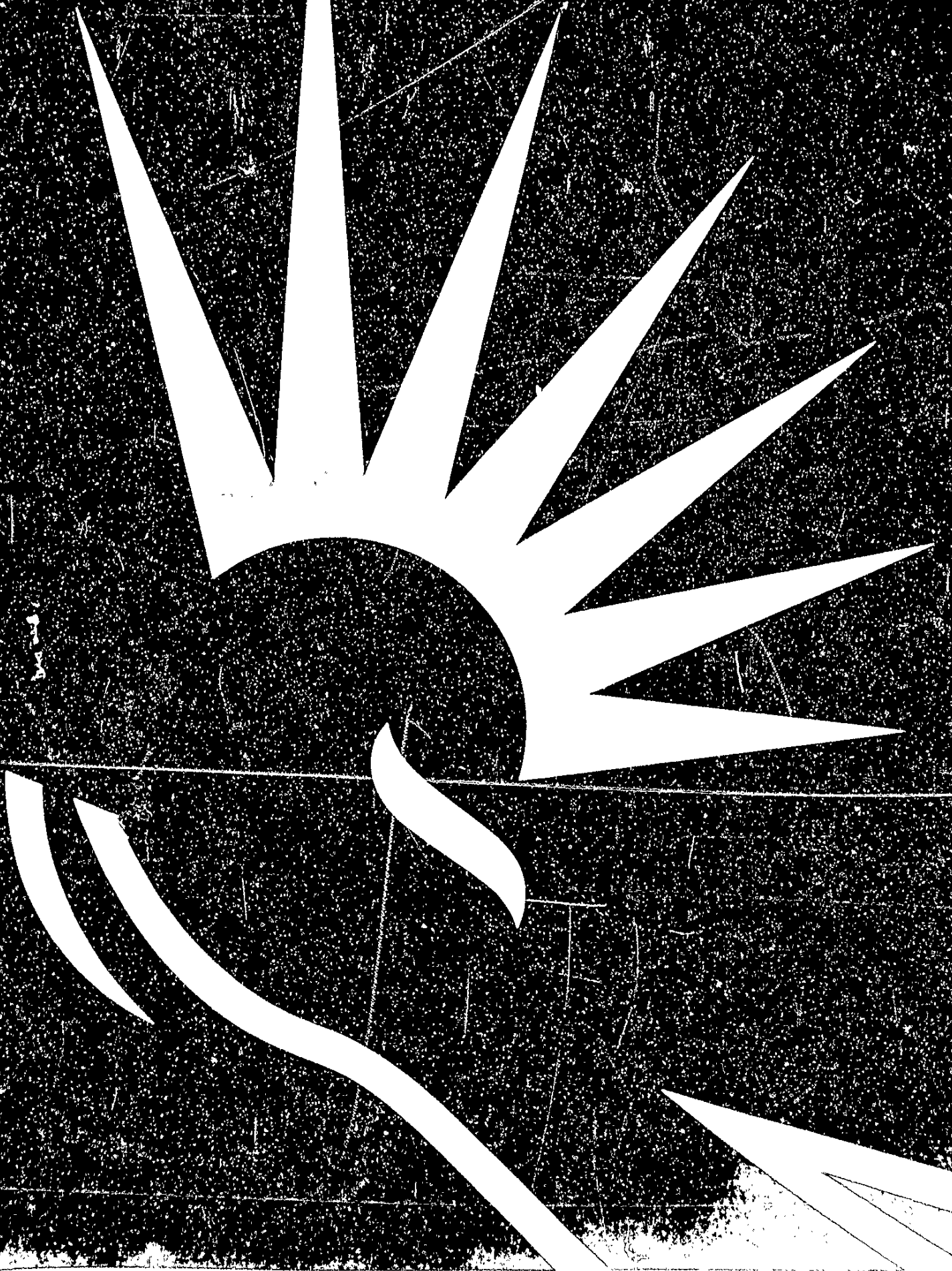
Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditor

London

22 June 1992



PLEASE NOTE THAT
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POWERGEN

FINANCIAL HIGHLIGHTS

		1992	1991 <i>Restated*</i>
Turnover	£m	3,009	2,651
Profit before tax	£m	359	272
Earnings per share	pence	31.0	23.0
Dividend per share	pence	9.25	8.32
Annualised dividend cover	times	3.4	2.8
Shareholders' investment	£m	1,465	1,295

- * To assist comparability the actual results for the year ended 31 March 1991 have been restated as if the Government debt issued shortly before flotation had been in place for the whole of that year.

The dividend shown for 1991 is the notional figure the directors consider they would have recommended had the flotation taken place at the beginning of that year.

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CHAIRMAN'S STATEMENT

I am pleased to report that PowerGen had a satisfactory first full year as a quoted private sector company. Pre-tax profit was £359 million, 32% more than the corresponding figure for the previous year and earnings per share were 31.0p, 35% more than the comparative figure for 1990/91. The Board recommends a final dividend of 6.20p per share, making a total dividend for the year of 9.25p.

Unlike the previous year, in 1991/92 PowerGen earned additional income from short term transmission system requirements which were met by power stations scheduled for closure. Latterly, these requirements, in the main, have been removed by transmission system investment and the power stations affected have been closed. Consequently, the directors regard £88 million of income in 1991/92 as unlikely to be repeated. Accordingly, this amount has been treated as an exceptional item in the 1991/92 Accounts.

As anticipated at the time of privatisation, the United Kingdom market for electricity is increasingly competitive. Moreover, the rate of change during this period of transition has exceeded pre-privatisation expectations. This rate of change and the transition itself, together with regulatory and other factors, has reinforced the Company's policy to adopt and maintain conservative accounting policies. We have concluded that further streamlining of PowerGen's structure and cost base are required in order to maintain our competitive position. Thus, consistent with our policies and operational requirements, exceptional provisions of £94 million have been made for closure costs, continuing rationalisation and restructuring of the core business and decommissioning generating plant. These are in addition to provisions made previously.

During fiscal 1991/92 the Director General of Electricity Supply (DGES) conducted an Inquiry into Pool Prices. He published his findings in December 1991. A modification to PowerGen's Generator Licence will result in greater transparency for certain aspects of Pool operation.

The increasingly competitive conditions of the electricity market influence negotiations with the Regional Electricity Companies (RECs) and with fuel suppliers. PowerGen considers that these competitive conditions, together with our programmes of efficiency improvement and investment, should produce benefits for consumers. However, these potential benefits for consumers are not possible through the actions of generators alone. Generators' contributions to average end-

user prices represent about half the total.

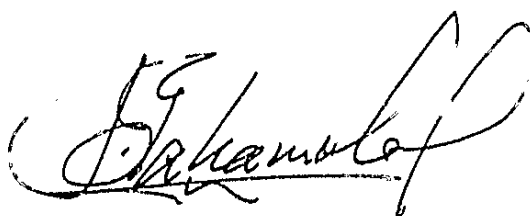
The contracts with the RECs and with British Coal, entered into prior to privatisation, expire on 31 March 1993. Negotiations to replace these expiring contracts have been underway for several months and are continuing. Governmental and regulatory factors may influence the timing and content of any such replacement contracts. However, in light of experience gained since privatisation and our present assessment of the overall market and its likely development, uncertainties related to these contract replacements seem now to be less than was thought at privatisation. Interim business uncertainties relate principally to transition factors and market related changes. I have confidence in the ability of PowerGen's management to perform effectively in the interests of customers and shareholders whether acceptable new contracts are in place by 31 March 1993, or not.



As to the current year, subject to the performance of the domestic economy and, as always for electrical power generation, the weather, a satisfactory 1992/93 is in prospect.

Non-staff shareholders should be encouraged that five out of six PowerGen employees have elected to participate in the Company's Employee Share Save Scheme.

Finally, shareholders should know that in my opinion, Ed Wallis, his management team and, indeed, all PowerGen staff are continuing to shape the Company to meet the challenges of the market and thus serve both customers and shareholders.



Sir Graham Day
 Chairman

CHIEF EXECUTIVE'S REVIEW

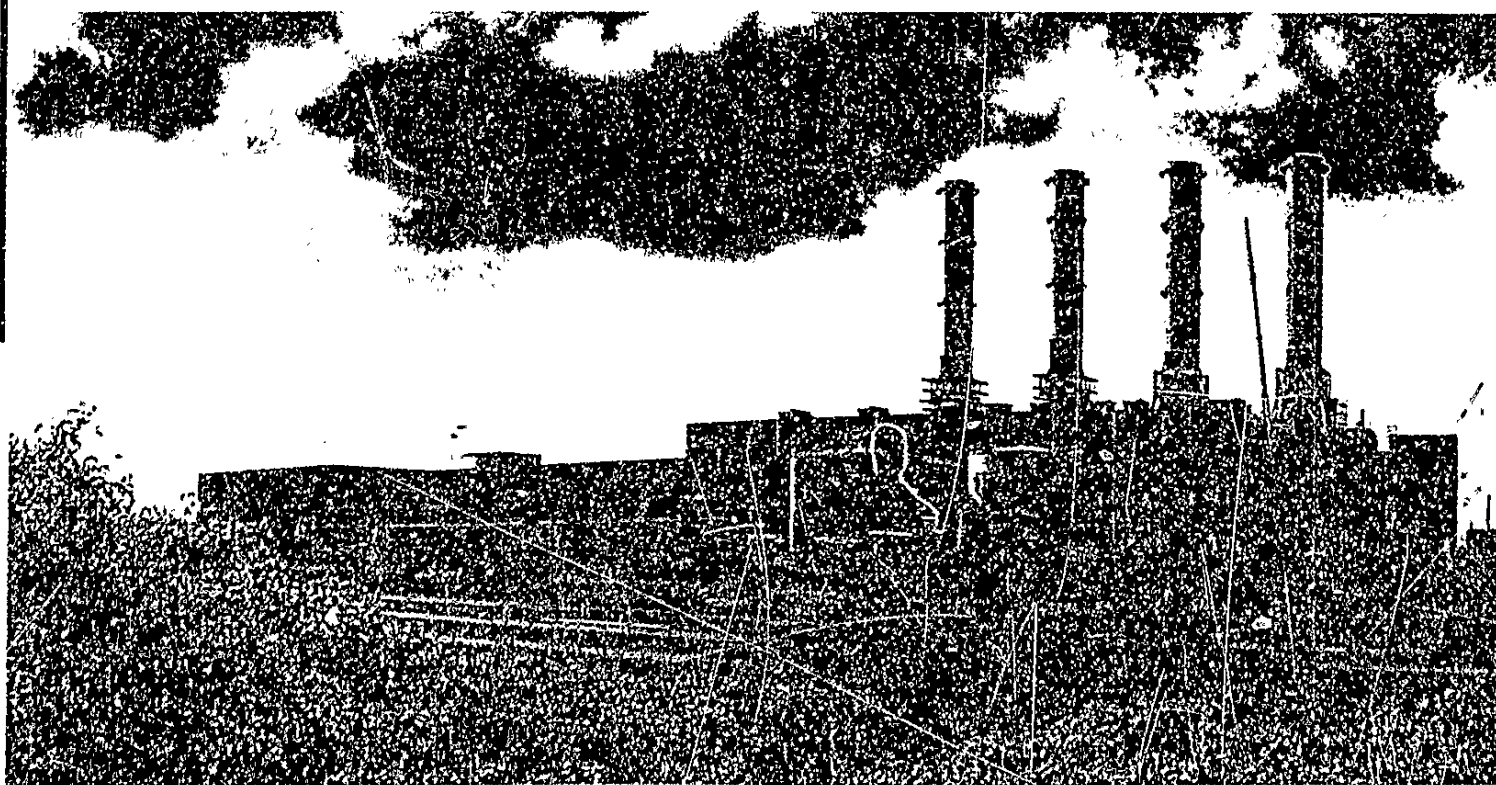
1991/92 was an important year for PowerGen plc marked by further significant developments both in the Company and in the UK electricity market.

The electricity market PowerGen's sales of electricity through the Pool in 1991/92 were 75 Terawatt-hours (TWh). This, we estimate, represents a 28% share of the total market and a 39% share of the fossil fuel generation market in England and Wales, broadly in line with 1992/91.

Pool prices in 1991/92 were, on average, 22% higher than the previous year, but were still below the levels projected by HMG at the time of privatisation. PowerGen is substantially protected by contracts against Pool price variations but, to the extent that such contracts did not apply during the year, the Company benefited from higher income.

The electricity generation market is developing rapidly. The Company is already in direct competition principally with Nuclear Electric, National Power and the National Grid Company and also with Electricité de France and the Scottish Electricity Companies through the Grid interconnectors. An increasing number of independent power producers are entering the market at a faster rate than originally predicted, capitalising on the availability of gas together with new combined cycle gas turbine (CCGT) technology. The challenge and imperative for PowerGen is to remain competitive in this market by reducing costs to benefit customers and protect our margins.

PowerGen's pioneering 900MW Killingholme power station on South Humberside will be 30% more efficient than the best conventional fossil-fired stations, and significantly more environmentally friendly.



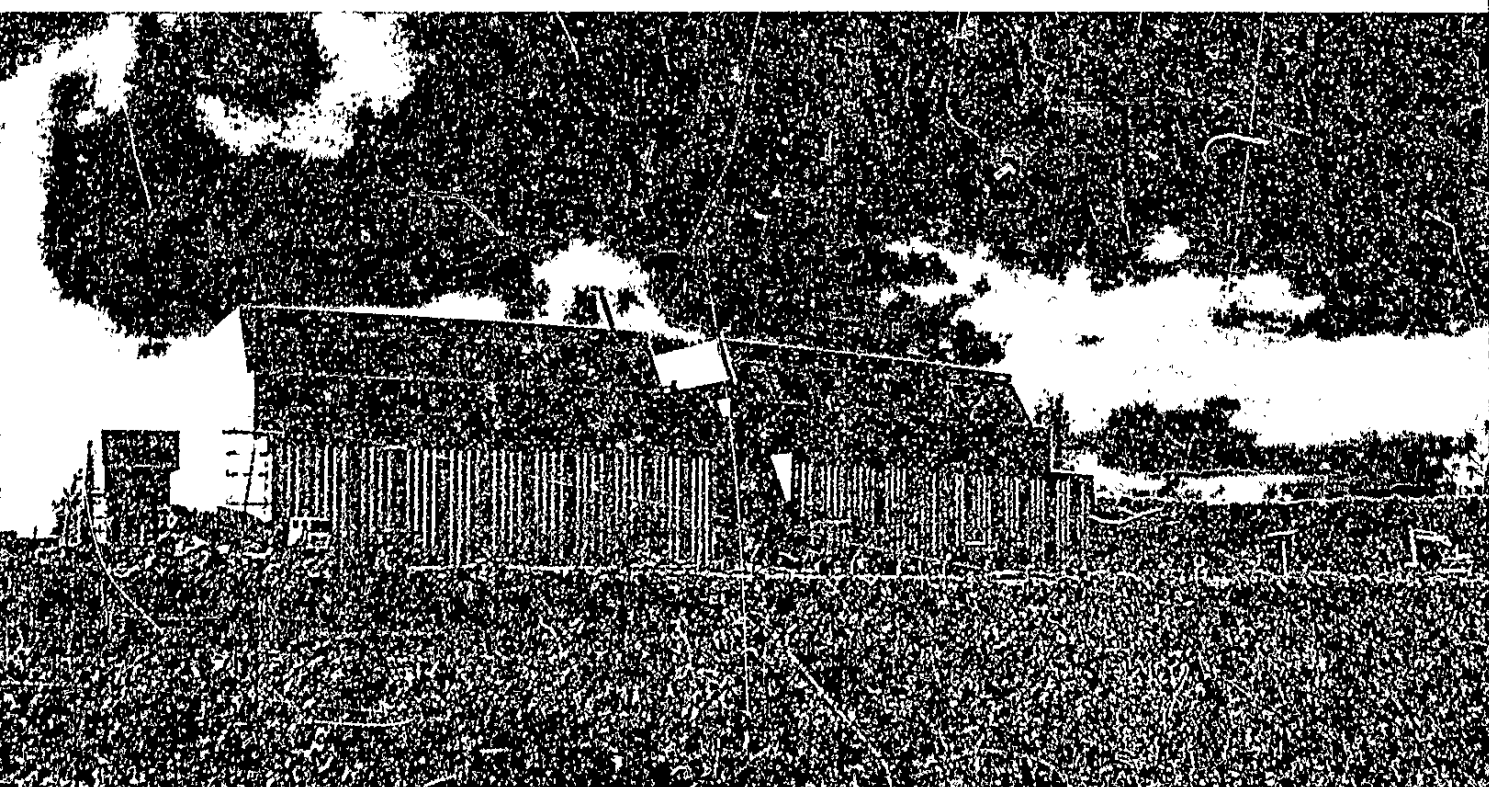


Business strategy and achievements

Our business strategy is based on providing value to shareholders through meeting the needs of our customers. Central to this strategy is the Company's position in the electricity generation market which we intend to secure by investment in our core business, diversification of fuel sourcing and continuing to reduce costs substantially.

We have a capital programme for 3,000 Megawatts (MW) of new, high efficiency CCGT plant, backed up with long-term gas supply contracts, of which 1,600 MW is already under construction. This means not only that our ageing asset base will be refreshed with the most modern plant but also that our reliance on historically uncompetitive, indigenous coal will be reduced.

Our first CCGT power station at Killingholme, South Humberside, is due to start commercial operation in two stages, the first in autumn of this year and the second early in 1993. Gas burning trials on the first unit have been carried out successfully. The construction programme for this power station has proceeded to planned time and cost under a turnkey contract with Siemens of Germany.



A second CCGT at Rye House in Hertfordshire is progressing to plan. This also is being constructed by Siemens and is expected to operate commercially early in 1994. A further CCGT has been ordered for construction by GEC Alsthom at Connah's Quay on the North Wales coast and, subject to PowerGen obtaining planning consent, building should commence early in 1993. Gas supplies have been

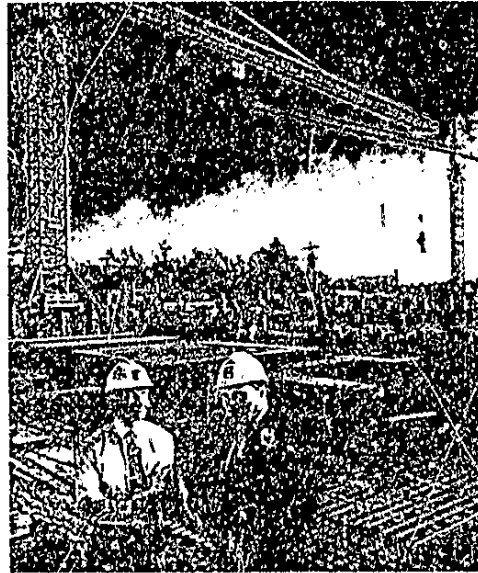
secured for both Killingholme and Rye House. A contract has been signed to take gas from the Hamilton Field in Liverpool Bay for Connah's Quay, subject to the granting of appropriate planning consents.

PowerGen's cost base consists broadly of 30% depreciation, other fixed costs and overhead, and 70% fuel and other variable trading costs. Measures to reduce costs in all areas of the business are well advanced.

British Coal is likely to remain a major supplier to PowerGen after the initial contract expires on 31 March 1993, subject to the availability of coal of acceptable quality and price. In the meantime, PowerGen is seeking

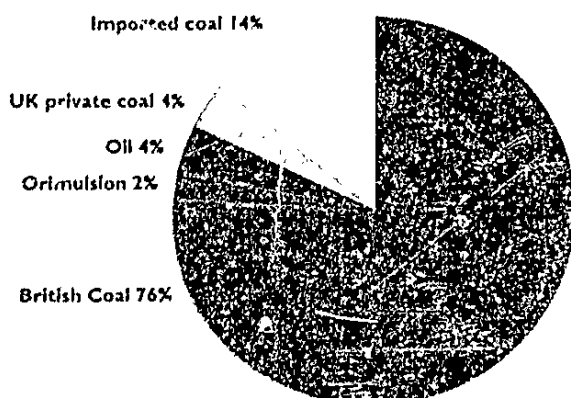
alternative sources to provide an appropriate competitive stimulus to British Coal.

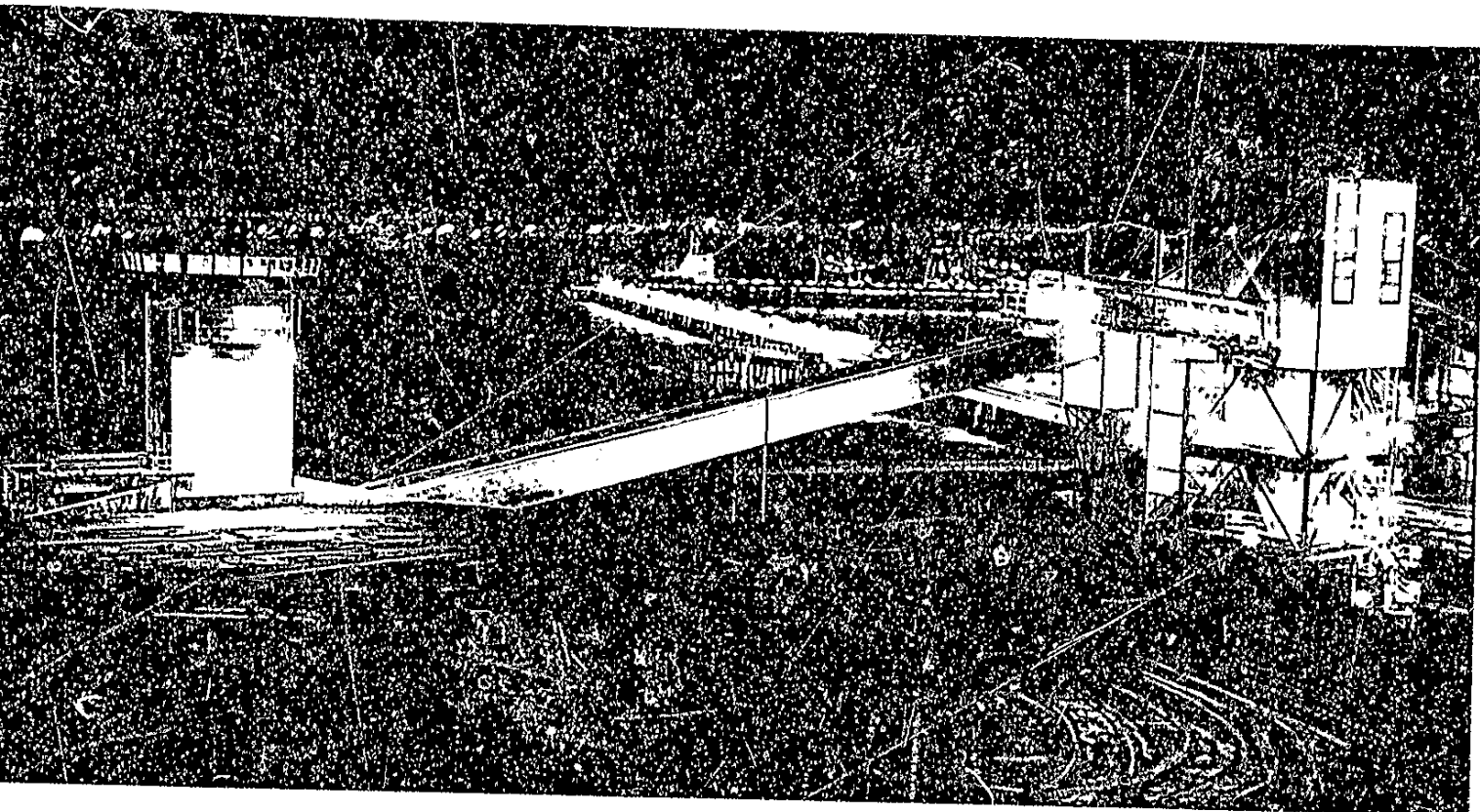
Though already well placed to receive imported coal at power stations close to the sea, we have increased the import capability at Kingsnorth power station in Kent to 6 million tonnes (mte) through commissioned facilities and a new terminal is being constructed at Gladstone Dock.



Five months into the Rye House construction programme, Station Manager John Shelton-Smith and Project Manager Roger Smith check progress on site.

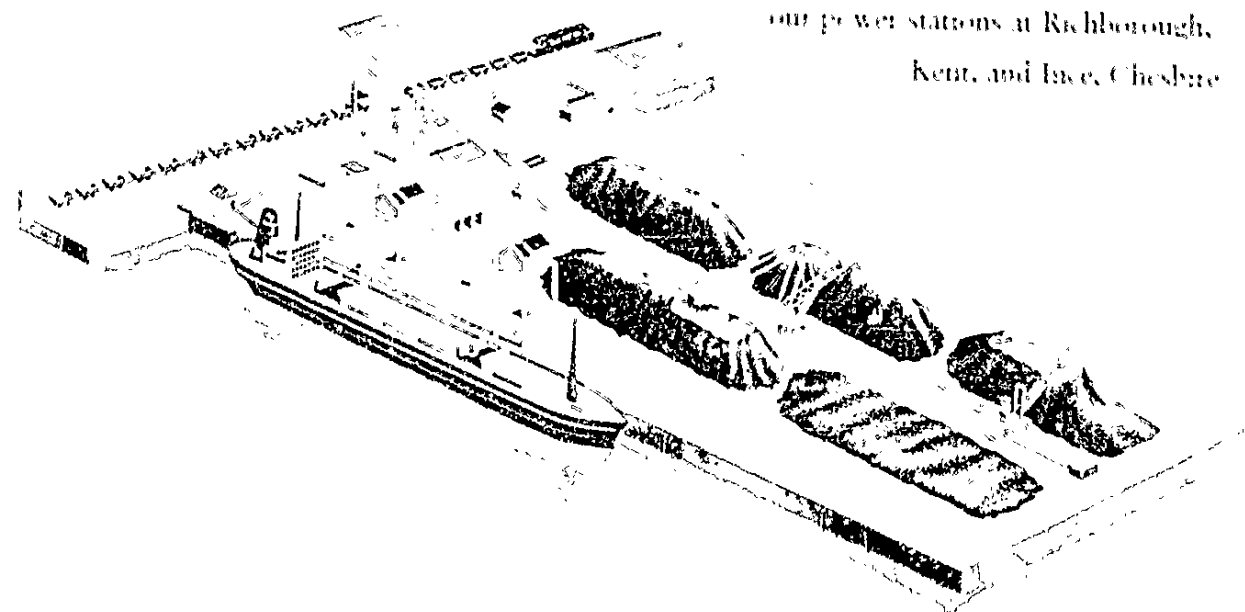
Total fuel burned 1991/92





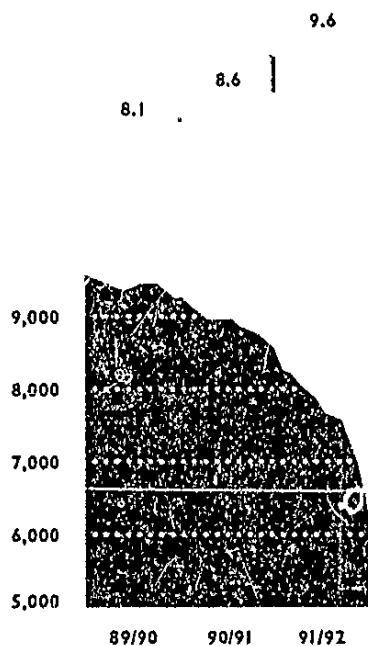
Liverpool which will increase the handling capability of imports to Eddler's Ferry power station in Cheshire to 5mte per annum. The decision by Associated British Ports not to proceed with the construction of a facility at Immingham, South Humberside, whilst a disappointment, will not have a major impact on our import strategy. Other opportunities for importing coals are being pursued on the East coast to ensure that appropriate arrangements are in place to meet our future needs. Orimulsion, the bitumen based fuel from Venezuela, also forms part of our diversification strategy and is being burnt in commercial quantities at our power stations at Richborough, Kent, and Ince, Cheshire.

At Kingsnorth power station in Kent our 6 million tonne coal import facility is now fully operational. Construction of a new 5 million tonne facility at Liverpool's Gladstone Dock has begun. This is expected to be in operation by late 1993.



Staff reduction and productivity

Output per employee (GWh)
Number of employees



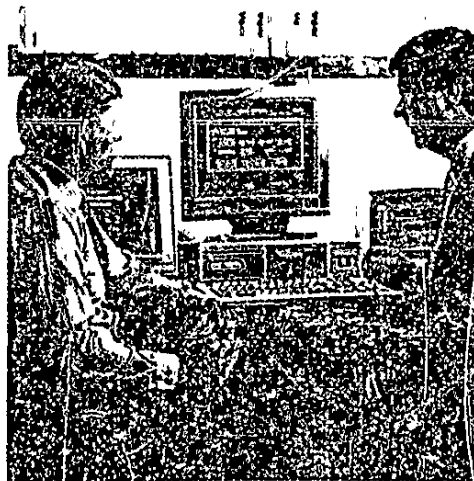
The activity of new, independent power producers in ordering new CCGT power stations at a faster rate than originally predicted is exacerbating the surplus of generating plant in the UK. However, 1,056 MW of old, inefficient and uneconomic power plant already has been closed by PowerGen, including our power stations at Hams Hall, West Midlands (366 MW) and Ferrybridge B, West Yorkshire (282 MW), which were formally decommissioned on 29 March 1992. We are examining the economics of other power stations in our portfolio and further closure proposals can be expected in the near future.

We have seen a further 27% reduction in staff from 8,304 at 1 April 1991 to 6,081 at 31 March 1992, making a total 37% reduction since PowerGen was formed in 1989. Manpower

productivity in terms of output increased by 12% in 1991/92. These productivity improvements, together with other significant savings which are being made in PowerGen's fixed and operating costs through management initiatives and co-operation of staff at corporate and local level, will contribute significantly to protecting margins in a competitive market in future years.

During 1991/92, we successfully replaced the core of our computerised financial control systems, paving the way for further productivity gains and major improvements in management information to support the effective stewardship of the business.

PowerGen's access to the electricity supply market is



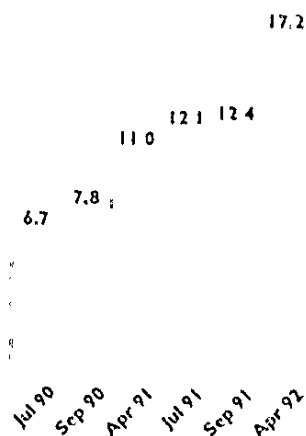
Daley Crest's Alan Collins discusses with Account Manager Don Doman the Ergon energy pricing software package developed by PowerGen.

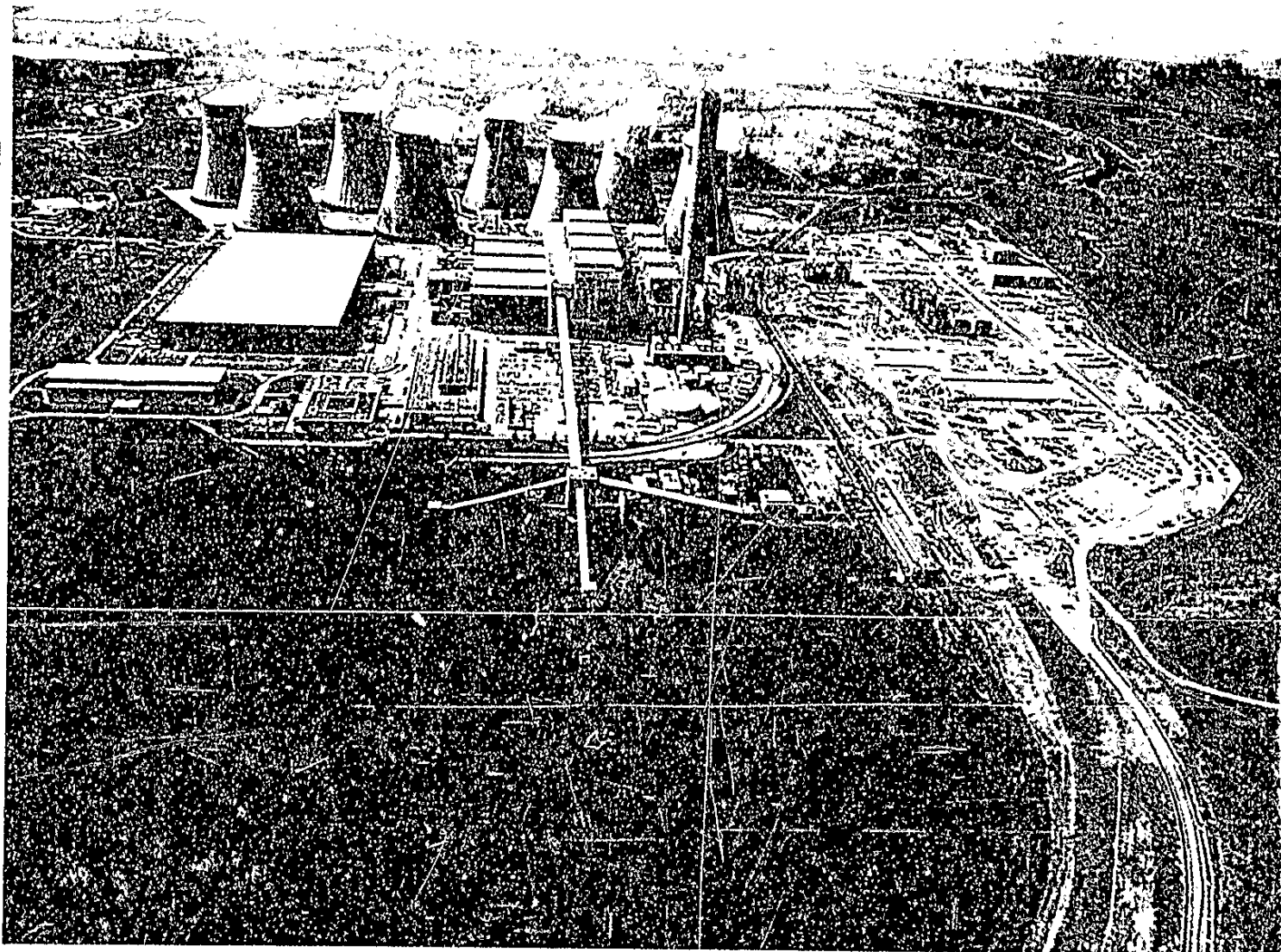
presently limited to a regulated proportion of major consumers requiring 1 MW or more. Nevertheless, this provides the opportunity for us to develop and market our product and services in packages tailored to customer requirements and so prepare the Company to respond appropriately to the programmed relaxation of the present constraints over the next six years. Our success in increasing the number of customers and sites served direct in 1991/92 by 52% and 39% respectively is encouraging.

Existing customers increasing their business with PowerGen included British Steel and Jaguar, while among new customers are Rolls-Royce plc, the aerospace and industrial power company.

Our research and development activity, both in-house and through sponsorship, has been consolidated into areas supporting the core business. We concentrate on achieving better use of established and proven technology and the resolution of specific application problems to secure competitiveness through efficiency and cost minimisation.

Direct sales contract volumes (TWh)





The 2,600MW FGD plant at Ratchffe power station will remove more than 90% of the sulphur dioxide from the chimney gases.

"Being a £250 million chemical plant alongside one of the country's top producing power stations involves doing that team effort."

John Evans, FGD Project Manager



Environment Protection

As part of the Ratchffe FGD plant, a new 100m high chimney will be built to disperse the cleaned gases. The plant will also include a new 100m high chimney to disperse the cleaned gases. The plant will also include a new 100m high chimney to disperse the cleaned gases.

The Ratchffe FGD plant is a major project for the power industry. It will help to reduce the amount of sulphur dioxide emitted from the station, which is a major contributor to acid rain. The plant will also help to improve the quality of the air around the station.

Conservation is an element in the responsible management of sites. Rare orchids were carefully transplanted as builders moved onto the site of the former Willford power station in Nottingham, where a PowerGen joint venture is developing a major retail and business park.



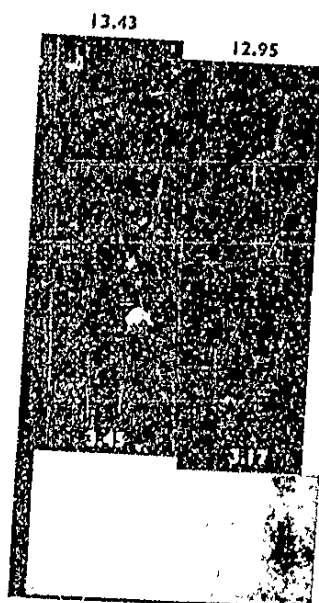
equipment at Ratcliffe power station, a major project which is proceeding to plan, and of low NO_x burners in the boilers of all our major coal-fired power stations.

We are keeping abreast of the developing thinking at international, European and national level on the question of carbon dioxide emissions. We believe PowerGen will be in a position to respond positively to any reasonable measures agreed by Her Majesty's Government.

The committed and planned investment of over £1 billion in new CCGT plant will make a significant contribution to reducing the emission of these gases, ensuring we meet the prescribed standards and substantially mitigating the threats posed to the business by environmental considerations.

Emissions of SO_2 and NO_x from PowerGen stations (tonnes per GWh)

SO_2
 NO_x



90/91

91/92

Organisation The reshaping of the organisation to meet our twin targets of becoming the UK's lowest cost producer of electricity and the supplier of choice for our customers has continued. Our policy of streamlining the core generation business and associated activities into distinct business units operating as profit centres within corporate guidelines continues to be vigorously pursued.

We have announced our intention to rationalise and relocate our operational headquarters, presently on two sites in Solihull, to a single site at Westwood Business Park.



Installation of low NO_x burners reduces emissions of oxides of nitrogen by around 40%.



The majority of staff supported PowerGen's new industrial relations agreement between the Company and its six Trade Unions, after managers discussed the details with their staff.

operation of the Company. We are determined to have an organisational structure which best enables us to secure continuing success in our core operations and to identify and exploit opportunities for growth.

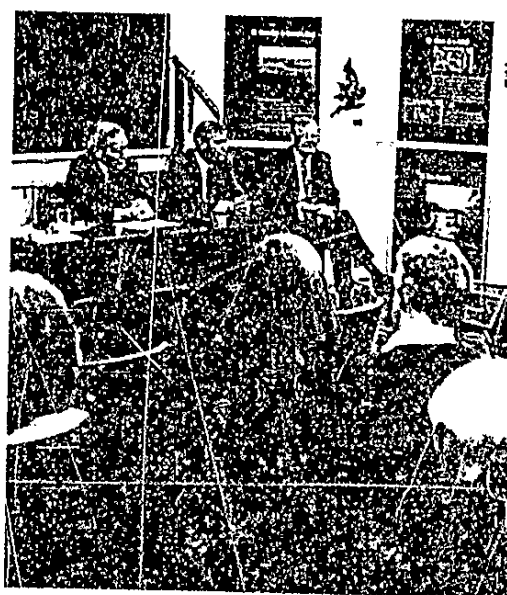
People PowerGen has pioneered a new Company-specific single table negotiating agreement with its Trade Unions for most employees to replace the former national collective bargaining arrangements inherited from the nationalised electricity supply industry. This new agreement represents an attractive and equitable reward package for our staff, removes outdated status distinctions and provides a firm foundation for further productivity improvements and greater scope for career development.

We put great emphasis on safety and accident prevention. The incidence of lost time accidents has been reduced by 66% over the three years since PowerGen was created through the effort and co-operation of our managers and staff.

It is appropriate for me here to record my gratitude for the admirable support which I have received from our staff whose efforts during these formative years have been outstanding in every way.

in Coventry in 1994, subject to satisfactory negotiation of terms. This would provide a smaller, more efficient office better suited to our business culture and operational requirements.

During 1992/93, we shall continue to review and evolve the organisation at corporate level so as to build upon the successful vesting, flotation and early



"Talking to local people about PowerGen's activities and proposals is part of being a good neighbour and helps us in the planning process," David Sharpe, Consents Manager, at a public meeting at Connah's Quay.

PowerGen welcomes visitors to its power stations, especially young people, and our community support is focussed on education and the environment. A notable contribution was the completion of a £250,000 visitors centre at Fiddler's Ferry in Cheshire, designed to encourage young people to learn about the production of electricity and its interaction with the environment.



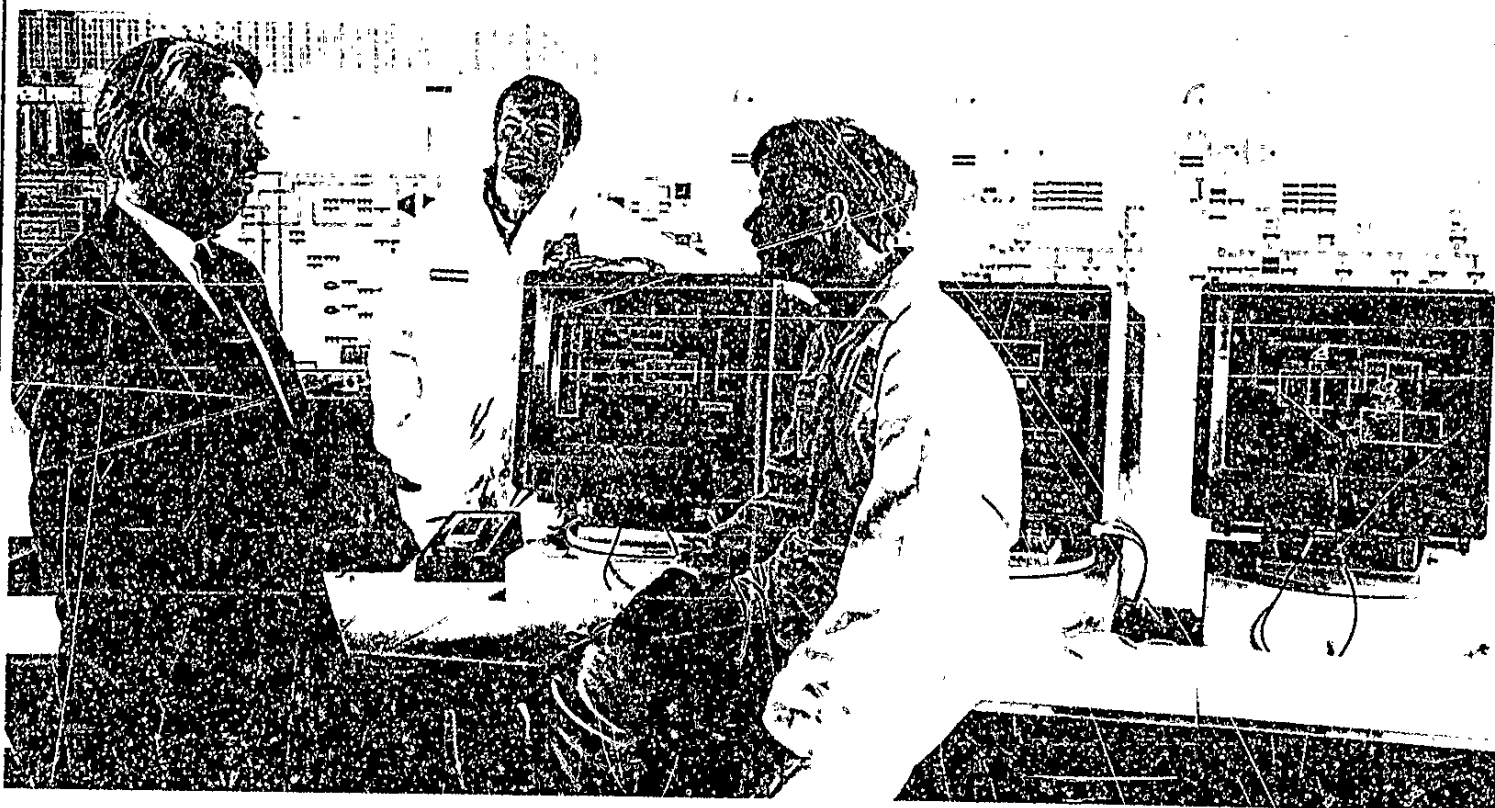
Broadening the business base PowerGen's balance sheet continues to show a strong financial position with net cash deposits of £176 million at 29 March 1992. This, together with the five year, \$1 billion revolving credit facility put in place at the time of flotation, provides a solid platform for PowerGen's capital investment plans.

Electricity demand in the UK is relatively stable and the opportunities for growth in the electricity generation sector will be limited both by the

"We've drawn together a highly motivated expert team, about one tenth the size of existing stations, trained to ensure the station lives up to expectations."
Graham Miles,
Killingholme
Station Manager.

overall size of the market and by the emergence of competition. PowerGen has a longer term strategy to complement the success of the reshaped core business by synergistic business development to support future earnings growth. Such development will be subject to the same strict investment criteria applied to our core business and will be limited to the extended use of our core skills.

Our joint venture with Conoco, Kinetica Ltd., has completed the construction of its first pipeline for the transportation of gas from

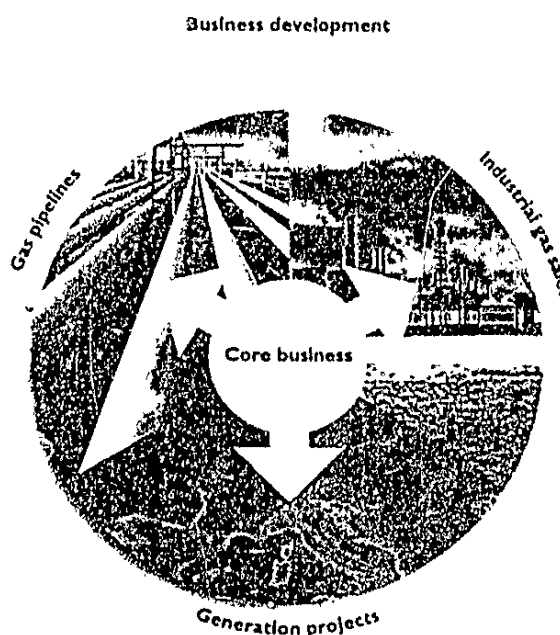
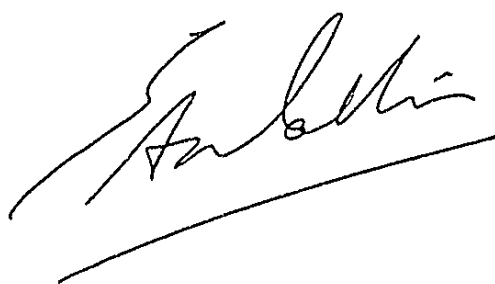


Thedderthorpe terminal to the two CC GT power stations under construction at Killingholme, South Humberside, by PowerGen and National Power. Kinetica is also supplying substantial volumes of gas to direct customers in the UK and has made its first, small contribution to PowerGen Group profits during 1991/92.

PowerGen is looking to utilise its skills in electricity generation in overseas projects. The Company is a member of a consortium, including

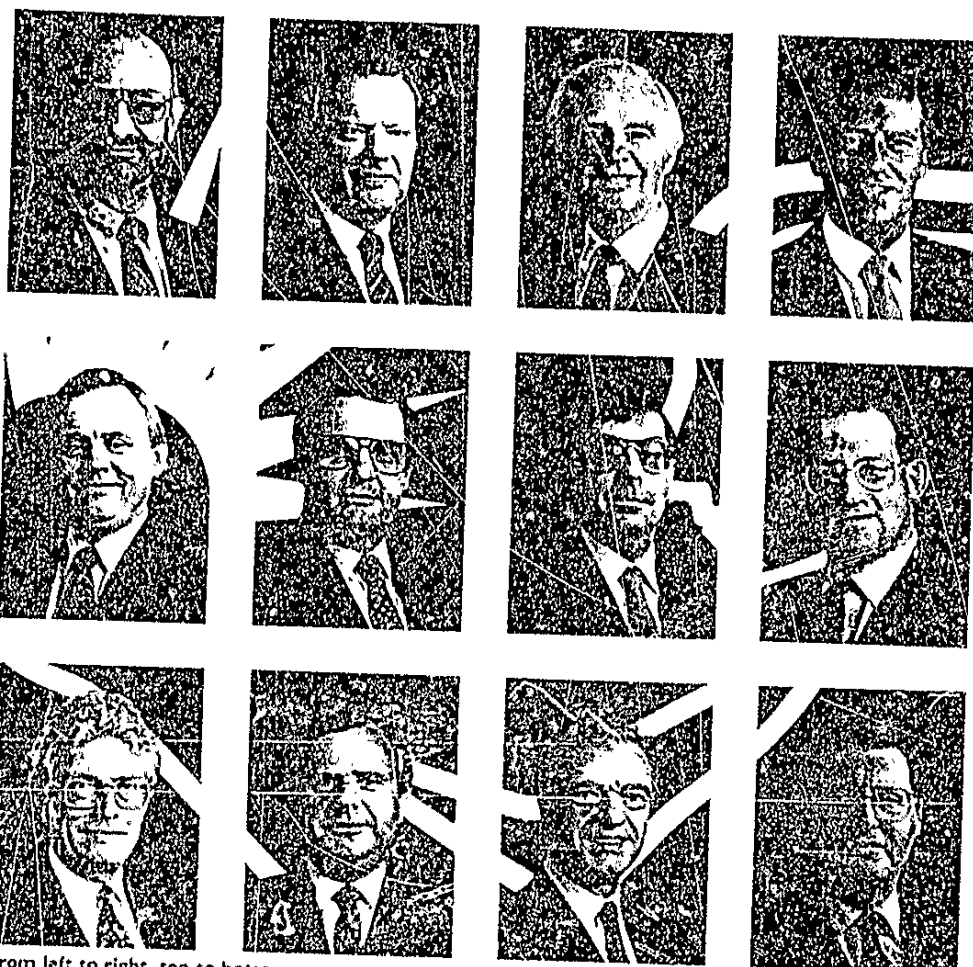
Siemens of Germany, which has bid to design, build and operate a 900 MW CCGT power station in Northern Portugal, due to commission early in 1996.

Conclusion The Chairman has referred to the contracts which expire on 31 March 1993, and to the Governmental and regulatory factors which may influence replacement contracts. These factors, together with the uncertainties relating to transition and market-related changes present challenges to PowerGen. However, I believe that the Company's performance in 1991/92, our investment programme, the cost control measures we are pursuing, the strength of the balance sheet and the skills and dedication of the management team and staff provide the foundation upon which to build future success.

Ed Wallis
Chief Executive

BOARD OF DIRECTORS



From left to right, top to bottom

Chairman

Sir Graham Day (59) was appointed non-executive Chairman of PowerGen in November 1992, having been previously a non-executive director of the Company. He is Chairman of Cadbury Schweppes and a non-executive director of British Aerospace, The Land Group, Thorn EMI, the Bank of Nova Scotia and other companies.

Executive directors

Edmund Wallis (52) Chief Executive. He is also executive director of the British Standards Institute and a member of the Economic Advisory Council of the Government of the United Kingdom.

David Dance (52) Executive Director, General Management.

Roger Jump (49) Executive Director, Engineering.

Michael Reidy CBE (45) Executive Director, Corporate Services.

John Rennocks (46) Executive Director, Finance.

Dr Ali Roberts (46) Executive Director, Commercial.

Company Secretary

David Jackson (39) Company Secretary.

Non-executive directors

Colin Southgate (75) is Chairman and Chief Executive of Thorn EMI. He is also a non-executive director of Prudential Corporation plc. He is a member of the Council of the Bank of England, knighted in Birthday Honours, 1992.

Paul Myners (54) is Chairman and Chief Executive of Guinness Investment Management Limited. He is also a non-executive director of Ebury plc, Scottish Investment Trust, The Standard Life Assurance Company and PowerGen Asset Committee.

Professor Sir Frederick Crawford (67) is Vice-Chancellor of Aston University. He is also a non-executive director of Legal and General Group plc and Baxters.

John Gardner (56) is Chairman and Chief Executive of The Land Group. He is also a non-executive director of Enterprise Ltd, The Securities and Investments Panel and has held a number of other positions in the United Kingdom and abroad. Chairman of Revenue and Customs, 1992-1993.

Auditors Chartered Accountants, Stockbrokers, Investment Bankers, Solicitors, 1992-1993.

Solicitors For General Management, Clearing Bankers, 1992-1993.

Merchant Bankers Chartered Bankers, 1992-1993. Registrars, 1992-1993.

Members of the Board of Directors (1992-1993) (1992-1993).

Summary financial statement
for the year ended 29 March 1992



IMPORTANT NOTE

This summary financial statement is only a summary of information in the Group's accounts and the directors' report. It does not contain sufficient information to allow for a full understanding of the results of the Group and state of affairs of the Company or of the Group. For further information, the full annual accounts, the auditor's report on those accounts and the directors' report should be consulted. Shareholders have the right to demand, free of charge, a copy of the Group's latest full annual report and accounts.

Summary directors' report A business review of the Group and likely future developments in the business is given in the Chairman's Statement and Chief Executive's Review on pages 2 to 15.

The persons who were directors of the Company during the year ended 29 March 1992 are listed on page 16.

The Company is required to publish certain additional specified accounting information under the terms of its Generation Licence (Regulatory Accounts). A copy of the Regulatory Accounts may be obtained, free of charge, from the Company Secretary on request.

The auditors have issued an unqualified audit report on the annual accounts which contained no statement therein under S237(2) or S237(3) of the Companies Act 1985.

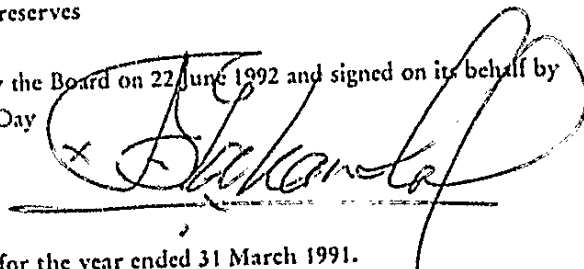
Summary consolidated profit and loss account
for the financial year ended 29 March 1992

	1992	1991 <i>Restated</i> <i>(note 1)</i>
	£m	£m
Turnover	3,009	2,651
Operating costs	(2,677)	(2,384)
Operating profit before exceptional items	332	267
Exceptional items (note 2)	(6)	(26)
Operating profit	326	241
Net interest receivable	33	31
Profit on ordinary activities before taxation	359	272
Tax on profit on ordinary activities	(117)	(92)
Profit on ordinary activities after taxation	242	180
Extraordinary items	—	(54)
Profit/(Loss) for the year	242	126
Dividends	(72)	(43)
Retained profit for the year	170	83
Earnings per share	31.0p	23.0p

Summary consolidated balance sheet as at 29 March 1992

	29 March 1992 £m	31 March 1991 £m
Fixed assets	1,996	1,701
Current assets	1,043	1,092
Creditors: amounts falling due within one year	(890)	(924)
Net current assets	153	168
Total assets less current liabilities	2,149	1,869
Creditors: amounts falling due after more than one year	(325)	(300)
Provisions for liabilities and charges	(359)	(274)
	<u>1,465</u>	<u>1,295</u>
Capital and reserves	<u>1,465</u>	<u>1,295</u>

Approved by the Board on 22 June 1992 and signed on its behalf by
Sir Graham Day
Chairman



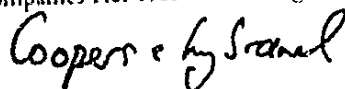
NOTES

- Results for the year ended 31 March 1991.
To assist comparability the actual results for the year ended 31 March 1991 have been restated as if the Government debt issued shortly before flotation had been in place for the whole of that year.
- Exceptional items.
The results for the year include £88 million of electricity income which the directors consider unlikely to be repeated as it arose principally from short term system requirements met from power stations scheduled for closure. These system requirements have since been largely removed by transmission investment. Also, in the light of uncertainties faced in the evolving UK electricity generation market and further development of the Company's plans, exceptional amounts totalling £94 million have been set aside for restructuring costs, the decommissioning of power stations and liability and damage claims.
- Directors' emoluments.
The total emoluments of directors, including pension contributions, was £1,465,736 (1991 £1,272,831). These are now shown on an accruals basis and include performance-related bonuses in the year to which they relate.

STATEMENT BY THE AUDITOR

to the members of PowerGen plc
In our opinion this summary financial statement is consistent with the accounts and directors' report of PowerGen plc for the year ended 29 March 1992 and complies with the requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

Coopers & Lybrand
Chartered Accountants and Registered Auditor
London
22 June 1992



Shareholder information

SHAREHOLDER PROFILE

as at 19 June 1992

Holdings	No of shareholders	% of total shareholders	No of ordinary shares	% of issued capital
1 – 250	698,630	98.18	82,056,224	10.50
251 – 750	7,094	1.00	3,373,874	0.43
751 – 1,000	1,695	0.24	1,577,906	0.20
1,001 – 10,000	3,501	0.49	11,215,050	1.44
10,001 – 30,000	176	0.02	3,225,056	0.41
30,001 – 100,000	174	0.02	10,828,080	1.39
100,001 – 500,000	201	0.03	49,514,718	6.34
500,001 – 1,000,000	69	0.01	50,405,532	6.45
1,000,001 and above	71	0.01	569,132,574	72.84

FINANCIAL CALENDAR

Shares go ex dividend	7 September 1992
AGM in the Forum at NEC Birmingham	8 September 1992
Scrip dividend: price of New Share available	14 September 1992
Scrip dividend mandates or cancellations to be received	18 September 1992
1991/92 final dividend payable	19 October 1992
Announcement of half-year results	8 December 1992
1992/93 interim dividend payable	March 1993
Eligibility for bonus shares	31 March 1994

SHAREHOLDER ENQUIRIES

General enquiries on the Company should be made to the Company Secretary at:
PowerGen plc, 53 New Broad Street, London EC2M 1JJ.
Telephone: 071-826 2826 Fax: 071-826 2890

Enquiries on your shareholding should be made to:
National Westminster Bank PLC, Registrars Department, PO Box No 96, Caxton House,
Redcliffe Way, Bristol BS99 7ZG.
Telephone: 0272 763005 Fax: 0272 306570

Enquiries on ADR holdings should be made to the Depositary for American Depositary
Receipts:
Bank of New York, Attention: ADR Department, 101 Barclay Street, New York,
NY 10286, USA. Telephone: (212) 815-2207

Unsolicited mail

The Share Register is a public document under the law, and some shareholders may have received unsolicited mail from other organisations taking advantage of this situation. If you wish to limit the amount of such mail, please write to the Mailing Preference Service, Freepost 22, London W1E 7EZ. You may still, however, receive mail from organisations which do not subscribe to this service.

Telephone information service

For a short commentary on PowerGen's results together with the latest share price, telephone 0839 505900 (calls charged at 48p/min at peak and 36p/min at evenings and weekends, including VAT).