

REGISTERED NO.
2764438

SSEPG (Operations) Limited

Accounts for the year ended 31 March 2004

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SSEPG (Operations) Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2004.

1. Principal Activities

The Company's principal activity is the development, construction and operation of small-scale power plants.

2. Review of Developments and Future Prospects

The Directors do not anticipate any change in the activities of the Company in the forthcoming period.

3. Share Capital

The Company's authorised share capital is £42,500,000 divided into 2,500,000 shares of £1 each and 40,000,000 preference shares of £1 each.

4. Results and Dividends

The loss for the financial year amounted to £3,056,000 (2003 - £4,829,000 loss). The Directors do not recommend the payment of a dividend (2003 - nil).

5. Directors

The Directors who served during the year were as follows: -

David Sigsworth
Brian Smith

6. Directors' Interests in Ultimate Holding Company

The interests of David Sigsworth in the shares of the Company's ultimate holding company, Scottish and Southern Energy plc, are noted in the Accounts of Scottish and Southern Energy plc.

The interests of Brian Smith in the shares in Scottish and Southern Energy plc are as follows:

	31 March 2004		1 April 2003	
	No of shares beneficially held	No of shares under option	No of shares beneficially held	No of shares under option
Brian Smith	2,569	10,376	2,454	8,482

ON BEHALF OF THE BOARD



Vincent Donnelly
Secretary
26 October 2004

SSEPG (Operations) Limited

Directors' Responsibilities for Preparation of the Accounts

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the auditors' report on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the Accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to use a going concern basis in preparing the Accounts unless this is inappropriate.

- The directors consider that, in preparing the Accounts on pages 4 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are 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 Accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

SSEPG (Operations) Limited

Independent Auditors' Report to the Members of SSEPG (Operations) Limited

We have audited the Accounts on pages 4 to 12.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the accounts have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.


Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2004 and of the loss for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
26 October 2004

SSEPG (Operations) Limited**Profit and Loss Account
for the year ended 31 March 2004**

	Note	2004 £000	2003 £000
Turnover		2,458	3,945
Cost of sales		(5,100)	(8,277)
Operating loss	2	(2,642)	(4,332)
Net Interest payable	5	(1,018)	(1,953)
Loss on ordinary activities before taxation		(3,660)	(6,285)
Taxation	6	604	1,456
Retained loss for the financial year	15	(3,056)	(4,829)

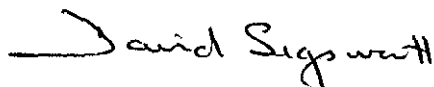
Other than the retained loss for the financial year, there are no other recognised gains or losses - such loss represents the only movement in equity shareholders' funds.

SSEPG (Operations) Limited

Balance Sheet as at 31 March 2004

	Note	2004 £000	2003 £000
Fixed assets			
Tangible assets	7	<u>32,460</u>	<u>22,017</u>
Current assets			
Stocks	8	134	151
Debtors: amounts falling due within one year	9	5,417	4,372
amounts falling due after more than one year	9	<u>5,179</u>	<u>5,179</u>
		10,730	9,702
Creditors: amounts falling due within one year	10	<u>(39,975)</u>	<u>(25,895)</u>
Net current liabilities		<u>(29,245)</u>	<u>(16,193)</u>
Total assets less current liabilities		<u>3,215</u>	<u>5,824</u>
Creditors: amounts falling due after more than one year	11	<u>(6,421)</u>	<u>(6,421)</u>
Provisions for liabilities and charges			
Deferred taxation	12	(4,604)	(4,157)
Net liabilities		<u>(7,810)</u>	<u>(4,754)</u>
Capital and reserves			
Called up share capital	14	1,200	1,200
Profit and loss account	15	(9,010)	(5,954)
Deficit in equity shareholders' funds		<u>(7,810)</u>	<u>(4,754)</u>

These Accounts were approved by the Directors on 26 October 2004 and signed on their behalf by



David Sigsworth, Director

SSEPG (Operations) Limited**Statement of Total Recognised Gains and Losses
for the year ended 31 March 2004**

	2004 £000	2003 £000
Loss for the financial year	(3,056)	(4,829)
Total recognised gains and losses relating to the financial year	(3,056)	(4,829)
Total gains and losses recognised	(3,056)	(4,829)

**Reconciliation of Movement in Shareholders' Funds
as at 31 March 2004**

	2004 £000	2003 £000
Loss for the financial year	(3,056)	(4,829)
Dividends	-	-
Net reduction in shareholders' funds	(3,056)	(4,829)
Opening shareholders' funds/(deficit)	(4,754)	75
Closing shareholders' deficit	(7,810)	(4,754)

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

1. Principal accounting policies

Basis of accounting

The Accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts are prepared under the going concern basis. This is dependent on the continuing support of the parent company, which has been confirmed. The principal accounting policies are summarised below and have been applied consistently. However, comparative amounts are restated, where necessary, to conform with current presentation.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Scottish and Southern Energy plc, it has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Scottish and Southern Energy Group.

Turnover

Turnover, stated net of value added tax, represents the amounts derived from the generation and sale of electricity, together with the provision of other goods and services in the UK.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant and machinery	15 years
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Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date.

Deferred taxation arises in respect of items where there are timing differences between their treatment for accounting and taxation purposes. This is recognised where an obligation to pay more tax in the future has originated but not reversed at the balance sheet date. A deferred tax asset is recognised only when it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

1. Principal accounting policies (continued)

Taxation (continued)

Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is expected that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on government bonds.

2. Operating loss

The operating loss is arrived at after charging:

	2004 £000	2003 £000
Auditors' remuneration	1	1
Depreciation of tangible fixed assets	2,053	2,073

3. Directors' and staff remuneration

No director received remuneration in respect of their service to the Company (2003 - nil).

4. Staff costs and numbers

	2004 £000	2003 £000
Staff costs:		
Wages and salaries	122	74
Social security costs	11	5
Other pension costs	9	30
	142	109
Less charged as capital expenditure	(28)	(18)
	114	91

	2004 Number	2003 Number
The number of people employed at 31 March	5	4

	2004 Number	2003 Number
The monthly average number of people employed by the Company during the year	2	3

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

5. Net interest payable

	2004 £000	2003 £000
Interest receivable:		
Interest receivable from group companies	116	1,073
Interest payable:		
Recognised interest costs on loan note	-	(2,339)
Other interest payable	(1,134)	(687)
	<u>(1,134)</u>	<u>(3,026)</u>
Net interest payable	<u>(1,018)</u>	<u>(1,953)</u>

6. Taxation

	2004 £000	2003 £000
Current tax:		
United Kingdom corporation tax	(1,051)	(1,546)
Deferred tax:		
Origination and reversal of timing differences	(47)	(139)
Movement in discount	336	236
Adjustment in respect of prior years	158	(7)
Total Deferred Tax	<u>447</u>	<u>90</u>
Total tax credit on loss on ordinary activities	<u>(604)</u>	<u>(1,456)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2004 £000	2003 £000
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2003 - 30%)	(1,098)	(1,886)
Effects of:		
Capital allowances in excess of depreciation	47	139
Expenses not deductible for tax purposes	-	201
Current tax credit for year	<u>(1,051)</u>	<u>(1,546)</u>

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

7. Tangible Fixed Assets

	Plant and Machinery £000
Cost:	
At 1 April 2003	30,858
Additions in the year	12,496
At 31 March 2004	<u>43,354</u>
Depreciation:	
At 1 April 2003	8,841
Charge for the year	2,053
At 31 March 2004	<u>10,894</u>
Net Book Value:	
At 31 March 2004	<u>32,460</u>
At 31 March 2003	<u>22,017</u>

8. Stocks

	2004 £000	2003 £000
Raw materials	<u>134</u>	<u>151</u>

9. Debtors

	2004 £000	2003 £000
Amounts falling due within one year:		
Trade debtors	-	18
Amounts owed by group undertakings	1,598	1,598
Corporation Tax	3,796	2,745
Value Added Tax	23	11
	<u>5,417</u>	<u>4,372</u>
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>5,179</u>	<u>5,179</u>
	<u>10,596</u>	<u>9,551</u>

10. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to group undertakings	39,508	25,414
Accruals and deferred income	439	464
Other creditors	28	17
	<u>39,975</u>	<u>25,895</u>

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

11. Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to group undertakings	<u>6,421</u>	<u>6,421</u>

12. Deferred taxation

Deferred taxation is provided as follows:

	2004 £000	2003 £000
Accelerated capital allowances	4,930	4,819
Other timing differences	-	-
Undiscounted provision for deferred tax	<u>4,930</u>	<u>4,819</u>
Discount	(326)	(662)
Discounted provision for deferred tax	<u>4,604</u>	<u>4,157</u>
Provision at start of year	4,157	4,067
Transferred from profit and loss account	447	90
Provision at end of year	<u>4,604</u>	<u>4,157</u>

13. Pensions

The majority of the Company's employees are members of the Electricity Supply Pension Scheme or the Scottish Hydro-Electric pension scheme which provide defined benefits based on final pensionable pay. The Company's contributions to these schemes is set in relation to the current service period only (i.e. these are not affected by any surplus or deficit in the scheme relating to past service of its own employees and any other members of the scheme) and as such are treated as contributions to a defined contribution scheme. Employees can opt to join a personal pension scheme which is a money purchase scheme with the Company matching the members' contributions up to a maximum of 6% of salary. That scheme is managed by Legal and General.

The Company's share of the total contribution payable to the pension schemes during the year was £8,958 (2003 - £30,193).

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2004

14. Share capital

The authorised and called up share capital was:

	2004	2003
	£000	£000
Authorised:		
2,500,000 ordinary shares of £1 each	2,500	2,500
40,000,000 preference shares of £1 each	40,000	40,000
	<u>42,500</u>	<u>42,500</u>
Allotted, called up and fully paid, or issued:		
1,200,002 ordinary shares of £1 each	<u>1,200</u>	<u>1,200</u>

15. Profit and loss account

	£000
Balance at 1 April 2003	(5,954)
Retained loss for the financial year	<u>(3,056)</u>
Balance at 31 March 2004	<u>(9,010)</u>

16. Ultimate holding company

The Company's ultimate holding company is Scottish and Southern Energy plc, registered in Scotland. Copies of the Group Accounts, which include the Company, are available from Inveralmond House, 200 Dunkeld Road, Perth, PH1 3AQ.