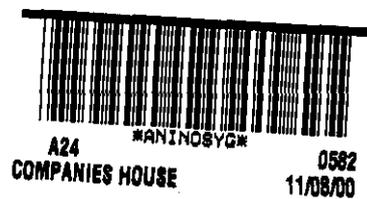


REGISTERED NO.
2764438

SSEPG (Operations) Limited

Accounts for the year ended 31 March 2000

CONTENTS	Page No.
Report of the Directors	1
Directors' Responsibilities for Preparation of the Accounts	2
Auditor's Report on the Accounts	3
Profit and Loss Account	4
Balance Sheet	5
Notes on the Accounts	6-11



SSEPG (Operations) Limited

Report of the Directors

The Directors present their report together with the audited Accounts for the year ended 31 March 2000.

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

On 24 December 1999 the Company changed its name from SEPG (Operations) Limited to SSEPG (Operations) Limited. The Company operates power plants at Thatcham (Berkshire), Five Oaks (Sussex), Burghfield (Berkshire) and Chickerell (Dorset).

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 retained loss for the financial year amounted to £432,906 (1999 - £3,079,000 profit). The Directors do not recommend the payment of a dividend

5. Directors

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

Stephen Baseby (resigned 30 April 1999)
 James Hart (resigned 1 December 1999)
 Edward Shaw (resigned 1 December 1999)
 David Sigsworth (appointed 24 September 1999)
 Brian Smith

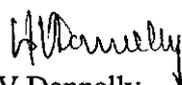
6. Directors' Interests in Ultimate Holding Company

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

	31 March 2000		1 April 1999	
	No of shares beneficially held	No of shares under option	No of shares beneficially held	No of shares under option
Brian Smith	5,757	-	4,971	-

ON BEHALF OF THE BOARD


 L J V Donnelly
 Secretary
 31 May 2000

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 11, 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**Auditor's Report to the Members of
SSEPG (Operations) Limited**

We have audited the Accounts on pages 4 to 11.

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 Accounts give a true and fair view and are properly prepared in accordance with the Companies Act. 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 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 the Company's affairs as at 31 March 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
31 May 2000

SSEPG (Operations) Limited

**Profit and Loss Account
for the year ended 31 March 2000**

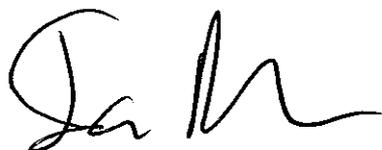
	Note	2000 £000	1999 £000
Turnover		11,177	17,673
Cost of sales		<u>9,368</u>	<u>10,669</u>
Operating profit	2	1,809	7,004
Net Interest payable	4	<u>2,428</u>	<u>2,519</u>
(Loss)/profit on ordinary activities before taxation		(619)	4,485
Tax on (loss)/profit on ordinary activities	5	<u>(186)</u>	<u>1,406</u>
Retained (loss)/profit for the financial year	14	<u><u>(433)</u></u>	<u><u>3,079</u></u>

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

SSEPG (Operations) Limited**Balance Sheet as at 31 March 2000**

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	6	28,788	30,804
Current assets			
Stocks	7	143	105
Debtors	8	17,583	16,597
Cash at bank and in hand		<u>245</u>	<u>272</u>
		17,971	16,974
Creditors: amounts falling due within one year	9	<u>3,432</u>	<u>7,309</u>
Net current assets		<u>14,539</u>	<u>9,665</u>
Total assets less current liabilities		43,327	40,469
Creditors: amounts falling due after more than one year	10	35,615	32,890
Provisions for liabilities and charges			
Deferred taxation	11	4,607	4,026
Other provisions	12	<u>-</u>	<u>15</u>
Net assets		<u>3,105</u>	<u>3,538</u>
Capital and reserves			
Called up share capital	13	1,200	1,200
Profit and loss account	14	<u>1,905</u>	<u>2,338</u>
Equity shareholders' funds		<u>3,105</u>	<u>3,538</u>

These Accounts were approved by the Board of Directors on 31 May 2000 and signed on their behalf by



Ian Marchant, Director

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2000

1. Principal accounting policies

Basis of accounting

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

Deferred taxation

Deferred taxation in respect of accelerated capital allowances and other timing differences is provided only to the extent that it is probable that a liability or asset will crystallise. Any such provision is made using the liability method.

SSEPG (Operations) Limited

**Notes on the Accounts
for the year ended 31 March 2000**

2. Operating profit

The operating profit is arrived at after charging:

	2000	1999
	£000	£000
Auditors' remuneration	3	4
Depreciation of tangible fixed assets	2,117	225

3. Directors' and staff remuneration

No Director received remuneration in respect of their service to the Company (1999 - nil).
There were no staff employed during the year (1999 - nil).

4. Net interest payable

	2000	1999
	£000	£000
Interest receivable:		
Bank interest receivable	-	639
Interest receivable from ultimate parent	495	39
Interest receivable from group undertaking	212	-
Other interest receivable	<u>7</u>	<u>2</u>
	714	680
Interest payable:		
Loan interest payable to parent	417	703
Recognised interest costs on loan note	<u>2,725</u>	<u>2,496</u>
	<u>3,142</u>	<u>3,199</u>
Net interest payable	<u>2,428</u>	<u>2,519</u>

SSEPG (Operations) Limited

**Notes on the Accounts
for the year ended 31 March 2000**

5. Taxation

United Kingdom corporation tax:	2000	1999
	£000	£000
Current year:		
Corporation tax at 30% (1999 - 31%)	(767)	-
Deferred taxation	<u>581</u>	<u>1,465</u>
	(186)	1,465
Previous years:		
Corporation tax	-	(142)
Deferred taxation	<u>-</u>	<u>83</u>
	<u>(186)</u>	<u>1,406</u>

6. Tangible Fixed Assets

	Plant and Machinery £000
Cost:	
At 1 April 1999	31,655
Additions in the year	<u>101</u>
At 31 March 2000	<u>31,756</u>
Depreciation:	
At 1 April 1999	851
Provided in year	<u>2,117</u>
At 31 March 2000	<u>2,968</u>
Net Book Value:	
At 31 March 2000	<u>28,788</u>
At 31 March 1999	<u>30,804</u>

7. Stocks

	2000	1999
	£000	£000
Raw materials	<u>143</u>	<u>105</u>

SSEPG (Operations) Limited

**Notes on the Accounts
for the year ended 31 March 2000**

8. Debtors

	2000	1999
	£000	£000
Amounts owed by ultimate parent undertaking	14,088	-
Amounts owed by group undertakings	3,293	16,288
Prepayments and accrued income	151	304
Value added tax	51	-
Other debtors	<u>-</u>	<u>5</u>
	<u>17,583</u>	<u>16,597</u>

**9. Creditors: amounts falling due
within one year**

	2000	1999
	£000	£000
Trade creditors	10	291
Loans owned to group undertaking	-	2,804
Amounts owed to ultimate parent	719	-
Amounts owed to parent undertaking	30	-
Amounts owed to group undertaking	831	3,680
Other taxes and social security costs	-	459
Accruals and deferred income	1,824	75
Other creditors	<u>18</u>	<u>-</u>
	<u>3,432</u>	<u>7,309</u>

**10. Creditors: amounts falling due
after more than one year**

	2000	1999
	£000	£000
Loans from group undertaking	31,410	28,685
Loans from parent undertaking	<u>4,205</u>	<u>4,205</u>
	<u>35,615</u>	<u>32,890</u>

The loan from Southern Electric plc (group undertaking) is unsecured loan stock which is redeemable on 2 December 2002 for £40,000,000. The loan note was issued for a subscription price of £25,409,000. The issue price represents a discount of £14,591,000 to the note's redemption value, giving an effective cost of capital of 9.5%.

SSEPG (Operations) Limited

Notes on the Accounts for the year ended 31 March 2000

On or at any time after 2 December 2002, the holder has the option to require conversion into 40 million preference shares of £1 each.

The balance at 31 March 2000 of £31,409,771 (1999: £28,684,722) represents the issue price plus recognised interest costs of £6,000,771 (1999: £3,275,722).

11. Deferred Taxation

Deferred taxation provided in the Accounts:

	1 April 1999 £000	Profit and Loss Account £000	31 March 2000 £000
Accelerated capital allowances	<u>4,026</u>	<u>581</u>	<u>4,607</u>

12. Provision for liabilities and charges

	£000
At 1 April 1999	15
Utilised during the year	(1)
Transfer from/(to) accruals	(14)
At 31 March 2000	<u><u>-</u></u>

13. Share capital

The authorised and called up share capital was:

	2000 £000	1999 £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>

SSEPG (Operations) Limited**Notes on the Accounts
for the year ended 31 March 2000****14. Profit and loss account**

	£000
Balance at 1 April 1999	2,338
Retained loss for the financial year	<u>(433)</u>
Balance at 31 March 2000	<u>1,905</u>

15. 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.