

Green Electron Limited

REPORT AND ACCOUNTS

For the 8 months ended 31 December 1997

Registered number: 3189155



Green Electron Limited

REPORT AND ACCOUNTS FOR THE 8 MONTHS ENDED 31 DECEMBER 1997

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DIRECTORS' REPORT

The directors present their report and the audited accounts of Green Electron Limited for the period ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of Green Electron Limited is the promotion of renewable energy sources for South Western Electricity Plc's (SWEB's) electricity supply business.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Green Electron was the first green tariff to be offered to domestic and small business customers by an electricity company in the UK. Beginning with the launch of the Green Electron pilot trial on 8 October 1997, SWEB's domestic and small business customers will have the option of supporting "green" or renewable forms of energy generation.

The Company commenced trading on the 8th October 1997. Trading income is derived from a voluntary fixed premium applied to a customer's electricity supply bill, and from levies placed on suppliers of renewable energy. The gross income of the company is utilised in the administration of sourcing renewable energy up to the customer's actual consumption in any charging period. In the period under review, outgoings have been disproportionate to income, due to the high marketing costs associated with start-up. Whilst the Company's long term goal is to be profitable, for the foreseeable future it's goal will be to reach a break-even situation.

PROFIT AND DIVIDEND

The loss for the period after taxation amounted to £63,575. The directors have not recommended the payment of a dividend.

DIRECTORS

The directors who served during the period were:-

	<u>Appointed</u>	<u>Resigned</u>
John L Rowlands	1/12/1997	
Charles P Saunders	9/10/1997	
Leeds Day Management Services Ltd		9/10/1997
Gerard J Swarbrick	9/10/1997	31/12/1997
Nigel J Viney	8/5/1997	1/12/1997

Mr Neil A Humphreys was appointed a director on 26th January 1998.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

The interests of the directors in the shares of The Southern Company, the ultimate parent company, as at 31 December 1997 were :

	As at 31 December 1997 Number	As at 30 April 1997 Number
N A Humphreys	-	-
J L Rowlands	-	-
C P Saunders	7,311	8,442

Details of the directors' interests in options to subscribe for shares of The Southern Company as at 31 December 1997 were :

	As at 30 April 1997 Number	Granted in year Number	As at 31 December 1997 Number	Exercise Price US\$	Normal period of exercise
N A Humphreys	-	-	-	-	-
J L Rowlands	-	-	-	-	-
C P Saunders	4,402	-	4,402	23.00	1997-2006
	-	5,616	5,616	21.25	1998-2007

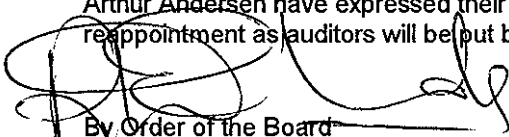
No options were exercised during 1997.

PAYMENT OF CREDITORS

The Company's policy in respect of its suppliers is to require suppliers to accept our terms, which are displayed on our official orders, unless alternative terms of mutual benefit can be agreed.

AUDITORS

Arthur Andersen have expressed their willingness to continue in office and a resolution proposing their reappointment as auditors will be put before the Annual General Meeting.


By Order of the Board
R D Edmunds
Company Secretary

Green Electron Limited
800 Park Avenue
Aztec West
Almondsbury
Bristol
BS32 4SE

16 September 1998

Green Electron Limited

REGISTERED OFFICE AND ADVISERS

Registered Office

Green Electron Limited
800 Park Avenue
Aztec West
Almondsbury
Bristol
BS32 4SE

Telephone 01454 201101
Fax 01454 613046

Company Secretary: R D Edmunds

Auditors

Arthur Andersen
Broad Quay House
Broad Quay
Bristol
BS1 4DJ

Solicitors

Osborne Clarke
50 Queen Charlotte Street
Bristol
BS1 4HE

Bankers

Barclays Bank Plc
40 Corn Street
Bristol
BS99 7AJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF GREEN ELECTRON LIMITED

We have audited the accounts on pages 6 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985



Arthur Andersen
Chartered Accountants & Registered Auditors

Broad Quay House
Broad Quay
Bristol
BS1 4DJ

16 September 1998

PROFIT AND LOSS ACCOUNT

For the 8 months ended 31 December 1997

	<u>Note</u>	<u>1997</u> <u>£</u>
Turnover		6,575
Cost of sales	2	<u>(4,125)</u>
Gross profit		2,450
Net operating expenses	2	<u>(66,025)</u>
Loss on ordinary activities before taxation		(63,575)
Tax on loss on ordinary activities		<u>0</u>
Loss for the period		<u><u>(63,575)</u></u>

Recognised gains and losses

The Company has no recognised gains and losses other than the losses above.

The Company did not trade in the period ended 30 April 1997 and accordingly no comparative values for that period have been included.

All activities are continuing.

Movements in reserves are set out in note 7

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

BALANCE SHEET

At 31 December 1997

		31 December 1997 £	30th April 1997 £
	<u>Note</u>		
Current assets			
Debtors	4	38,355	0
Cash at bank and in hand		<u>0</u>	<u>2</u>
		38,355	2
 Creditors: amounts falling due within one year	5	<u>(100,930)</u>	<u>0</u>
Net current (liabilities)/assets		<u>(62,575)</u>	<u>2</u>
 Capital and Reserves			
Called up share capital	6	1,000	2
Profit and loss account	7	<u>(63,575)</u>	<u>0</u>
Equity shareholders' funds	8	<u>(62,575)</u>	<u>2</u>

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

The accounts on pages 6 to 11 were approved by the Board of Directors on 16 September 1998 and were signed on its behalf by:



C P Saunders

Director

NOTES TO THE ACCOUNTS

For the 8 months ended 31 December 1997

1 ACCOUNTING POLICIES

Basis of preparation

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

Going concern

The accounts have been prepared under the going concern concept because a group undertaking has agreed to provide financial support for not less than 12 months from the date of approval of the accounts,

Related Party Disclosure

The Company, whose voting rights are 90% controlled by SWEB Holdings Limited, has taken advantage of the exemption available from related party disclosure requirements of Financial Reporting Standard No. 8.

Turnover

Turnover, which excludes value added tax, represents the invoiced premiums charged to customers and the levies receivable from suppliers of renewable energy. Turnover is all in respect of sales to customers in the United Kingdom

Taxation

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

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation is made on all timing differences which are expected to reverse in the foreseeable future without being replaced.

Cashflow statement

There is no statement of cashflows as the Company is a subsidiary of SWEB Holdings Limited which is registered in England and Wales and which includes a consolidated cashflow statement in its accounts. This treatment is permitted by Financial Reporting Standard No. 1 (Revised) as SWEB Holdings Limited holds 90% of the voting rights in the Company and its accounts are publicly available from Companies House.

NOTES TO THE ACCOUNTS (CONTINUED)

For the 8 months ended 31 December 1997

2 OPERATING EXPENSES

The directors consider that the nature of the business is such that the analysis of income and expenses shown is more informative than set out in the formats in the Companies Act 1985.

	8 Months ended 31 December 1997
	£
Green Electron Income	6,575
Cost of sales -	
Generator payments	(2,475)
Energy efficiency	(1,650)
Gross Margin	<u>2,450</u>
Operating Overheads	(11,427)
Overheads associated with start-up	<u>(54,598)</u>
Net Income/(Loss)	<u>(63,575)</u>

The operating overheads include auditors remuneration of £2,000.

3 DIRECTORS AND EMPLOYEES

(a) There were no employees during the period.

(b) Directors' emoluments

The directors received no emoluments during the period.

NOTES TO THE ACCOUNTS (CONTINUED)

For the 8 months ended 31 December 1997

4 DEBTORS

	As at <u>31 December 1997</u> £	As at <u>30 April 1997</u> £
Amounts owed by group undertakings:		
Parent company and fellow subsidiary undertakings	25,710	0
VAT recoverable	8,321	0
Called up share capital not paid	998	0
Prepayments and accrued income	3,326	0
	<u>38,355</u>	<u>0</u>

5 CREDITORS - amounts falling due within one year:

	As at <u>31 December 1997</u> £	As at <u>30 April 1997</u> £
Amounts owed to group undertakings:		
Parent company and fellow subsidiary undertakings	40,053	0
Other creditors	46,802	0
Accruals and deferred income	14,075	0
	<u>100,930</u>	<u>0</u>

6 CALLED UP SHARE CAPITAL

	As at <u>31.12.97</u>	As at <u>30.04.97</u>
Authorised		
'A' ordinary shares of £1 each	900	900
'B' ordinary shares of £1 each	100	100
	<u>1,000</u>	<u>1,000</u>
Allotted		
'A' ordinary shares	900	2
'B' ordinary shares	100	0
	<u>1,000</u>	<u>2</u>

No consideration for the shares allotted during the period had been received at 31st December 1997.

The holders of a majority of the 'A' shares are entitled to appoint three directors; the holders of a majority of the 'B' shares are entitled to appoint one director. In all other respects 'A' and 'B' shares rank *pari passu*.

NOTES TO THE ACCOUNTS (CONTINUED)

For the 8 months ended 31 December 1997

7 PROFIT AND LOSS ACCOUNT

	<u>1997</u> <u>£</u>
Balance at 1 May 1997	0
Loss for the period	<u>(63,575)</u>
Balance at 31 December 1997	<u><u>(63,575)</u></u>

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	8 Months to <u>31.12.97</u> <u>£</u>	12 Months to <u>30.04.97</u> <u>£</u>
Loss for the period	(63,575)	0
Shares issued	998	2
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(62,577)	2
Opening shareholders' funds	<hr/> 2	<hr/> 0
Closing shareholders' funds	<u><u>(62,575)</u></u>	<u><u>2</u></u>

9 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of Green Electron Limited is South Western Power Limited, which is registered in England & Wales. The ultimate parent undertaking is The Southern Company, which is incorporated in Delaware, USA.

As at 31 December 1997 the smallest group in which the results of Green Electron Limited are consolidated is that headed by SWEB Holdings Limited, which is registered in England and Wales. Copies of these accounts may be obtained from Companies House. The largest group in which the results of Green Electron Limited are consolidated is that headed by The Southern Company. Copies of these accounts may be obtained from :

The Southern Company
270 Peachtree Street
Atlanta
Georgia 30303
USA