

SWEB PROPERTY INVESTMENTS LIMITED

REPORT AND ACCOUNTS

For the year ended 31 December 1996



Registered number: 2373239

SWEB PROPERTY INVESTMENTS LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996

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SWEB PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report on the affairs of SWEB Property Investments Limited together with the accounts and audit report for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The principal activity of SWEB Property Investments Limited is to manage the non-network properties of the South Western Electricity plc Group ("the Group").

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company will continue to fulfil the current and anticipated property needs of South Western Electricity plc and its subsidiaries, whilst also seeking to maximise the return from all property assets. Property which is currently vacant or under-utilised will either be brought to the market and let, possibly after further development, or will be sold.

PROFIT AND DIVIDEND

The profit for the year after taxation amounted to £2,465,000 (nine months ended 31 December 1995: £2,256,000), which has been transferred to reserves. The directors have not declared a dividend.

FIXED ASSETS

The Company's current valuation of land and buildings (excluding Investment Properties) as of 31 December 1996 is £1,082,000 higher than the net book value. This valuation has not been incorporated in the accounts.

The valuation of Investment Properties did produce a surplus of £4,916,000 which has been incorporated in the accounts.

A minimum of 20% of the total property portfolio has been valued by suitably qualified external valuers in accordance with valuation guidelines produced by the Royal Institution of Chartered Surveyors. The remainder of the portfolio has in turn been valued by qualified valuers employed by the Company, based upon trends in value identified in the external valuations.

DIRECTORS

The directors who served during the year were:-

	<u>Appointed</u>	<u>Resigned</u>
D Mutton	31.03.92	30.07.96
C D Cotterill	31.03.92	
R D Edmunds	30.07.96	

DIRECTORS' INTERESTS

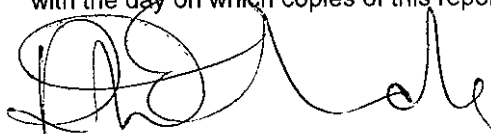
As at 31 December 1996 no director had any interest in the shares of the company or other group companies which required notification to the Company under section 324 and registration by the Company under section 325 of the Companies Act 1985.

SWEB PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, Arthur Andersen, will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and accounts are sent to members.



By Order of the Board
R D Edmunds
Company Secretary

SWEB Property Investments Limited
800 Park Avenue
Aztec West
Almondsbury
Bristol
BS12 4SE

22 October 1997

REGISTERED OFFICE AND ADVISERS

Registered Office

SWEB Property Investments Limited
800 Park Avenue
Aztec West
Almondsbury
Bristol
BS12 4SE

Telephone 01454 201101
Fax 01454 616369

Company Secretary: R D Edmunds

Auditors

Arthur Andersen
Broad Quay House
Broad Quay
Bristol
BS1 4DJ

Bankers

Lloyds Bank Plc
55 Corn Street
Bristol
BS99 7LE

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 SWEB PROPERTY INVESTMENTS LIMITED

We have audited the accounts on pages 6 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 9 and 10.

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 Company's state of affairs at 31 December 1996 and of its profit for the year 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

22 October 1997

· SWEB PROPERTY INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1996

	Note	<u>12 months to to 31.12.96 £'000</u>	<u>9 months to 31.12.95 £'000</u>
Turnover - continuing operations	1	6,062	5,822
Other operating income - continuing operations		102	24
Operating Costs - continuing operations		<u>(3,014)</u>	<u>(3,517)</u>
Operating profit - continuing operations	2	3,150	2,329
Interest receivable		2	50
Profit on ordinary activities before taxation		<u>3,152</u>	<u>2,379</u>
Tax on profit on ordinary activities	5	<u>(687)</u>	<u>(123)</u>
Retained profit for the financial period		<u>2,465</u>	<u>2,256</u>

Movements in reserves are set out in note 13.

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

SWEB PROPERTY INVESTMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 1996

	<u>12 months</u> <u>to 31.12.96</u> <u>£'000</u>	<u>9 months</u> <u>to 31.12.95</u> <u>£'000</u>
Profit for the financial year	2,465	2,256
Unrealised surplus on revaluation of investment properties	<u>4,916</u>	<u>-</u>
Total recognised gains and losses	<u><u>7,381</u></u>	<u><u>2,256</u></u>

SWEB PROPERTY INVESTMENTS LIMITED

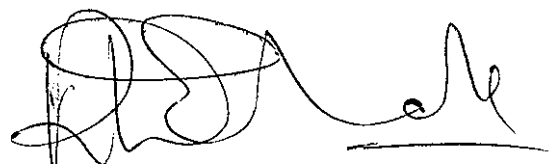
BALANCE SHEET

At 31 December 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	6	<u>36,724</u>	<u>32,775</u>
Current assets			
Debtors	7	1,650	1,969
Cash at bank and in hand		<u>97</u>	<u>22</u>
		1,747	1,991
Creditors: amounts falling due within one year	8	<u>(19,436)</u>	<u>(23,834)</u>
Net current liabilities		<u>(17,689)</u>	<u>(21,843)</u>
Total assets less current liabilities		19,035	10,932
Provisions for liabilities and charges	9	<u>(722)</u>	<u>-</u>
Net assets		<u>18,313</u>	<u>10,932</u>
Capital and Reserves			
Called up share capital	12	-	-
Profit and loss account	13	13,397	10,932
Revaluation reserve	13	<u>4,916</u>	<u>-</u>
Equity shareholders' funds	14	<u>18,313</u>	<u>10,932</u>

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

The accounts on pages 6 to 15 were approved by the Board of Directors on 22 October 1997 and were signed on its behalf by:


 R D Edmunds Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

1 ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention modified to include revaluation of certain fixed assets 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 to enable the Company to meet its liabilities as they fall due.

Turnover

Turnover, which excludes value added tax, represents the value of rents receivable for properties owned or leased.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less amounts provided to write off the assets over their useful economic lives.

Depreciation

The charge for depreciation is calculated to write off the cost of tangible fixed assets less anticipated residual values over their useful economic lives, which are as follows:

		Years
Buildings	- freehold	Up to 60
	- leasehold	lower of lease
		period or 60 years

Investment Properties

As of 31 December 1996, a number of the Company's properties were classified as investment properties and are included in the balance sheet at their open market value. Such properties are to be revalued annually, with surpluses or deficits on individual properties transferred to the investment revaluation reserve, with the exception of a deficit (or its reversal) which is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. A full year's charge for depreciation on historic cost has been provided in the current year, but in future years depreciation will not be provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19.

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.

Property clawback

There is an arrangement in place whereby HM Government is entitled to a share in the profits realised by the Company on certain property disposals made up to March 2000. Full provision for such clawback liabilities is made as soon as the sale is recognised.

SWEB PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

Pension Costs

Contributions to the Electricity Supply Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

Leases

Rentals for operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

Cashflow statement

There is no statement of cash flows as the Company is a wholly owned subsidiary of SWEB Holdings Limited, which is registered in England and Wales and which includes a consolidated cash flow statement in its accounts. This treatment is permitted by Financial Reporting Standard 1 as the accounts of SWEB Holdings Limited are publicly available from Companies House.

2 OPERATING PROFIT

Profit on ordinary activities before tax is stated after charging/(crediting):

	<u>12 months</u> <u>to 31.12.96</u> <u>£'000</u>	<u>9 months</u> <u>to 31.12.95</u> <u>£'000</u>
Depreciation charge for the year:		
Tangible owned fixed assets	606	556
Operating lease rentals payable - land and buildings	1,790	2,196
Auditors' remuneration for:		
Audit fees and expenses	6	5
Other services to the company	2	2
Profit on disposal of tangible fixed assets	<u>(102)</u>	<u>(24)</u>

3 DIRECTORS AND EMPLOYEES

(a) Total employee costs (including Directors) during the year amounted to:

	<u>12 months</u> <u>to 31.12.96</u> <u>£'000</u>	<u>9 months</u> <u>to 31.12.95</u> <u>£'000</u>
Wages and salaries	80	97
Pension costs	6	6
Social Security Costs	7	9
	<u>93</u>	<u>112</u>

(b) The average monthly number of employees, including Executive Directors, during the year was:

	<u>12 months</u> <u>to 31.12.96</u> <u>No.</u>	<u>9 months</u> <u>to 31.12.95</u> <u>No.</u>
Management and administration	<u>5</u>	<u>6</u>

The above employees are employed under contracts of service with South Western Electricity plc. However their time is substantially devoted to SWEB Property Investments Limited.

SWEB PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

(c) Directors' emoluments

Only one director received emoluments for his services as a director during the year. These totalled £16,703 for 1996, (nine months to December 1995: £49,000). This director was a member of a defined benefits scheme.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>12 months</u> <u>to 31.12.96</u> <u>£'000</u>	<u>9 months</u> <u>to 31.12.95</u> <u>£'000</u>
UK corporation tax at 33% (1995: 33%):	1,351	914
Over provision in respect of prior years:	(664)	(791)
	<u>687</u>	<u>123</u>

The adjustment in respect of prior years arises mainly as a result of consortium relief claimed.

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

6 TANGIBLE FIXED ASSETS

	<u>Investment Properties</u> £'000	<u>Other Land and Buildings</u> £'000	<u>Total</u> £'000
Cost or valuation			
At 1 January 1996	-	40,307	40,307
Additions	-	178	178
Disposals	-	(14)	(14)
Transfers between Group undertakings	-	(560)	(560)
Transfers at cost	3,444	(3,444)	0
Revaluation surplus	4,077	-	4,077
At 31 December 1996	7,521	36,467	43,988
Depreciation			
At 1 January 1996	-	7,532	7,532
Charge for the year	-	606	606
Transfers between Group undertakings	-	(30)	(30)
Disposals	-	(5)	(5)
Transfers at cost	839	(839)	0
Revaluation surplus	(839)	-	(839)
At 31 December 1996	0	7,264	7,264
Net Book Value			
At 31 December 1996	7,521	29,203	36,724
At 1 January 1996	-	32,775	32,775

The net book value of land and buildings comprises:

	<u>1996</u>	<u>1996</u>	<u>1996</u>	<u>1995</u>
	<u>Investment</u>	<u>Other</u>	<u>Total</u>	<u>Historic</u>
	<u>Properties</u>	<u>Land and</u>		<u>Cost</u>
	£'000	Buildings	£'000	£'000
Freehold	7,371	28,958	36,329	32,454
Long leasehold	100	245	345	301
Short leasehold	50	-	50	20
	<u>7,521</u>	<u>29,203</u>	<u>36,724</u>	<u>32,775</u>

Investment properties were valued on an open market existing use basis at 31 December 1996. Most of the valuations were performed by qualified surveyors who are employees of the company, with the remainder carried out by King Sturge and Co, Chartered Surveyors.

If investment properties had not been revalued at 31 December 1996 they would have been included at the following amounts:

	<u>Freehold</u> £'000	<u>Long Leasehold</u> £'000	<u>Short Leasehold</u> £'000	<u>Total</u> £'000
Cost	3,351	53	40	3,444
Depreciation	817	2	20	839
Net book value	2,534	51	20	2,605

SWEB PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

7 DEBTORS

Amounts falling due within one year:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Trade debtors	226	207
Amounts owed by group undertakings	1,161	1,286
Other debtors	-	27
Prepayments and accrued income	263	449
	<u>1,650</u>	<u>1,969</u>

8 CREDITORS - amounts falling due within one year:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Amounts owed to group undertakings	16,338	21,073
UK Corporation tax	2,352	1,665
Other taxation and social security	181	294
Accruals and deferred income	565	802
	<u>19,436</u>	<u>23,834</u>

No formal arrangements exist for repayment of the amount owed to the group undertakings. In practice these amounts represent long term advances and are unlikely to be repaid within one year.

9 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>£'000</u>
At 31 December 1995	-
Charged to Profit & Loss Account	470
Reclassified from creditors	300
Utilised in Year	(48)
At 31 December 1996	<u>722</u>

The provision represents an estimate of the Company's expected costs in relation to a leasehold property which has been vacated.

10 DEFERRED TAXATION

The full potential amount of deferred tax, none of which is provided is:

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Accelerated capital allowances	2,960	2,818
Other timing differences	(238)	-
Unprovided deferred tax	<u>2,722</u>	<u>2,818</u>

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

11 PENSION COMMITMENTS

Eligible employees are entitled to join either:

(a) the Electricity Supply Pension Scheme in respect of employees joining the Company prior to September 1993; or

(b) the SWEB Pension Scheme in respect of employees joining after September 1993.

Details of both schemes are given in the accounts of South Western Electricity plc.

12 CALLED UP SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised		
1000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 RESERVES

	<u>Investment Properties Revaluation Reserve</u> £'000	<u>Profit & Loss Account</u> £'000	<u>Total</u> £'000
Balance at 1 January 1996	-	10,932	10,932
Profit retained for the year	-	2,465	2,465
Revaluation Surplus	<u>4,916</u>	<u>-</u>	<u>4,916</u>
Balance at 31 December 1996	<u>4,916</u>	<u>13,397</u>	<u>18,313</u>

No deferred taxation has been provided by the Company in respect of the revaluation reserve since the directors consider that no liability to taxation will arise in the foreseeable future.

14 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>12 months</u> <u>to 31.12.96</u> £'000	<u>9 months</u> <u>to 31.12.95</u> £'000
Profit for the financial period	2,465	2,256
Investment Property Revaluation Reserve	<u>4,916</u>	<u>-</u>
Net addition to equity shareholders' funds	7,381	2,256
Opening equity shareholders' funds	<u>10,932</u>	<u>8,676</u>
Closing equity shareholders' funds	<u>18,313</u>	<u>10,932</u>

SWEB PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 1996

15 CAPITAL AND OTHER COMMITMENTS

- (a) There are annual commitments for land and buildings under operating leases which expire:

	1996 £'000	1995 £'000
Within one year	15	187
Between two to five years	111	120
After five years	661	1,542
	<u>787</u>	<u>1,849</u>

- (b) Fixed asset expenditure contracted for but not provided for at 31 December 1996 was £33,000 (1995: £nil)

16 RELATED PARTY TRANSACTIONS

As a wholly-owned subsidiary with a parent undertaking whose consolidated accounts are publicly available, the Company is exempt from the requirement to disclose transactions with entities that are part of the Group.

The Company had no transactions with other related parties requiring disclosure.

17 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of SWEB Property Investments Limited is South Western Electricity plc, which is registered in England & Wales. The ultimate parent undertaking is the Southern Company, which is incorporated in Delaware, USA.

The smallest group in which the results of SWEB Property Investments 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 SWEB Property Investments 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