

WPD PROPERTY INVESTMENTS LIMITED

REPORT AND ACCOUNTS

For the year ended 31 December 2000



Registered number: 2373239

WPD PROPERTY INVESTMENTS LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

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WPD PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report on the affairs of WPD Property Investments Limited together with the accounts and auditors' report for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity of WPD Property Investments Limited (the "Company") 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 £2,680,000 (year ended 31 December 1999: £6,211,000). The directors have declared a dividend of £1,150,000 (1999: £1,200,000).

FIXED ASSETS

The Company's current valuation of land and buildings (excluding Investment Properties) as of 31 December 2000 is £2,546,000 higher than the net book value. This valuation has not been incorporated in the accounts.

The valuation of Investment Properties indicated an increase in value of these properties of £285,000 in the year, 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 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 C S Oosthuizen	1 March 2000	-
D A Withers	1 March 2000	-
C D Cotterill	31 March 1992	29 December 2000
R D Edmunds	30 July 1996	31 January 2000

DIRECTORS' INTERESTS

As at 31 December 2000 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.

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.

Sally A Jones

By Order of the Board
S A Jones
Company Secretary

WPD Property Investments Limited
Avonbank
Feeder Road
Bristol
BS2 0TB

11 July 2001

Telephone	0117 933 2000
Fax	0117 933 2001

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 confirm that the accounts comply with the above requirements.

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.

AUDITORS' REPORT

to the shareholders of WPD Property Investments Limited

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 7 to 8.

Respective responsibilities of Directors and Auditors

As described above, the Company's directors are responsible for the preparation of 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.


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 2000 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

1 The Square
Temple Quay
Bristol
BS1 6DG

11 July 2001

WPD PROPERTY INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	<u>Note</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Turnover - continuing operations	1	4,823	4,979
Operating costs		<u>(1,368)</u>	<u>(997)</u>
Operating profit	2	3,455	3,982
Profit on disposal of tangible fixed assets	5	340	919
Profit on disposal of fixed asset investments		-	2,545
Profit on ordinary activities before interest		<u>3,795</u>	<u>7,446</u>
Investment income		-	184
Interest receivable		8	208
Profit on ordinary activities before taxation		<u>3,803</u>	<u>7,838</u>
Tax on profit on ordinary activities	4	(1,123)	(1,627)
Profit for the financial year		<u>2,680</u>	<u>6,211</u>
Dividends paid		<u>(1,150)</u>	<u>(1,200)</u>
Retained profit for the financial year		<u>1,530</u>	<u>5,011</u>

All operations of the Company continued throughout both periods and no operations were acquired or discontinued.

Movements in reserves are set out in note 14.

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

WPD PROPERTY INVESTMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2000

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Profit for the financial year	2,680	6,211
Unrealised surplus on revaluation of investment properties	<u>285</u>	<u>59</u>
Total recognised gains and losses	<u><u>2,965</u></u>	<u><u>6,270</u></u>

The accompanying notes are an integral part of this statement of total recognised gains and losses.

WPD PROPERTY INVESTMENTS LIMITED

BALANCE SHEET

At 31 December 2000

	Note	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Fixed assets			
Tangible assets	6	<u>34,208</u>	<u>34,891</u>
Current assets - debtors	7	2,306	3,570
Creditors: amounts falling due within one year	8	<u>(13,229)</u>	<u>(16,990)</u>
Net current liabilities		<u>(10,923)</u>	<u>(13,420)</u>
Total assets less current liabilities		23,285	21,471
Creditors: amounts falling due after more than one year	9	(796)	(797)
Provisions for liabilities and charges	10	<u>(280)</u>	<u>(280)</u>
Net assets		<u><u>22,209</u></u>	<u><u>20,394</u></u>
Capital and Reserves			
Called up share capital	13	-	-
Profit and loss account	14	17,287	15,713
Revaluation reserve	14	<u>4,922</u>	<u>4,681</u>
Equity shareholder's funds	15	<u><u>22,209</u></u>	<u><u>20,394</u></u>

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

The accounts on pages 4 to 13 were approved by the Board of Directors on 11 July 2001 and were signed on its behalf by:



D.C.S. Oosthuizen Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 2000

1 ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention as modified to include the 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 the Company for not less than 12 months from date of approval of the accounts.

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 or valuation, net of depreciation and any provision for impairment.

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 and 60 years

Investment properties

A number of the Company's properties are classified as investment properties and are included in the balance sheet at their open market value. Such properties are 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. Depreciation is not 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 Statement of Standard Accounting Practice No. 19.

Taxation

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 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

Up to March 2000 HM Government was entitled to a share in the profits realised by the Company on certain property disposals. Full provision for such clawback liabilities was made as soon as the sale was recognised.

WPD PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

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.

Cash flow statement

There is no statement of cash flows as the Company is a wholly owned subsidiary of WPD Holdings UK, 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 No. 1 (revised) as the accounts of WPD Holdings UK are publicly available from Companies House.

2 OPERATING PROFIT

Profit on ordinary activities before tax is stated after charging:

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Depreciation charge for the year:		
Tangible owned fixed assets	550	509
Operating lease rentals payable - land and buildings	521	535
Auditors' remuneration for :		
Audit fees and expenses	<u>8</u>	<u>11</u>

3 DIRECTORS AND EMPLOYEES

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

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Wages and salaries	92	48
Pension costs	7	4
Social Security costs	<u>7</u>	<u>4</u>
	<u>106</u>	<u>56</u>

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

	<u>2000</u> <u>No.</u>	<u>1999</u> <u>No.</u>
Management and administration	<u>4</u>	<u>2</u>

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

(c) Directors' emoluments

No director received emoluments for his services as a director during the year.

WPD PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
UK corporation tax	1,162	1,627
Release of over provision in respect of prior years	(39)	-
	<u>1,123</u>	<u>1,627</u>

5 PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

The exceptional profit arose from the disposal of five of the Company's properties and a number of miscellaneous disposals of land, primarily potential sub-station sites that are no longer required.

WPD PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

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 2000	6,913	35,478	42,391
Additions	-	(62)	(62)
Disposals	(158)	(2)	(160)
Transfers between Group undertakings	-	(196)	(196)
Revaluation surplus	285	-	285
At 31 December 2000	<u>7,040</u>	<u>35,218</u>	<u>42,258</u>
Depreciation			
At 1 January 2000	-	7,500	7,500
Charge for the year	-	550	550
At 31 December 2000	<u>-</u>	<u>8,050</u>	<u>8,050</u>
Net Book Value			
At 31 December 2000	<u>7,040</u>	<u>27,168</u>	<u>34,208</u>
At 1 January 2000	<u>6,913</u>	<u>27,978</u>	<u>34,891</u>

The net book value of land and buildings comprises:

	<u>2000</u>	<u>2000</u>	<u>2000</u>	<u>1999</u>
	<u>Investment</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
	<u>Properties</u>	<u>Land and</u>	<u>Buildings</u>	<u>£'000</u>
	£'000	£'000	£'000	£'000
Freehold	7,040	26,941	33,981	34,609
Long leasehold	-	227	227	282
	<u>7,040</u>	<u>27,168</u>	<u>34,208</u>	<u>34,891</u>

Investment properties were valued on an open market existing use basis at 31 December 2000. Most of the valuations were performed by qualified surveyors who are employees of the company, with the remainder carried out by Dowling Dodd Partnership and King Sturge and Co, Chartered Surveyors. Such properties are not depreciated. The depreciation which would have otherwise been charged amounts to £44,000 (1999 - £ 46,000).

If investment properties had not been classified as investment properties, they would have been included at the following amounts :

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Cost	2,863	2,937
Depreciation	<u>(865)</u>	<u>(838)</u>
	<u>1,998</u>	<u>2,099</u>

WPD PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

7 DEBTORS

	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	44	712
Other debtors arising from the sale of tangible fixed assets	751	1,752
Amounts owed by Group undertakings	1,372	908
Income tax	16	16
Prepayments and accrued income	123	182
	<u>2,306</u>	<u>3,570</u>

8 CREDITORS - amounts falling due within one year:

	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed to Group undertakings	7,171	10,392
UK corporation tax	5,400	4,277
Other taxation and social security	47	489
Accruals and deferred income	611	1,832
	<u>13,229</u>	<u>16,990</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 CREDITORS - amounts falling due after more than one year:

	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Consortium relief payable	<u>796</u>	<u>797</u>

10 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>£'000</u>
At 1 January 2000	280
Utilised in year	-
At 31 December 2000	<u>280</u>

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

WPD PROPERTY INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

11 DEFERRED TAXATION

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

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Accelerated capital allowances	2,605	2,365
Other timing differences	<u>(91)</u>	<u>(91)</u>
Unprovided deferred tax	<u>2,514</u>	<u>2,274</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.

12 PENSION COMMITMENTS

Eligible employees joining the Company prior to September 1993 are entitled to join the Electricity Supply Pension Scheme, details of which are given in the accounts of WPD Holdings UK.

13 CALLED UP SHARE CAPITAL

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Authorised		
1,000 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>

14 RESERVES

	<u>Investment Properties Revaluation Reserve £'000</u>	<u>Profit & Loss Account £'000</u>	<u>Total £'000</u>
Balance at 1 January 2000	4,681	15,713	20,394
Profit after dividends for the year	-	1,530	1,530
Realised revaluation surplus	(44)	44	-
Revaluation surplus for the year	<u>285</u>	<u>-</u>	<u>285</u>
Balance at 31 December 2000	<u>4,922</u>	<u>17,287</u>	<u>22,209</u>

NOTES TO THE ACCOUNTS (CONTINUED)

For the year ended 31 December 2000

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Profit for the financial year	2,680	6,211
Dividends	<u>(1,150)</u>	<u>(1,200)</u>
	1,530	5,011
Investment property revaluation reserve surplus	<u>285</u>	<u>59</u>
Net addition to equity shareholder's funds	1,815	5,070
Opening equity shareholder's funds	<u>20,394</u>	<u>15,324</u>
Closing equity shareholder's funds	<u><u>22,209</u></u>	<u><u>20,394</u></u>

16 CAPITAL AND OTHER COMMITMENTS

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

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Within one year	-	10
Between two to five years	6	6
After five years	<u>399</u>	<u>406</u>
	<u><u>405</u></u>	<u><u>422</u></u>

(b) Fixed asset expenditure contracted for but not provided at 31 December 2000 was nil (1999: nil)

17 SUBSEQUENT EVENTS

On 30 April 2001 the Company sold the freehold building at 334 Outland Road, Plymouth.

18 RELATED PARTY DISCLOSURES

The Company, a wholly owned subsidiary undertaking, has taken the exemption available from related party transaction disclosure requirements of Financial Reporting Standard No.8 as the accounts of the parent company are available to the public (see note 19).

19 ULTIMATE PARENT UNDERTAKING

The largest and smallest group in which the results of WPD Property Investments Limited are consolidated is that headed by WPD Holdings UK, which is registered in England and Wales. Copies of their accounts may be obtained from Companies House or from Avonbank, Feeder Road, Bristol BS2 0TB.

The ultimate controlling parties are Mirant Corporation and PPL Corporation, both registered in the United States, who have equal control of WPD Holdings UK.