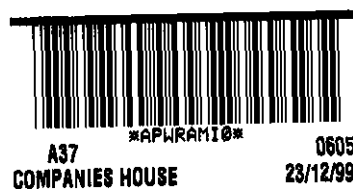


SURREY COMBINED UTILITIES AND POWER LIMITED

Directors' report and financial statements

Year ended 31 July 1999

Registered number : 2825034



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 1999.

Principal activity

The principal activity of the company is the supply of electricity and gas to the University of Surrey.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a final dividend (1998:£nil). The interim dividend of £37,500 was paid on 25 March 1999, and represents a dividend for the year of £750 per share.

After the payment of the dividend, the loss for the year retained in the company is £26,529 (1998 : loss £113).

Year 2000

The company is presently dependent on financial systems in use by its parent undertaking, the University of Surrey. The potential impact of non-compliance by the company's suppliers, customers and others has not been assessed and the potential materiality of the problem has not been determined although the University is actively considering these issues. The University will bear all costs associated with ensuring the compliance of its financial systems and it is expected that the company will not incur any significant costs in connection with plans to address Year 2000 business and operational issues.

Directors and directors' interests

The directors who held office during the year were as follows :

H W B Davies
D Caleb
A J Knapp
J Davis

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable contributions

The company made no political contributions during the year (1998 : £ nil). Donations to UK charities amounted to £77,500 (covenanted to the University of Surrey) (1998: £118,803).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Small companies exemptions

Advantage has been taken in the preparation of the directors' report of the special exemptions applicable to small companies conferred by Part II of schedule 8 to the Companies Act 1985.

By order of the board



S MacGregor
Company Secretary

University of Surrey
Guildford
Surrey GU2 5XH

Date: 2 December 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to :

- * select suitable accounting policies and then apply them consistently;
- * make judgments and estimates that are reasonable and prudent;
- * prepare the financial statements 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 to enable them to ensure that the financial statements 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.

Auditors' report to the members of Surrey Combined Utilities and Power Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 1999 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

KPMG

KPMG
Chartered Accountants
Registered Auditors
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Date: 3 December 1999

Profit and loss account
for the year ended 31 July 1999

	Note	1998/99 £	1997/98
Turnover	1	1,092,902	989,913
Cost of sales		(1,071,484)	(972,485)
Gross profit		21,418	17,428
Administrative expenses		(30,472)	(11,375)
Operating (loss)/profit		(9,054)	6,053
Other interest receivable and similar income	5	97,710	112,886
Interest payable and similar charges	6	(277)	(136)
Profit on ordinary activities before covenant and taxation	2	88,379	118,803
Gross covenant payment		(77,500)	(118,803)
Profit on ordinary activities before taxation		10,879	-
Tax on profit on ordinary activities		92	(113)
Profit /(loss) on ordinary activities after taxation		10,971	(113)
Dividends		(37,500)	-
Loss retained for the financial year		(26,529)	(113)
Accumulated reserves brought forward		26,622	26,735
Accumulated reserves carried forward		93	26,622

The results of the current and previous periods are derived wholly from continuing operations.

There were no recognised gains or losses either in the current year or the preceding year other than those included in the profit and loss account. There was no movement in shareholders' funds other than the retained loss in the year shown above.

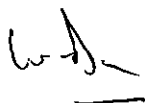
The notes on pages 6 to 8 form part of these financial statements.

Balance sheet*at 31 July 1999*

	Notes	1999	1998
		£	£
Fixed Assets	8	44,256	-
Tangible Assets			
Current assets			
Debtors	9	1,475,294	1,716,027
Cash at bank and in hand		13,610	14,122
		<u>1,488,904</u>	<u>1,730,149</u>
Creditors: amounts falling due within one year	10	<u>(476,175)</u>	<u>(484,993)</u>
Net current assets		1,012,729	1,245,156
Creditors: amounts falling due after more than one year	11	<u>(981,842)</u>	<u>(1,218,484)</u>
Total assets less liabilities		75,143	26,672
Deferred capital grants		(75,000)	-
Net assets		<u>143</u>	<u>26,672</u>
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account		93	26,622
Shareholders' funds		<u>143</u>	<u>26,672</u>

Advantage has been taken in the preparation of the financial statements of the special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 on the grounds that the company qualifies as a small company.

These financial statements were approved by the board of directors on 2/12/99 and were signed on its behalf by :



H W B Davies
Director

The notes on pages 6 to 8 form part of these financial statements.

Notes*(forming part of the financial statements)***1 Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

As the company is a wholly owned subsidiary of the University of Surrey, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of the University of Surrey, within which this company is included, can be obtained from the address given in note 14.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and equipment - 10% per annum

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the supply of electricity and gas to the parent entity.

2 Profit on ordinary activities before taxation

	1998/99	1997/98
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration : for audit work	<u>1,250</u>	<u>1,200</u>

3 Remuneration of directors

None of the directors received any emoluments during the current or previous years.

Notes (continued)

4 Staff numbers and costs

The company had no employees during the year (1998 : nil)

5 Interest receivable

	1998/99 £	1997/98 £
Interest on loan to parent undertaking	<u>97,710</u>	<u>112,886</u>

6 Interest payable and similar charges

	1998/99 £	1997/98 £
Bank overdraft interest	<u>227</u>	<u>136</u>

7 Taxation

	1998/99	1997/98 £
UK Corporation tax at 20.67% (1998 : 21%) on the results for the year on ordinary activities	-	113
Overprovision in respect of prior years	<u>92</u>	<u>-</u>
	<u>92</u>	<u>113</u>

8 Tangible fixed assets

	Plant & Equipment £
Cost	
At 1 August 1998	-
Additions	44,256
At 31 July 1999	<u>44,256</u>
Depreciation	
At 1 August 1998 and 31 July 1999	<u>-</u>
Net book value	
At 31 July 1999	<u>44,256</u>
At 31 July 1998	<u>-</u>

9 Debtors: amounts falling due within one year

	1999	1998
	£	£
Trade debtors	30,684	615
Amounts owed by parent undertaking	<u>1,171,667</u>	<u>1,572,970</u>
	1,202,351	1,573,585
Other debtors	13,959	2,822
Prepayments and accrued income	258,984	139,620
	<u>1,475,294</u>	<u>1,716,027</u>

Notes *(continued)*

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Creditors: amounts falling due within one year					
	1999		1998		
	£	£	£	£	
Trade creditors		14,159		-	
Amount owed to parent parent undertaking		59,675		91,478	
Other creditors including taxation :					
Corporation tax		-		113	
Other taxes		17,825		27,325	
Taxation		17,825		27,438	
Accruals and deferred income		384,516		366,077	
		476,175		484,993	

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Creditors : amounts falling due after more than one year			
	1999	1998	
	£	£	
Accruals and deferred income	981,842	1,218,484	

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Called up share capital			
	1999	1998	
	£	£	
<i>Authorised</i>			
1000 ordinary shares of £1 each	1,000	1,000	
<i>Allotted, called up and fully paid</i>			
50 ordinary shares of £1 each	50	50	

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Capital commitments			
	1999	1998	
	£	£	
Commitments contracted at 31 July	482,900	-	
Authorised but not contracted at 31 July	83,000	-	
	565,900	-	

14 Ultimate parent undertaking

The company is controlled by the University of Surrey, England, as it is a wholly owned subsidiary. The ultimate controlling party is the University of Surrey.

The largest group in which the results of the company are consolidated is that headed by the University of Surrey. The consolidated accounts of the group are available to the public and may be obtained from the Finance Department, University of Surrey, Guildford, Surrey GU2 5XH. No other group accounts include the results of the company.