

South Wales TPL Investments Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2002

South Wales TPL Investments Limited is an integral part of a larger UK group. The structure of the group is such that the financial statements of South Wales TPL Investments Limited must be read in conjunction with the group financial statements of Western Power Distribution Holdings Limited to gain a full understanding of the group results for the year and the related cash flows, together with the financial position of the group as at 31 March 2002.

Registered Number: 2579323



Contents

	Page
Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report	3
Financial statements	
Profit and loss account	4
Reconciliation of movements in equity shareholder's funds	4
Balance sheet	5
Notes to the financial statements	6

Directors' report

For the year ended 31 March 2002

The directors present their annual report on the affairs of South Wales TPL Investments Limited (the "Company"), together with the financial statements and auditors' report, for the year ended 31 March 2002.

Principal activity and business review

The principal activity of the Company is investment in projects for the generation of electricity.

The Company holds 7.7% of the equity of Teesside Power Limited ("TPL"), which owns and operates a gas-fired power station in Wilton, England. Enron participates in TPL as an owner, an operator and a power purchaser. Following the financial collapse of Enron, the Company's investment is unlikely to have any further value and thus the value of the investment has been written off during the year.

Ownership

The Company is a wholly-owned subsidiary of Hyder Industrial Group Limited ("HIG"). Until 16 March 2001, HIG was part of the Hyder Limited group. On that day, it was acquired by WPD Holdings UK. WPD Holdings UK indirectly owns Western Power Distribution (South West) plc (formerly South Western Electricity plc). Both WPD Holdings UK and Hyder Limited are owned 49% indirectly by Mirant Corporation ("Mirant"), a global energy company based in Atlanta, Georgia, United States of America ("US"), and 51% indirectly by PPL Corporation ("PPL"), an electricity utility of Allentown, Pennsylvania, US. Both parties share operational and management control equally.

Subsequently, on 11 September 2001, a group reconstruction took place. Shares in WPD Holdings UK were exchanged for shares in Western Power Distribution Holdings Limited, which became the ultimate holding company. The rights of the two shareholders remained unchanged.

Results and dividends

The loss for the financial year 2002 was £10,034,000 (2001: profit £4,059,000).

Dividends totalling £nil (2001: £12,700,000) have been declared by the Company during the year, as shown in Note 4.

Directors and their interests

The directors who served during the year were as follows :


	<u>Appointed</u>
DCS Oosthuizen	20 October 2000
T Masood	20 October 2000

During and at the end of the financial year, no director was materially interested in any contract of significance in relation to the Company's business. At 31 March 2002, no director had a beneficial interest in any of the group companies.

Auditors

During the year, PricewaterhouseCoopers resigned as auditors and Arthur Andersen were appointed by the Directors to fill the casual vacancy. Their appointment as auditors will be put before the Annual General Meeting. Arthur Andersen will not be seeking re-appointment for the forthcoming year. A resolution to appoint a successor will also be proposed at the Annual General Meeting.

By Order of the Board,


DCS Oosthuizen
Director
20 June 2002

South Wales TPL Investments Limited
Avonbank
Feeder Road
Bristol BS2 0TB

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 year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements 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 financial statements 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.

**Independent auditors' report
to the shareholder of South Wales TPL Investments Limited**

We have audited the financial statements of South Wales TPL Investments Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related Notes numbered 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

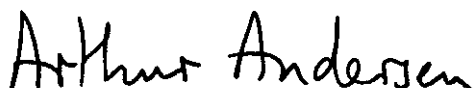
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the Company, 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 affairs of the Company at 31 March 2002 and of the Company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors
1 The Square
Temple Quay
Bristol BS1 6DG

20 June 2002

Profit and loss account

For the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Operating expenses, being operating loss		(45)	-
Income from fixed asset investments	2	3,070	4,090
Impairment of fixed asset investment	6	(13,072)	-
(Loss)/profit on ordinary activities before finance charges and tax		(10,047)	4,090
Interest receivable		-	293
(Loss)/profit on ordinary activities before tax		(10,047)	4,383
Taxation	3	13	(324)
(Loss)/profit on ordinary activities after tax, being (loss)/profit for the financial year		(10,034)	4,059
Dividends declared	4	-	(12,700)
Amounts transferred from reserves	10	(10,034)	(8,641)

There are no recognised gains or losses in either year other than the result for that financial year shown above.

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

Reconciliation of movements in equity shareholder's funds

For the year ended 31 March 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(10,034)	4,059
Dividends	-	(12,700)
Net reduction in equity shareholder's funds	(10,034)	(8,641)
Opening equity shareholder's funds	1,466	10,107
Closing equity shareholder's (shortfall)/funds	(8,568)	1,466

Balance sheet

31 March 2002

	Note	2002 £'000	2001 (As restated - Note 8) £'000
Fixed assets			
Investments	6	-	13,072
Current assets			
Debtors	7	3,067	10
Cash at bank and in hand		-	312
		3,067	322
Creditors			
Amounts falling due within one year	8	(11,635)	(11,928)
Net current assets		(8,568)	(11,606)
Total assets less current liabilities		(8,568)	1,466
Net assets		(8,568)	1,466
Capital and reserves			
Called-up share capital	9	-	-
Profit and loss account	10	(8,568)	1,466
Equity shareholder's (deficit)/funds		(8,568)	1,466

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

The financial statements on pages 4 to 9 were approved by the Board of Directors on 20 June 2002 and were signed on its behalf by:



DCS Oosthuizen
Director

Notes to the financial statements

For the year ended 31 March 2002

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year except for the policy on deferred taxation which has been changed to comply with Financial Reporting Standard 19 ("FRS19"), is set out below. No prior year adjustment was required in relation to this change.

Basis of preparation

The financial statements 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 the Company's immediate parent has agreed to provide financial support to the Company for not less than 12 months from the date of approval of the financial statements.

Taxation

Current 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Investments

Investment income is included in the financial statements of the year in respect of which it is receivable.

Fixed asset investments are stated at cost less any provisions for impairment. Current asset investments are valued at the lower of cost and net realisable value.

Cashflow statement

The Company is exempt from the requirement to prepare a cashflow statement under Financial Reporting Standard 1 (revised) on the basis that it is a wholly-owned subsidiary of Western Power Distribution Holdings Limited, which is registered in England and Wales and includes a consolidated cashflow statement in its group financial statements.

2. Income from fixed asset investments

Income received from Teesside Power Limited that was shown in the 2001 Report and Accounts as turnover has now been included in income from fixed asset investments to be consistent with the disclosure of similar income in other group companies.

Notes to the financial statements

For the year ended 31 March 2002

3. Taxation

(a) Analysis of the tax (credit)/charge in the year	2002 £'000	2001 £'000
Deferred tax released	-	(31)
Group relief (receivable)/payable	(13)	355
	(13)	324

(b) Factors affecting the tax (credit)/charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	(10,047)	4,383
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK	(3,014)	1,315
Effects of:		
Income not taxable	(921)	(960)
Write off of an investment not allowable for tax purposes	3,922	-
Release of deferred tax charged in 2000	-	(31)
Current tax (credit)/charge for the period (note 3(a))	(13)	324

4. Dividends declared

	2002 £'000	2001 £'000
Equity dividends on ordinary shares	-	12,700

5. Directors and employees

Emoluments of directors were in respect of their services to other group companies. Details are given in the financial statements of Western Power Distribution Holdings Limited. The Company had no employees.

Notes to the financial statements

For the year ended 31 March 2002

6. Fixed asset investment

	Unlisted investments £'000
Cost	
At 1 April 2001	13,072
Impairment *	(13,072)
At 31 March 2002	-

The investment comprised:

Name	Principal activity	Holding	Proportion held %
Teesside Power Limited	Electricity generation	Ordinary shares	7.7%

* Teesside Power Limited ("TPL") operates a 1,925 megawatt generating station. Enron participates in TPL through its European affiliates as an owner, an operator, and a power purchaser. Following the financial collapse of Enron, South Wales TPL Investments Limited's investment in TPL is unlikely to have any further value and therefore the value of the investment has been written off during 2002.

7. Debtors

	2002 £'000	2001 (As restated *) £'000
Amounts owed by group undertakings	3,067	10

8. Creditors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Amounts due to parent company *	11,570	11,754
Corporation Tax	20	33
Accruals	45	-
Other creditors	-	141
	11,635	11,928

* Amounts due to parent company at 31 March 2001 have been reclassified as due within one year.

Notes to the financial statements

For the year ended 31 March 2002

9. Called-up share capital

	2002 £	2001 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called-up and fully paid:		
2 ordinary shares of £1 each	2	2

10. Profit and loss account

	£'000
At 1 April 2001	1,466
Amount transferred from reserves	(10,034)
Balance at 31 March 2002	(8,568)

11. Related party transactions

The Company, a wholly-owned subsidiary undertaking, has taken the exemption available from related party disclosure requirements of Financial Reporting Standard 8 as the financial statements of the parent company are available to the public (see Note 12).

12. Ultimate parent undertakings

The immediate parent undertaking of South Wales TPL Investments Limited is Hyder Industrial Group Limited, which is registered in England and Wales.

The only group in which the results of Hyder Industrial Group Limited are consolidated is that headed by Western Power Distribution Holdings Limited. Copies of these financial statements may be obtained from the Company's registered office as stated below.

The ultimate controlling parties are Mirant Corporation and PPL Corporation, both registered in the United States, who have equal control of Western Power Distribution Holdings Limited.

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