

**SLOUGH HEAT & POWER LIMITED****Directors**

D.E.F. Simons  
D.R. Wilson  
P.N. Jackson  
J. Pebworth  
D.A. Arthur  
C. Benstead

**Non Executive Director**

J. Eddyshaw

**Secretary**

J.R. Probert

**Registered Office and Head Office**

234 Bath Road, Slough, SL1 4EE

**Registered Number**

174142

**REPORT OF THE DIRECTORS**

The directors submit their annual report and audited financial statements for the year ended 31st December 1999 which were approved by the board on 17<sup>th</sup> March 2000.

**Business of the Company**

The principal activities of the company are to act as a holding company for the Utilities interests of the Slough Estates group. The company carries out the maintenance and administration functions for the Utilities group and recharges these costs. It is expected that the level of activity will be increased during the forthcoming year.

**Results and Dividends**

The results for the financial year are set out on page 4 of the attached financial statements. The directors do not recommend the payment of a dividend (1998:NIL).

**Taxation**

Slough Estates plc has assumed the responsibility for discharging any liability for United Kingdom corporation tax, current or deferred, so long as the company remains a member of the Group.

**Directors**

The directors of the company, all of whom served throughout the year, unless otherwise stated, are as shown above.

**Directors' Interests**

None of the directors who were in office at 31st December 1999 had an interest in the shares of the company during the year.

The interests of D.E.F. Simons and D.R. Wilson in the shares of the ultimate holding company, Slough Estates plc, are disclosed in the financial statements of that company. The interests of D.A. Arthur in the shares of Slough Estates plc are disclosed in the financial statements of Slough Properties Ltd.

The interests of P.N. Jackson, J. Pebworth, C. Benstead and J Eddyshaw in the shares of Slough Estates plc are as follows:

	<u>Ordinary Shares</u>		<u>Executive Scheme</u>	
	<u>Other Interests</u>		<u>Under Option</u>	
	<u>31.12.99</u>	<u>1.1.99</u>	<u>31.12.99</u>	<u>1.1.99</u>
P.N.Jackson	--	--	12,626	10,793
J Pebworth	--	--	5,486	5,369
C.Benstead	935	1,425	2,895	3,825
J Eddyshaw	1,420	--	--	--

The shares under option are at option prices ranging from 271.5p to 403.66p expiring on various dates up to 3rd April 2007.

**SLOUGH HEAT & POWER LIMITED**

Slough Estates plc has operated an approved SAYE share option scheme since 1981. Savings contracts can be for a three, five or seven year period. The following are details of the options held by P.N. Jackson, J. Pebworth and C. Benstead:

	<u>Other Interests</u>				<u>Own Interests</u>			
	<u>Date of Grant</u>	<u>Maturity Date</u>	<u>Option Price (p)</u>	<u>Number of Shares</u>	<u>Date of Grant</u>	<u>Maturity Date</u>	<u>Option Price (p)</u>	<u>Number of Shares</u>
P.N.Jackson	--	--	--	--	22.4.96	7.5.2003	160.99	2,422
	--	--	--	--	2.10.96	1.10.2001	188.64	1,828
	--	--	--	--	1.5.97	1.5.2002	230.4	1,497
	--	--	--	--	21.9.98	1.10.2001	246.0	1,585
J.Pebworth	--	--	--	--	22.4.96	7.5.2001	160.99	6,428
	--	--	--	--	1.5.97	1.5.2002	230.4	1,497
	--	--	--	--	27.9.99	1.10.2004	291.2	1,158
C.Benstead	2.10.96	1.10.1999	188.64	413	--	--	--	--
	1.5.97	1.5.2002	230.4	299	--	--	--	--
	21.4.99	1.5.2002	265.6	1,167	21.4.99	1.5.2002	265.6	3,647

During the year the share price ranged between a high of 393.5p and a low of 276.0p .

**Year 2000**

No difficulties were encountered with the Year 2000 issue.

**Auditors**

An elective resolution to dispense with the annual requirement to reappoint the auditors was approved at a previous annual general meeting.

By Order of the Board



J.R. PROBERT  
**Secretary**

**SLOUGH HEAT & POWER LIMITED****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 for that year. In preparing the financial statements 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 financial statements;
- ◆ 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 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 MEMBERS OF****SLOUGH HEAT & POWER LIMITED**

We have audited the financial statements on pages 4 to 11.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

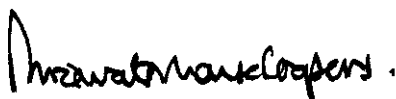
**Basis of opinion**

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 judgements 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 at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS  
Chartered Accountants and Registered Auditors  
READING

9 May 2000.

**SLOUGH HEAT & POWER LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999**

	<u>Notes</u>	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
Turnover	2	10,322	9,270
Cost of sales		(632)	(626)
		<hr/>	<hr/>
GROSS PROFIT		9,690	8,644
Administration expenses		(9,350)	(8,176)
		<hr/>	<hr/>
OPERATING PROFIT		340	468
Net interest	4	--	--
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	340	468
Taxation	7	--	--
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	13	<u>340</u>	<u>468</u>

All company operations for the year are continuing.

The turnover and profit on ordinary activities all arise in the United Kingdom.

There are no recognised gains or losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been prepared.

**SLOUGH HEAT & POWER LIMITED**  
**BALANCE SHEET AS AT 31ST DECEMBER 1999**

	<u>Notes</u>	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
<b>FIXED ASSETS</b>			
Tangible assets	8	328	--
Investments	9	416	416
		<hr/>	<hr/>
		744	416
 <b>CURRENT ASSETS</b>			
Stocks	10	1,782	1,858
Debtors - Amounts falling due within one year	11	686	139
- Amounts falling due after more than one year	11	77,060	71,034
Cash at bank		8	6
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<u>80,280</u>	<u>73,453</u>
 <b>CAPITAL AND RESERVES</b>			
Called up share capital	12	45,507	45,507
Profit and loss account	13	1,573	1,233
		<hr/>	<hr/>
Equity shareholders' funds	15	47,080	46,740
 <b>CREDITORS</b>			
- Amounts falling due within one year	14	14,650	10,436
- Amounts falling due after more than one year	14	18,550	16,277
		<hr/>	<hr/>
		<u>80,280</u>	<u>73,453</u>

The financial statements were approved by the Board of Directors on 17<sup>th</sup> March 2000 and were signed on its behalf by:-



P.N. Jackson  
Director

The notes on pages 6 to 11 form part of these financial statements.

**SLOUGH HEAT & POWER LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. Principal Accounting Policies**

a) **Basis of Preparation of Financial Statements**

These financial statements have been prepared on the basis of historical costs and in accordance with applicable Accounting Standards.

b) **Deferred Taxation**

No provision for deferred United Kingdom taxation has been made, nor is any contingent liability disclosed, as any such liability will be discharged by Slough Estates plc.

c) **Cash Flow Statement**

The company is a wholly owned subsidiary of Slough Estates plc and the cash flows of the company are included in the consolidated group cash flow statement of Slough Estates plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

d) **Tangible Fixed Assets**

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives. The principal annual rates used for this purpose are:

	%
Plant and Equipment	10 - 30

e) **Investments**

Investments in subsidiaries are stated at cost.

f) **Consolidated Accounts**

The company has taken advantage of the exemption provided by section 228 of the Companies Act 1985 from preparing consolidated accounts.

g) **Stocks and Work in Progress**

Stocks are valued at cost on a first in, first out basis. Work in progress is valued at cost and includes attributable overheads.

h) **Pension Costs and other Post Retirement Benefits**

Slough Estates Administration Limited operates a defined benefit pension scheme on behalf of Slough Heat & Power's employees, which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

i) **Transactions with Group Companies**

The company has taken advantage of the exemption allowed by FRS8 from disclosing transactions with other group companies.

**SLOUGH HEAT & POWER LIMITED****2. Turnover**

Turnover comprises electricity-related contract income and the administration charges received from the companies within the Slough Heat & Power Group.

**Segmental Analysis of Turnover**

	<b><u>1999</u></b> <b><u>£000's</u></b>	<b><u>1998</u></b> <b><u>£000's</u></b>
Administrative Recharges	9,350	8,176
Utilities Income	972	1,094
	<hr/>	<hr/>
	<b><u>10,322</u></b>	<b><u>9,270</u></b>

**3. Employees**

The company bears the cost of all employees of the Slough Heat & Power Group and then recharges them to other group members, the recharge being included in turnover.

Employee staff costs are analysed as follows:

	<b><u>1999</u></b> <b><u>£000's</u></b>	<b><u>1998</u></b> <b><u>£000's</u></b>
Wages and Salaries	4,637	4,366
Social Security costs	422	365
Pension contributions	721	556
	<hr/>	<hr/>
	<b><u>5,780</u></b>	<b><u>5,287</u></b>

The average monthly number of employees of the company was 126 (1998: 129). All employees are engaged on utilities operations.

Slough Estates Administration Limited operates a pension scheme for its employees and those of the other group companies. Total pension costs for Slough Heat & Power Ltd were £721,000 (1998:£556,000).

The company scheme is of the defined benefit type. Contributions to the scheme, which are assessed in accordance with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method of valuation, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The latest actuarial valuation of the Slough scheme as at 31<sup>st</sup> March 1998 valued the scheme's assets at market value. The assumptions used to calculate the liabilities of the scheme included investment returns 0.6 per cent per annum higher than the rate of annual salary increase and 1.35 per cent higher than the rate of increase of pensions. In order to calculate the contribution rate required, longer term assumptions of investment returns 1.5 per cent per annum higher than the rate of annual salary increase were used. At the date of the latest valuation, the market value of the assets of the scheme was £38.9 million and the actuarial value of those assets represented 96 per cent of the benefits that had accrued to members, after allowing for assumed future increases in earnings. The company made a special payment of £1.44 million to the scheme in December 1998 in addition to its ordinary contributions over the year. The company contribution rate is expected to increase by 4.43 per cent from 1<sup>st</sup> February 1999 until 31<sup>st</sup> March 2001 when the deficit is calculated to be eliminated.

**SLOUGH HEAT & POWER LIMITED****4. Net Interest**

	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
Interest payable to a group company	(2,305)	(2,515)
Interest receivable from group companies	2,305	2,515
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

**5. Profit on Ordinary Activities before Taxation**

Profit on ordinary activities before taxation is stated after charging:

	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
Depreciation charge for the year	16	13
Auditors' remuneration for audit services	25	26

**6. Directors' Remuneration**

The remuneration of D.R. Wilson and D.E.F. Simons is disclosed in the financial statements of Slough Estates plc, the ultimate holding company. D.A. Arthur is a director of Slough Properties Limited, a fellow subsidiary, and his remuneration is disclosed in the financial statements of that company. It is not practicable to allocate the remuneration of directors to fellow subsidiary undertakings.

	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
Aggregate emoluments	330	301
Company pension contributions to money purchase scheme (see below)	<u>35</u>	<u>27</u>

Three directors exercised share options over the shares of the ultimate holding company in the year and one director became entitled to receive shares under the long term incentive scheme. Retirement benefits are accruing to one director under a money purchase pension scheme and to three directors under a defined benefit scheme.

	<u>1999</u> <u>£000's</u>	<u>1998</u> <u>£000's</u>
<b><u>Highest paid director</u></b>		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received) under long term incentive scheme	188	161
Company pension contributions to money purchase scheme	35	27
Defined benefit pension schemes:		
Accrued pension at end of year	<u>31</u>	<u>27</u>

The highest paid director exercised share options over the shares of the ultimate holding company during the year and received shares under the executive long term incentive scheme.

The company paid contributions into a Funded Unapproved Retirement Benefit Scheme for the highest paid director. Contributions are charged against profit in the same year as they arise.

In addition to the above emoluments, the company paid £21,950 (1998:£15,000) to the non-executive director.



**SLOUGH HEAT & POWER LIMITED****7. Taxation**

Any United Kingdom corporation tax liability which may arise and is not eliminated by the offset of group relief and/or advance corporation tax, for neither of which payment will be made, will be discharged by the ultimate holding company, Slough Estates plc. No payment is made to the company in the event of losses being surrendered for group relief.

**8. Tangible Assets****Plant and  
Equipment  
£000's****Cost**Balance at 1<sup>st</sup> January 1999

--

Additions

344

Balance at 31<sup>st</sup> December 1999

344

**Depreciation**Balance at 1<sup>st</sup> January 1999

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Charge for the year

16

Balance at 31<sup>st</sup> December 1999

16

Net book value 31<sup>st</sup> December 1999

328

Net book value 31<sup>st</sup> December 1998

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**9. Investments**

The company has investments in the following subsidiary undertakings, all of which are wholly owned, incorporated in Great Britain, and have share capital consisting solely of £1 ordinary shares.

Slough Domestic Electricity Limited  
 Slough Utility Services Limited  
 Slough Energy Supplies Limited  
 Slough Electricity Contracts Limited  
 Power From Waste Limited

Power from Waste Limited invests in waste to energy projects and fuel manufacturing ventures. The other four are engaged in the generation, supply and/or distribution of electricity.

**SLOUGH HEAT & POWER LIMITED**

10. <b><u>Stocks</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Spare parts	1,758	1,716
Work in progress	24	142
	<hr/>	<hr/>
	1,782	1,858
	<hr/>	<hr/>
11. <b><u>Debtors</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<u>Amounts falling due after more than one year</u>		
Amount owed by group undertakings	77,060	71,034
	<hr/>	<hr/>
<u>Amounts falling due within one year</u>		
Trade debtors	356	94
Amounts owed by group undertakings	178	1
Prepayments and accrued income	152	44
	<hr/>	<hr/>
	686	139
	<hr/>	<hr/>
12. <b><u>Called up Share Capital</u></b>		
	<b><u>Authorised</u></b>	<b><u>Issued &amp; Fully</u></b>
	<b><u>Shares</u></b>	<b><u>Paid Shares</u></b>
	<b><u>Number</u></b>	<b><u>Number</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Ordinary shares of £1 each at 1 <sup>st</sup> January 1999 and at 31 <sup>st</sup> December 1999	45,540,000	45,507,200
	<hr/>	<hr/>
7% non-cumulative Preference shares of £1 each at 1 <sup>st</sup> January 1999 and at 31 <sup>st</sup> December 1999	10,000	107
	<hr/>	<hr/>

The rights of the preference shares are not defined in the Articles of Association of the company.

13. <b><u>Profit and Loss Account</u></b>	<b><u>1999</u></b>
	<b><u>£000's</u></b>
Balance at 1 <sup>st</sup> January 1999	1,233
Profit for the year	340
	<hr/>
Balance at 31 <sup>st</sup> December 1999	1,573
	<hr/>

**SLOUGH HEAT & POWER LIMITED**

14. <b><u>Creditors</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b><u>Amounts falling due within one year</u></b>		
Amount owed to group companies	14,048	9,391
Other taxation and social security	305	668
Other creditors	297	377
	<u>          </u>	<u>          </u>
	<b><u>14,650</u></b>	<b><u>10,436</u></b>
 <b><u>Amounts falling due after more than one year</u></b>		
Amounts due to group companies	<u>18,550</u>	<u>16,277</u>
 15. <b><u>Reconciliation of Movement in Shareholders' Funds</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Profit attributable to ordinary shareholders	340	468
Shareholders' funds at 1 <sup>st</sup> January 1999	<u>46,740</u>	<u>46,272</u>
	<u>          </u>	<u>          </u>
Shareholders' funds at 31 <sup>st</sup> December 1999	<b><u>47,080</u></b>	<b><u>46,740</u></b>
 16. <b><u>Capital Commitments</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
Capital expenditure	<u>58</u>	<u>--</u>
 17. <b><u>Ultimate Holding Company and Controlling Party</u></b>		

The company's ultimate holding company and controlling party is Slough Estates plc and its immediate parent company is Slough Trading Estate Limited. Copies of the consolidated accounts of Slough Estates plc can be obtained from 234 Bath Road, Slough, SL1 4EE