

SLOUGH HEAT & POWER LIMITED**Directors**

D.E.F. Simons
 D.R. Wilson
 P.N. Jackson
 J. Pebworth
 D.A. Arthur
 C. Benstead (Resigned 9.11.2001)
 A.Ellis (Appointed 22.11.2001)

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 2001 which were approved by the board on 15th March 2002.

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. Following the introduction of the New Electricity Trading Arrangements (NETA) in March 2001 and the consequent effect on the business, the directors took the decision to write off the fixed assets relating to the electricity and steam production business in the second half of the year. The company has also had to provide against amounts advanced to subsidiaries that are currently unable to pay the monies advanced. 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 (2000: £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 2001 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.



SLOUGH HEAT & POWER LIMITED

The interests of P.N. Jackson, J. Pebworth, A. Ellis 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>Own Holdings</u>		<u>Under Option</u>	
	<u>31.12.01</u>	<u>1.1.01</u>	<u>31.12.01</u>	<u>1.1.01</u>	<u>31.12.01</u>	<u>1.1.01</u>
P.N.Jackson	--	--	16,809	19,275	56,421	38,040
J.Pebworth	--	--	8,076	6,779	23,641	18,924
A.Ellis	--	--	5,451	2,456	21,902	20,239
J.Eddyshaw	1,420	1,420	--	--	--	--

The shares under option are at option prices ranging from 271.5p to 403.66p expiring on various dates up to 27th March 2008.

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 A. Ellis:

	<u>Own Interests</u>			
	<u>Date of Grant</u>	<u>Maturity Date</u>	<u>Option Price (p)</u>	<u>Number of Shares</u>
P.N.Jackson	11.4.97	1.5.2002	230.4	1,497
	21.3.01	1.5.2006	296.4	1,138
	30.8.01	1.10.2006	284.8	3,555
J.Pebworth	11.4.97	1.5.2002	230.4	1,497
	22.3.00	1.5.2005	249.6	1,352
	30.8.01	1.10.2006	284.8	3,555
A.Ellis	11.04.97	1.5.2002	230.4	299
	28.08.97	1.10.2002	257.6	267
	26.03.98	1.5.2003	328.0	210
	03.09.98	1.10.2003	246.0	560
	24.03.99	1.5.2004	265.6	254
	01.09.99	1.10.2004	291.2	463
	22.03.00	1.5.2005	249.6	540
	31.08.00	1.10.2005	313.6	430
	21.03.01	1.5.2006	296.4	455
	30.08.01	1.10.2006	284.8	474

During the year the share price ranged between a high of 433.5p and a low of 303.5p. The share price at 31st December 2001 was 331.5p.

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 that 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. The directors are required to 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 suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that 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 MEMBERS OF**SLOUGH HEAT & POWER LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board.

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 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. The other information comprises only the directors' report.


Basis of audit 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 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading
15 March 2002

SLOUGH HEAT & POWER LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001**

	<u>Notes</u>	<u>Before</u> <u>Exceptional</u> <u>Item</u> <u>2001</u> <u>£000's</u>	<u>Exceptional</u> <u>Item</u> <u>2001</u> <u>£000's</u>	<u>Total</u> <u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Turnover	2	10,412	--	10,412	9,199
Cost of sales	3	(825)	(600)	(1,425)	(501)
		<hr/>	<hr/>	<hr/>	<hr/>
GROSS PROFIT		9,587	(600)	8,987	8,698
Administrative Expenses	3	(9,153)	(86,672)	(95,825)	(8,307)
		<hr/>	<hr/>	<hr/>	<hr/>
OPERATING (LOSS)/PROFIT		434	(87,272)	(86,838)	391
		<hr/>	<hr/>		
Net interest	5			--	--
				<hr/>	<hr/>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6			(86,838)	391
Taxation	8			--	--
				<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	14			(86,838)	391
				<hr/>	<hr/>

All company operations for the year are continuing.


The turnover and loss 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 2001

	<u>Notes</u>	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
FIXED ASSETS			
Tangible assets	9	--	543
Investments	10	416	416
		<hr/>	<hr/>
		416	959
CURRENT ASSETS			
Stocks	11	659	710
Debtors - Amounts falling due after more than one year	12	33,288	93,213
- Amounts falling due within one year	12	500	3,046
Cash at bank		27	54
		<hr/>	<hr/>
TOTAL ASSETS		34,890	97,982
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	13	45,507	45,507
Profit and loss account	14	(84,874)	1,964
		<hr/>	<hr/>
Equity shareholders' (deficit)/ funds	16	(39,367)	47,471
CREDITORS			
- Amounts falling due within one year	15	4,250	1,975
- Amounts falling due after more than one year	15	70,007	48,536
		<hr/>	<hr/>
		34,890	97,982
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Directors on 15th March 2002 and were signed on its behalf by:-


P.N. Jackson
Director

The notes on pages 6 to 12 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 less any provision for impairment.

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.

The cost of providing other post retirement benefits is recognised in the year in which payments are made. No provision is made for future benefits.

The transitional disclosure requirements of Financial Reporting Standard 17 (Retirement Benefits) are set out in the accounts of Slough Estates plc.

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 all arising in the United Kingdom.

Segmental Analysis of Turnover

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Administrative Recharges	9,153	8,307
Utilities Income	1,259	892
	<hr/>	<hr/>
	10,412	9,199
	<hr/>	<hr/>

3. Exceptional Write Down

Cost of sales and administration expenses include the following charges as a result of the introduction of NETA.

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Write down of fixed assets	600	--
Provision against loans to subsidiaries	86,672	--
	<hr/>	<hr/>
	87,272	--
	<hr/>	<hr/>

4. 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:

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Wages and Salaries	4,837	4,785
Social Security costs	435	445
Pension contributions	839	792
	<hr/>	<hr/>
	6,111	6,022
	<hr/>	<hr/>

The average monthly number of employees of the company was 130 (2000:130). 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 £839,000 (2000:£792,000).

When FRS 17 is adopted in full for the year ended 31 December 2003 contributions to the defined benefit scheme will be accounted for as if it were a defined contribution scheme, due to the fact that the employer is unable to identify its share of the underlying assets and liabilities.

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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 31st March 2001 valued the scheme's assets at market value. The assumptions used to calculate the liabilities of the scheme included investment returns 2.0 per cent per annum higher than the rate of annual salary increase and 2.25 per cent higher than the rate of increase of pensions. In order to calculate the contribution rate required, longer term assumptions of investment returns 2.25 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 £42.4 million and the actuarial value of those assets represented 94 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 7.5 per cent per annum until 31st March 2004 when the deficit is calculated to be eliminated.

5. **Net Interest**

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Interest payable to a group company	(2,856)	(3,058)
Interest receivable from group companies	2,856	3,058
	-----	-----
	--	--
	=====	=====

6. **(Loss)/Profit on Ordinary Activities before Taxation**

(Loss)/Profit on ordinary activities before taxation is stated after charging:

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Depreciation charge for the year	40	52
Auditors' remuneration for audit services	22	21
Operating lease charges – plant and equipment	62	66

7. **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>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Aggregate emoluments	428	376
Company pension contributions to money purchase scheme (see below)	56	62
	=====	=====

Three directors (2000: one) 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 (2000: one) under a funded unapproved retirement and death benefits scheme and to three directors under a defined benefit scheme.

In addition to the above emoluments, the company paid £13,250 (2000:£24,000) to the non-executive director.

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	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
<u>Highest paid director</u>		
Aggregate emoluments and benefits	216	202
Company pension contributions to money purchase scheme	56	62
Defined benefit pension schemes:		
Accrued pension at end of year	38	34
	====	====

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.

8. **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.

9. **Tangible Assets**

	<u>Plant and</u> <u>Equipment</u> <u>£000's</u>
<u>Cost</u>	
Balance at 1 st January 2001	611
Additions	97

Balance at 31 st December 2001	708
	=====
<u>Depreciation</u>	
Balance at 1 st January 2001	68
Charge for the year	40
Exceptional charge (note 3)	600

Balance at 31 st December 2001	708
	=====
Net book value 31 st December 2001	--
	=====
Net book value 31 st December 2000	543
	=====

SLOUGH HEAT & POWER LIMITED**10. 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.

11. Stocks

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Spare parts	651	528
Work in progress	8	182
	—	—
	659	710
	====	====

12. Debtors

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
<u>Amounts falling due within one year</u>		
Trade debtors	177	192
Amounts owed by group undertakings	70	1,142
Prepayments and accrued income	102	448
VAT Receivable	151	1,264
	—	—
	500	3,046
	=====	=====
<u>Amounts falling due after more than one year</u>		
Amount owed by group undertakings	119,960	93,213
Less provision	(86,672)	--
	—	—
	33,288	93,213
	=====	=====
Total Debtors	33,788	96,259
	=====	=====

SLOUGH HEAT & POWER LIMITED13. **Called up Share Capital**

	<u>Authorised Shares</u>		<u>Issued & Fully Paid Shares</u>	
	<u>Number</u>	<u>£000's</u>	<u>Number</u>	<u>£000's</u>
Ordinary shares of £1 each at 31 st Decemebr 2000 and at 31 st December 2001	45,540,000	45,540	45,507,200	45,507
	=====	=====	=====	=====
7% non-cumulative Preference shares of £1 each at 31 st December 2000 and at 31 st December 2001	10,000	10	107	--
	=====	=====	=====	=====

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

14. **Profit and Loss Account**

	<u>£000's</u>
Balance at 1 st January 2001	1,964
Loss for the year	(86,838)

Balance at 31 st December 2001	(84,874)
	=====

15. **Creditors**

	<u>2001 £000's</u>	<u>2000 £000's</u>
<u>Amounts falling due within one year</u>		
Amount owed to group companies	3,676	1,653
Other taxation and social security	148	138
Other creditors	426	184
	-----	-----
	4,250	1,975
	=====	=====
<u>Amounts falling due after more than one year</u>		
Amounts due to group companies	70,007	48,536
	=====	=====

Included within amounts due to group companies after more than one year is an overdraft of £4,592,000 (2000:£1,956,000) which has no fixed repayment terms; a loan of £25,000,000 (2000:£25,000,000) repayable on 1st April 2015 and a further loan of £30,324,000 (2000:£21,400,000) repayable by instalments commencing on 1st January 2002 over a 15 year period. All of the loans are interest bearing at the Group weighted average cost of funds.

16. **Reconciliation of Movement in Shareholders' (Deficit) /Funds**

	<u>2001 £000's</u>	<u>2000 £000's</u>
(Loss)/Profit attributable to ordinary shareholders	(86,838)	391
Shareholders' funds at 1 st January 2001	47,471	47,080
	-----	-----
Shareholders' (deficit) /funds at 31 st December 2001	(39,367)	47,471
	=====	=====

SLOUGH HEAT & POWER LIMITED**17. Capital Commitments**

	<u>2001</u> <u>£000's</u>	<u>2000</u> <u>£000's</u>
Capital expenditure	19 =====	3 =====

18. Operating lease commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases which expire as follows:

	<u>2001</u> <u>£000's</u> <u>Other</u>	<u>2000</u> <u>£000's</u> <u>Other</u>
Between one and five years	61 =====	63 =====

19. Going Concern

The ultimate holding company has indicated its willingness to continue to support the company for the foreseeable future.

20. Ultimate Holding Company and Controlling Party

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