

SLOUGH HEAT & POWER LIMITED

Directors

D.E.F. Simons
D.R. Wilson
P.N. Jackson
J. Pebworth
D.A. Arthur (Appointed 3.4.95)
C. Benstead (Appointed 3.4.95)

Secretary

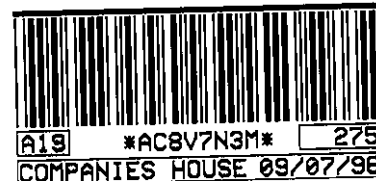
J.R. Probert

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 1995 which were approved by the board on 25th March 1996.

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 commenced trading on 1st April 1995, when it acquired from another group company its utilities-related contracting business and certain assets and liabilities at book value, equivalent to fair value. It is expected that the level of activity will be increased for the foreseeable future.

Results and Dividends

The results for the financial year are set out in the attached financial statements. The directors do not recommend the payment of a dividend. The loss for the financial year of £66,000 has been transferred to reserves.

Directors

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

Directors' Interests

None of the directors who were in office at 31st December 1995 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 P.N. Jackson, J. Pebworth, D.A. Arthur and C. Benstead in the shares of Slough Estates plc are as follows:

| | <u>Ordinary Shares</u> | | | | | |
|--------------|------------------------|---------------|---------------------|---------------|---------------------|---------------|
| | <u>Other interests</u> | | <u>Own Holdings</u> | | <u>Under Option</u> | |
| | <u>31.12.95</u> | <u>1.1.95</u> | <u>31.12.95</u> | <u>1.1.95</u> | <u>31.12.95</u> | <u>1.1.95</u> |
| P.N. Jackson | — | — | 7,108 | 5,226 | 73,452 | 54,998 |
| J. Pebworth | 1,300 | 1,300 | 6,811 | 6,938 | 31,998 | 31,138 |
| D.A. Arthur | — | *— | 6,306 | *6,395 | 32,086 | *36,369 |
| C. Benstead | 2,056 | *1,662 | 6,425 | *5,399 | 33,535 | *32,296 |

The shares under option are at option prices ranging from 165.505p to 355.43p expiring on various dates up to 3rd April 2005.

* At date of appointment.

Fixed Assets

The movements in fixed assets during the year are set out in note 7 to the financial statements.

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

J.R. Probert

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 3 to 9.

Respective responsibilities of directors and auditors

As described above, 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 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 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
LONDON

9th April 1996

SLOUGH HEAT & POWER LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1995**

| | <u>Notes</u> | <u>9 months trading</u> <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|---|--------------|---|------------------------------|
| Turnover | 2 | 5,301 | -- |
| Cost of sales | | (401) | -- |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 4,900 | -- |
| Administration expenses | | (4,760) | -- |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | | 140 | |
| Net interest receivable | | 167 | -- |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 307 | -- |
| Taxation | 6 | (373) | -- |
| | | <hr/> | <hr/> |
| LOSS FOR THE YEAR | | (66) | -- |
| | | <hr/> | <hr/> |

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 losses above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 5 to 9 form part of these financial statements.

SLOUGH HEAT & POWER LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1995

| | <u>Notes</u> | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|--|--------------|------------------------------|------------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 1,230 | -- |
| Investments | 8 | 416 | -- |
| | | <hr/> | <hr/> |
| | | 1,646 | -- |
| CURRENT ASSETS | | | |
| Stocks | 9 | 108 | -- |
| Debtors - Amounts falling due after more than one year | 10 | 63,887 | -- |
| - Amounts falling due within one year | 10 | 6,127 | 7 |
| Cash at bank | | 13 | -- |
| | | <hr/> | <hr/> |
| TOTAL ASSETS | | <u>71,781</u> | <u>7</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 45,507 | 7 |
| Profit and loss account | 12 | (66) | -- |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | 14 | 45,441 | 7 |
| CREDITORS | | | |
| - Amounts falling due within one year | 13 | 753 | -- |
| - Amounts falling due after more than one year | 13 | 25,587 | -- |
| | | <hr/> | <hr/> |
| | | <u>71,781</u> | <u>7</u> |

The financial statements were approved by the Board of Directors on 25th March 1996 and were signed on its behalf by:-


D.R. Wilson
Director

The notes on pages 5 to 9 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

Deferred taxation, if applicable, is provided using the liability method in respect of the taxation of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

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 the 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, which are estimated to be:

| | % |
|---------------------|---------|
| Plant and Equipment | 10 - 30 |

e) Investments

The value of investments in subsidiaries is stated at cost.

f) Consolidated Accounts

The company has taken advantage of the exemption provided by section 230 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.

2. Turnover

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

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:

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|-----------------------|------------------------------|------------------------------|
| Wages and Salaries | 3,155 | -- |
| Social Security costs | 270 | -- |
| Pension contributions | 391 | -- |
| | <hr/> | <hr/> |
| | 3,816 | -- |
| | <hr/> | <hr/> |

The average number of employees of the company was 125 (1994: NIL).

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 £391,000.

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 the employees' working lives with the company. The latest actuarial valuation as at 1st April 1995 assumed investment returns 1 per cent per annum higher than the rate of annual salary increase and 5 per cent per annum higher than the rates of increase of present and future pensions.

At the date of the latest valuation, the market value of the assets of the scheme was £19.6m and the actuarial value of those assets represented 108 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. The surplus is being spread over the service lives of employees in the scheme.

4. Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging:

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|----------------------------------|------------------------------|------------------------------|
| Depreciation charge for the year | 38 | -- |
| Auditors' remuneration for:- | | |
| Audit | 16 | -- |
| Non-audit services | 1 | -- |

Audit fees for 1994 were borne by Slough Estates Administration Ltd.

5. 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>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|---|------------------------------|------------------------------|
| Emoluments of the other directors | | |
| Emoluments (including benefits in kind) | 211,334 | -- |
| Pension contributions | 30,161 | -- |
| | <hr/> | <hr/> |
| | 241,495 | -- |
| | <hr/> | <hr/> |
| Highest paid other director (excluding pension contributions) | 106,478 | -- |
| | <hr/> | <hr/> |

Number of other directors whose remuneration (excluding pension contributions) was between:

| | | |
|---------------------|---|----|
| £105,000 - £110,000 | 1 | -- |
| £60,000 - £65,000 | 1 | -- |
| £40,001 - £45,000 | 1 | -- |

| | | |
|--------------------------------|--|--|
| 6. <u>Taxation</u> | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
| Based upon profit for the year | | |
| Corporation tax at 33% | 373 | -- |

All tax liabilities are transferred to the ultimate holding company, Slough Estates plc. Any adjustments relating to prior year liabilities are made in the accounts of the ultimate holding company.

| | | | |
|-----------------------------------|---|--|---------------------|
| 7. <u>Tangible Assets</u> | <u>Land and</u> <u>Buildings</u> <u>£000's</u> | <u>Plant and</u> <u>Equipment</u> <u>£000's</u> | <u>TOTAL</u> |
| <u>Cost</u> | | | |
| Balance at 1st January 1995 | -- | -- | -- |
| Transferred from group company | 1,022 | 246 | 1,268 |
| | ----- | ----- | ----- |
| Balance at 31st December 1995 | 1,022 | 246 | 1,268 |
| | ----- | ----- | ----- |
| <u>Depreciation</u> | | | |
| Balance at 1st January 1995 | -- | -- | -- |
| Charge for the year | -- | (38) | (38) |
| | ----- | ----- | ----- |
| Balance at 31st December 1995 | -- | (38) | (38) |
| | ----- | ----- | ----- |
| Net book value 31st December 1995 | 1,022 | 208 | 1,230 |
| | ===== | ===== | ===== |
| Net book value 31st December 1994 | -- | -- | -- |
| | ===== | ===== | ===== |

8. **Investments**

The company has investments in the following subsidiary undertakings, all of which are wholly owned, operate in the United Kingdom, and have share capital consisting solely of ordinary shares. All are registered in England and Wales. Power from Waste invests in waste to energy fuel manufacturing ventures. The other two are engaged in the supply and distribution of electricity.

| | | |
|----------------------------------|--|--|
| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
| At January 1995 | -- | -- |
| Additions: | | |
| Slough Energy Supplies Ltd | 316 | -- |
| Slough Electricity Contracts Ltd | 100 | -- |
| Power From Waste Limited | -- | -- |
| | ----- | ----- |
| | 416 | -- |
| | ===== | ===== |

9. Stocks

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|------------------|------------------------------|------------------------------|
| Work in progress | 108 | — |

10. Debtors

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|---|------------------------------|------------------------------|
| <u>Amounts falling due after more than one year</u> | | |
| Amounts owed by subsidiary undertakings | 63,887 | — |
| <u>Amounts falling due within one year</u> | | |
| Trade debtors | 178 | — |
| Amounts owed by fellow subsidiary undertakings | 5,852 | — |
| Amounts owed by parent company | — | 7 |
| Prepayments and accrued income | 97 | — |
| | <u>6,127</u> | <u>7</u> |

11. Called-up Share Capital

| | <u>Authorised</u> <u>Shares</u> | | <u>Issued &</u> <u>Fully Paid</u> <u>Shares</u> | |
|--|------------------------------------|---------------|---|---------------|
| | <u>Number</u> | <u>£000's</u> | <u>Number</u> | <u>£000's</u> |
| Ordinary shares of £1 each at 1st January 1995 | 40 | 40 | 7 | 7 |
| Shares issued during the year | 45,500 | 45,500 | 45,500 | 45,500 |
| At 31st December 1995 | <u>45,540</u> | <u>45,540</u> | <u>45,507</u> | <u>45,507</u> |
| Preference shares of £1 each at 1st January 1995 | <u>10</u> | <u>10</u> | <u>—</u> | <u>—</u> |

The company issued 45,500,000 £1 ordinary shares during the year in order to provide capital for the business which commenced trading during the year.

12. Profit and Loss Account

| | <u>1995</u> <u>£000's</u> |
|-------------------------------|------------------------------|
| Balance at 1st January 1995 | — |
| Loss for the year | (66) |
| Balance at 31st December 1995 | <u>(66)</u> |

13. Creditors

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|---|------------------------------|------------------------------|
| <u>Amounts falling due within one year</u> | | |
| Amounts owed to group companies | 373 | — |
| Other creditors | 380 | — |
| | <u>753</u> | <u>—</u> |
| <u>Amounts falling due after more than one year</u> | | |
| Amounts due to group companies | 25,587 | <u>—</u> |

14. Reconciliation of Movement in Shareholders' Funds

| | <u>1995</u> <u>£000's</u> | <u>1994</u> <u>£000's</u> |
|--|------------------------------|------------------------------|
| Loss attributable to ordinary shareholders | (66) | — |
| Increase in issued ordinary shares | 45,500 | — |
| | <u>45,434</u> | <u>—</u> |
| Net increase in shareholders' funds | 7 | 7 |
| Shareholders' funds at 1st January 1995 | <u>45,441</u> | <u>7</u> |

15. Ultimate Holding Company

The company's ultimate holding company is Slough Estates plc, registered in England and Wales. Copies of the consolidated financial statements of Slough Estates plc can be obtained from 234 Bath Road, Slough, SL1 4EE