

**LONDON ELECTRICITY SERVICES LIMITED**

**Registered Number 2228168**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**NINE MONTH PERIOD ENDED 31 DECEMBER 1997**



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**Directors**

Mr A V Towers  
Mr J V Turner  
Mr I R Beament  
Mr R Barnes

**Secretary**

Mr A Whittaker

**Registered Number**

2228168

**Auditors**

Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN

**Registered Office**

Templar House  
81-87 High Holborn  
LONDON  
WC1V 6NU

## **LONDON ELECTRICITY SERVICES LIMITED**

### **REPORT OF THE DIRECTORS FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 1997**

The Directors present their report and the audited financial statements for the nine month period ended 31 December 1997.

#### **PRINCIPAL ACTIVITY**

The Company's principal activity is to manage electricity distribution systems. It will continue in this activity for the foreseeable future.

#### **RESULTS AND DIVIDEND**

During the period the company changed its year end from 31 March to 31 December to be in line with the company's ultimate parent. Consequently, the financial statements cover a nine month period.

The profit for the financial period was £5,478,061 (31 March 1997: £7,257,726). Further information is contained in the financial statements appended to this report.

The Directors recommend that no dividend be paid this period.

#### **FIXED ASSETS**

Details of the movements in fixed assets during the period are shown in Note 9 to the financial statements.

#### **DIRECTORS**

Directors who held office during the period were as follows:-

Mr Alan Victor Towers  
Mr John Victor Turner  
Mr Ian Roger Beament  
Mr Ronald Barnes

The articles do not provide for the rotational retirement of Directors.

#### **DIRECTORS' INTERESTS**

None of the Directors has a contract of service with the Company. They are all employed by the parent company, London Electricity plc, and have service contracts with that company.

There were no contracts of significance during or at the end of the financial period in which a Director of the Company was materially interested.

There are no particulars or arrangements requiring disclosure pursuant to section 232 of the Companies Act 1985.

#### **DIRECTORS' SHAREHOLDINGS**

No Director or any connected person has an interest in the shares of the Company. At 31 March 1997, the Directors had interests in the immediate parent company, London Electricity plc, and those interests which are not disclosed in the accounts of that company are detailed below:-

# Share Options

		Sharesave No.2	Sharesave No.3	Executive No.2	Executive No.3	Total
Mr J V Turner	1/4/97	990	-	-	7,450	8,440
	31/12/97	-	-	-	-	-
Mr R Barnes	1/4/97	-	2,147	4,500	12,000	18,647
	31/12/97	-	-	-	-	-
Total	1/4/97	990	-	4,500	19,450	27,087
	31/12/97	-	-	-	-	-

Due to the acquisition of London Electricity plc by Entergy Power UK plc the following shares were exercised after 31 March 1997 and the Cash Offer made by Entergy Power UK plc accepted:

	Shares exercised	Exercise price £	Market price at date of exercise £	Date of exercise
Mr J V Turner	767	3.03	7.055	April 97
Mr R Barnes	4,500	3.00	7.055	April 97
	12,000	4.83	7.055	April 97

## CREDIT PAYMENT POLICY

The Company's current policy concerning the payment of the majority of its trade creditors and other suppliers is to:

- (a) settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- (b) ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception.

## AUDITORS

In accordance with the elective resolution of the Company passed 23 June 1992 the auditors Coopers & Lybrand will continue in office.

By Order of the Board

  
A. Whittaker  
Secretary

6 February 1998

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The following statement sets out the responsibilities of the Directors in relation to the financial statements. It should be read in conjunction with the auditors report on page 6.

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 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.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have met their responsibilities as set out in this statement.

**LONDON ELECTRICITY SERVICES LIMITED**

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF LONDON ELECTRICITY SERVICES LIMITED**

We have audited the financial statements on pages 7 to 14.

**Respective responsibilities of directors and auditors**

As described on page 5 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.

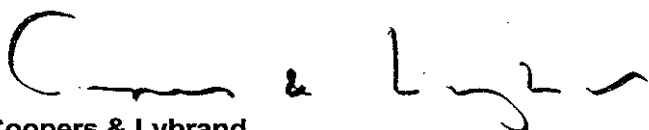
**Basis of opinion**

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 31 December 1997 and of its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**  
**Chartered Accountants and Registered Auditors**  
London  
6 February 1998

**LONDON ELECTRICITY SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 1997**

	Notes	31 December 1997 £	31 March 1997 £
Turnover	2	14,634,640	17,923,284
Cost of sales		(536,140)	(793,534)
<b>Gross Profit</b>		<u>14,098,500</u>	<u>17,129,750</u>
Operating expenses		(3,458,383)	(3,877,833)
<b>Operating Profit</b>	3	<u>10,640,117</u>	<u>13,251,917</u>
Interest receivable	6	327,429	292,397
Interest payable	7	(4,926,079)	(6,442,798)
<b>Profit on ordinary activities before taxation</b>		<u>6,041,467</u>	<u>7,101,516</u>
Tax on profit on ordinary activities	8	(563,406)	156,210
<b>Retained Profit for the period</b>	18	<u><u>5,478,061</u></u>	<u><u>7,257,726</u></u>

The results of the Company relate entirely to continuing operations.

There are no recognised gains or losses other than the profit for the financial period and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

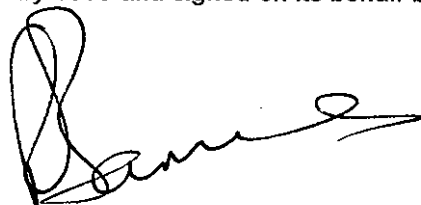
**LONDON ELECTRICITY SERVICES LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 1997**

	Notes	31 December 1997 £	31 March 1997 £
<b>Fixed Assets</b>			
Tangible assets	9	64,750,854	63,102,940
Investments	10	1,450,004	1,450,004
		<u>66,200,858</u>	<u>64,552,944</u>
<b>Current Assets</b>			
Stocks	11	227,722	123,952
Debtors	12	9,161,254	6,440,964
Cash		-	12,125
		<u>9,388,976</u>	<u>6,577,041</u>
<b>Current Liabilities</b>			
Amounts falling due within one year	13	(12,003,834)	(13,022,046)
<b>Net Current Liabilities</b>		<u>(2,614,858)</u>	<u>(6,445,005)</u>
<b>Total assets less current liabilities</b>		<u>63,586,000</u>	<u>58,107,939</u>
Creditors amounts falling due after more than one year	15	(72,000,000)	(72,000,000)
<b>Net Liabilities</b>		<u>(8,414,000)</u>	<u>(13,892,061)</u>
<b>Capital and Reserves</b>			
Share capital	17	10,100,000	10,100,000
<b>Reserves</b>			
Profit and loss account	18	26,065,965	20,587,904
Goodwill write off reserve	18	(44,579,965)	(44,579,965)
<b>Equity shareholders' funds</b>	19	<u>(8,414,000)</u>	<u>(13,892,061)</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 6 February 1998 and signed on its behalf by:



R Barnes  
Director



# **LONDON ELECTRICITY SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 1997**

### **1. ACCOUNTING POLICIES**

#### **Accounting conventions**

The financial statements have been prepared under the historical cost convention and comply with applicable United Kingdom accounting standards.

The cashflows of the Company are included in the consolidated group cashflow statement of Entergy Corporation. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of Entergy Corporation.

#### **Turnover**

Turnover arises entirely in the United Kingdom from the management of various electricity distribution systems and is stated exclusive of value added tax.

#### **Pensions**

Pension costs are charged to the profit and loss account so that they are spread over employees' working lives. Pension costs are assessed in accordance with the advice of qualified actuaries.

#### **Tangible fixed assets**

Where the Company acquires an existing distribution system assets are valued at their replacement cost. In other cases the cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Where employees participate directly in the construction of assets staff costs are capitalised. Depreciation is calculated so as to write off the cost of tangible fixed assets over their expected useful economic life. The straight line method is used. Assets are depreciated from the date of commission.

Lives of depreciable assets are as follows:

Operational assets	40 years
Non operational assets	
Fixtures and equipment	5 years
Vehicles	5 years
IT Equipment	3 years

#### **Stocks**

Stocks are stated at the lower of cost or net realisable value. The valuation of work in progress is based on the cost of labour and materials.

#### **Goodwill**

Purchased goodwill is written off immediately against reserves. Goodwill represents the excess of purchase price over the fair value of separable net assets acquired.

### Deferred tax

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision is made for deferred taxation using the liability method only where it is anticipated to crystallise within the foreseeable future.

### Leases

Rental costs under operating leases are charged to the profit and loss account in the period in which they are incurred.

## 2. TURNOVER

Turnover arises entirely in the United Kingdom.

## 3. OPERATING PROFIT

	31 Dec 1997 £	31 Mar 1997 £
Operating profit is stated after charging the following:		
Depreciation	1,401,480	1,545,987
Loss on disposal of tangible fixed assets	280,127	71,435
Auditors' remuneration	7,500	6,000
Lease payments for Land & Buildings	128,057	152,013
Lease payments for vehicles	<u>94,661</u>	<u>139,915</u>

## 4. DIRECTORS' EMOLUMENTS

All the Directors are employees of London Electricity plc and did not receive any remuneration from the Company during the period.

## 5. EMPLOYEE INFORMATION

The average weekly number of persons (including executive directors) employed by the Company during the period was:

	31 Dec 1997 Number	31 Mar 1997 Number
	<u>45</u>	<u>54</u>
Staff costs (for the above persons)	31 Dec 1997 £	31 Mar 1997 £
Wages and salaries	915,831	1,490,223
Social security costs	74,658	118,575
Other pension costs (see note 20)	14,937	6,501
	<u>1,005,426</u>	<u>1,615,299</u>

**6. INTEREST RECEIVABLE**

	31 Dec 1997	31 Mar 1997
	£	£
Other interest receivable from London Electricity plc	<u>327,429</u>	<u>292,397</u>

**7. INTEREST PAYABLE**

	31 Dec 1997	31 Mar 1997
	£	£
Interest due on loan from London Electricity plc	<u>4,926,079</u>	<u>6,442,798</u>

**8. TAXATION ON PROFITS ON ORDINARY ACTIVITIES**

	31 Dec 1997	31 Mar 1997
	£	£
United Kingdom corporation tax at 31% (31 March 1997: 33%)	1,154,576	(156,210)
Less: Prior years adjustment	<u>(591,170)</u>	<u>-</u>
	<u>563,406</u>	<u>(156,210)</u>

For the nine month period ended 31 December 1997 the UK corporation tax charge was reduced by £0.9 million as a result of accelerated capital allowances. At 31 December 1997 there was no liability or potential liability for deferred tax.

**9. FIXED ASSETS**

	Network Assets £	Assets in the course of construction £	Vehicles £	Fixtures and equipment £	Total £
<b>Cost</b>					
As at 1 April 1997	56,321,255	11,261,554	14,000	979,875	68,576,684
Additions	10,526,381	(7,201,861)	-	15,714	3,340,234
Disposals	(287,055)	-	(9,100)	(38,535)	(334,690)
At 31 December 1997	<u>66,560,581</u>	<u>4,059,693</u>	<u>4,900</u>	<u>957,054</u>	<u>71,582,228</u>
<b>Depreciation</b>					
As at 1 April 1997	4,952,244	-	11,200	510,300	5,473,744
Charge for the period	1,261,654	-	1,493	138,333	1,401,480
Disposals	(35,812)	-	(8,038)	-	(43,850)
At 31 December 1997	<u>6,178,086</u>	<u>-</u>	<u>4,655</u>	<u>648,633</u>	<u>6,831,374</u>
<b>Net book value</b>					
At 31 March 1997	<u>51,369,011</u>	<u>11,261,554</u>	<u>2,800</u>	<u>469,575</u>	<u>63,102,940</u>
At 31 December 1997	<u>60,382,495</u>	<u>4,059,693</u>	<u>245</u>	<u>308,421</u>	<u>64,750,854</u>

## 10. INVESTMENTS

	31 Dec 1997 £	31 Mar 1997 £
Investments in subsidiary companies at cost	<u>1,450,004</u>	<u>1,450,004</u>

### Interest in subsidiaries

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares	Principal Activities
London Electricity Contracting Ltd	England & Wales	Ordinary £1 shares	100%	Electrical Contracting
London Electricity Transport Services Ltd	England & Wales	Ordinary £1 shares	100%	Transport Services

## 11. STOCKS

	31 Dec 1997 £	31 Mar 1997 £
Work in progress	<u>227,722</u>	<u>123,952</u>

## 12. DEBTORS

	31 Dec 1997 £	31 Mar 1997 £
<b>Amounts falling due within one year</b>		
Trade debtors	297,555	209,641
Amount owed by London Electricity plc	8,765,713	6,163,820
Amounts owed by other group companies	30,010	23,978
Other debtors	6,009	850
Prepayments and accrued income	61,967	42,675
	<u>9,161,254</u>	<u>6,440,964</u>

## 13. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	31 Dec 1997 £	31 Mar 1997 £
Trade creditors	31,704	139,513
Corporation Tax	226,308	1,523,385
Bank overdraft	408,394	-
Other taxation and social security	295,426	288,202
Amounts owed to subsidiary companies	254,527	352,675
Accruals and deferred income	1,059,761	990,557
On demand loan from London Electricity plc (see note 16)	5,627,714	5,627,714
Current instalments due on long term loans from London Electricity plc (see note 16)	4,100,000	4,100,000
	<u>12,003,834</u>	<u>13,022,046</u>

## 14. DEFERRED TAXATION

	Amount provided		Potential Liability	
	31 Dec 1997 £	31 Mar 1997 £	31 Dec 1997 £	31 Mar 1997 £
Tax effect of timing differences:				
Excess of tax allowances over depreciation	-	-	10,400,000	7,000,000

# 15. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 Dec 1997 £	31 Mar 1997 £
Loans from London Electricity plc (see note 16)	<u>72,000,000</u>	<u>72,000,000</u>

# 16. LOANS FROM LONDON ELECTRICITY PLC

Details of the loans are as follows:

Principle £	Interest	Repayment Date
80,000,000	8.25%	31 March 2008
<u>5,627,714</u>	* 8.25%	On demand
<u>85,627,714</u>		

\* Interest was charged at 0% to 31 July 1997 and 8.25% from 1 August 1997.

The remaining balances to be repaid are as follows:

	31 Dec 1997 £	31 Mar 1997 £
Repayable in less than one year	9,727,714	9,727,714
Repayable in over one year	<u>72,000,000</u>	<u>72,000,000</u>
	<u>81,727,714</u>	<u>81,727,714</u>

# 17. SHARE CAPITAL

	31 Dec 1997 £	31 Mar 1997 £
<b>Authorised</b>		
15,000,000 Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>
<b>Allotted, called up and fully paid</b>		
10,100,000 Ordinary shares of £1 each	<u>10,100,000</u>	<u>10,100,000</u>

# 18. RESERVES

	Profit and Loss Account £	Goodwill Write off Reserve £	Total £
Balance at 1 April 1997	20,587,904	(44,579,965)	(23,992,061)
Retained profit for the period	<u>5,478,061</u>	-	<u>5,478,061</u>
Balance at 31 December 1997	<u>26,065,965</u>	<u>(44,579,965)</u>	<u>(18,514,000)</u>

# 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 1997 £	31 Mar 1997 £
Opening shareholders' funds	(13,892,061)	(21,149,787)
Profit for the period	<u>5,478,061</u>	<u>7,257,726</u>
Closing shareholders' funds	<u>(8,414,000)</u>	<u>(13,892,061)</u>

## 20. PENSIONS

Employees are members of the London Electricity Group segment of the Electricity Supply Pension Scheme (ESPS). The ESPS provides pensions and related benefits based on the final pensionable pay of employees. The assets of the scheme are held in a separate trustee administered fund.

The most recent formal actuarial valuation of the scheme was carried out at 31 March 1995 by Bacon and Woodrow, consulting actuaries. Details of the principal assumptions and the results of the valuation are included in the financial statements of London Electricity plc.

The pension charged for the period was as follows:

	£
Normal charge for the period	102,180
Less pension surplus credit	(102,180)
	<u>-</u>

In April 1994 the London Electricity Group set up a defined contribution pension scheme for new employees. The pension charge for the period relating to that scheme was £14,937 (31 March 1997: £6,501).

## 21. CAPITAL COMMITMENTS

	31 Dec 1997 £	31 Mar 1997 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>3,053,727</u>	<u>4,392,494</u>

## 22. FINANCIAL COMMITMENTS

At 31 December 1997 the Company had annual commitments under non-cancellable operating leases as follows:

	31 Dec 1997		31 Mar 1997	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring within one year	-	37,389	111,809	18,609
Expiring between two and five years inclusive	-	99,307	-	129,751
Expiring over five years	195,565	-	25,105	-
	<u>195,565</u>	<u>136,696</u>	<u>136,914</u>	<u>148,360</u>

## 23. CONTINGENCY

The Company has a contract with London and Continental Railways Ltd (LCR) and Eurostar (UK) Ltd to design and build the new distribution system for the Channel Tunnel Rail Link. On 29 January 1998 the Board of LCR announced that they did not believe the Link project could proceed on the terms previously agreed with HM Government. The Government agreed to a thirty day period during which it would consider revised proposals from LCR which would allow LCR to proceed with the project. As this thirty day period has not elapsed at the date of signing of these accounts the implications on the contract cannot be ascertained with any certainty.

## 24. PARENT COMPANY

Entergy Corporation, a company registered in the United States of America, is the ultimate parent company. London Electricity plc a wholly owned subsidiary of Entergy Corporation is the immediate parent company. According to the register kept by the company, London Electricity plc has a 100% interest in the equity of London Electricity Services Ltd at 31 December 1997.