

LONDON ELECTRICITY PLC  
REPORTS & ACCOUNTS  
FOR THE NINE MONTHS  
ENDED 31 DECEMBER 1997

Registered Company number 2366852



## Directors' Report

The directors present their report and financial statements for the nine months ended 31 December 1997.

### PRINCIPAL ACTIVITIES

The principal activities of the Group throughout the period were the licensed distribution and supply of electricity to commercial, residential and industrial customers within the London area, the provision of services relating to energy and electrical contracting and the operation of private distribution networks.

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS

On 18 December 1996, the Boards of Entergy London Investments plc (formerly Entergy Power UK plc) and London Electricity plc announced the terms of a recommended cash offer of 705 pence per ordinary share for all the issued share capital of London Electricity plc. This offer was accepted by over 90 per cent of the shareholders of London Electricity plc. On 23 February 1997 Entergy London Investments plc posted compulsory acquisition notices pursuant to Section 429(4) of the Companies Act 1985 to all those holders of London Electricity plc shares who had not accepted the offer. During the current financial period Entergy London Investments plc purchased the remaining shares and now owns 100 per cent of London Electricity plc.

Following the acquisition by Entergy London Investments plc the Company and its principal operating subsidiaries changed their year end from 31 March to 31 December to be in line with the Company's ultimate parent. As a result the financial statements cover a nine month period.

During the next financial year the market to supply electricity to small commercial and residential customers is expected to be opened up to competition. The directors consider that the Company will be well placed, following the onset of competition, to remain a significant participant in this market and that the overall level of activity will be satisfactory.

### RESULTS AND DIVIDENDS

The profit on ordinary activities of the Group before taxation amounted to £100.2 million and after taxation to a profit of £98.6 million. Interim dividends totalling £102.1 million were declared during the period.

### DIRECTORS

The directors of the Company who held office during the period ended 31 December 1997 or who are directors at date of the signing of this report are as follows :

		<u>Appointed</u>	<u>Resigned</u>
Michael B. Bemis	(E)		
Ian R. Beament	(E)		
Michael J. Brown	(E)		31 July 1997
Alan V. Towers	(E)		
Edwin A. Lupberger (Chairman)	(NE)		
Gerald D. McInvale	(NE)		17 Dec 1997
Terry L. Ogletree	(NE)		17 Dec 1997
Michael J. Kersey	(E)		31 May 1997
Charles Brown III	(NE)	17 Dec 1997	
Martin R. Wenban	(E)	17 Dec 1997	
Ronald Barnes	(E)	17 Dec 1997	

(E) - Executive director

(NE) - Non executive director

### DIRECTORS' INTERESTS

No contract or arrangement has been entered into at any time during the period or subsisted at the end of the period in which any director had a material interest which was significant in relation to the Group's business.

## Directors' interests in the issued ordinary share capital and share options of the Company

The interests of the directors of the Company at 31 December 1997 in the issued ordinary share capital of the Company, as shown in the register kept by the Company, are given below. The interests are shown from 1 April 1997 or date of appointment where this is later.

All the interests are beneficial unless otherwise stated.

(a) Ordinary shares	Shares at 31/12/97	Shares at 31/3/97
E. A. Lupberger	Nil	Nil
M. B. Bemis	Nil	Nil
I. R. Beament	Nil	Nil
M. J. Brown	N/A	Nil
G. D. McInvale	N/A	Nil
T. L. Ogletree	N/A	Nil
A. V. Towers	Nil	1,800
M J Kersey	N/A	Nil
C. Brown III	Nil	N/A
M. R. Wenban	Nil	N/A
R. Barnes	Nil	N/A
<b>Total</b>	<u>Nil</u>	<u>1,800</u>

None of the directors has a beneficial interest in the shares of any subsidiary Company.

All beneficial interests in shares were disposed of after 31 March 1997.

## RESEARCH AND DEVELOPMENT

The Group undertakes a programme of research covering energy utilisation, operational efficiency, customer service and environmental impact in conjunction with EA Technology Limited at Capenhurst. ERA Technology and the National Grid Research Laboratories, both at Leatherhead, also carry out research work for the Group whilst product development work for specific London Electricity plc requirements is addressed in conjunction with a number of our suppliers.

## CONTRIBUTIONS FOR POLITICAL AND CHARITABLE PURPOSES

The Group supports a number of community projects either in cash or in kind. The value of these contributions amounted to £635,102 (1996/97 £640,758).

There were no political donations.

## 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. Wherever possible, subsidiaries follow the same policy. The number of days represented by trade creditors falling due for payment within one year at the period end is 30 days.

## DIFFERENCES BETWEEN MARKET & BALANCE SHEET VALUE OF LAND

Land & buildings are carried in the historical cost accounts at a net book value of £112.6 million. The directors consider the market value of land & buildings is significantly in excess of this amount.

## **EMPLOYEES**

It is the policy of the Group that there shall be equal opportunities in the area of employment without discrimination on grounds of ethnic or racial origin, nationality, religion, sex or marital status in accordance with the appropriate legislation and Government guidelines.

The Group gives full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for suitable positions.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Group.

The Group's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

## **GOING CONCERN**

The financial statements have been prepared on the going concern basis. The directors are satisfied that the Company and Group have adequate resources to continue in operational existence for the foreseeable future.

## **DIRECTORS' RESPONSIBILITIES**

The following statement sets out the responsibilities of the directors in relation to the financial statements.

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 the Group and of the profit or loss 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 the Group 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.

## **AUDITORS**

The auditors, Coopers & Lybrand, are willing to continue in office. A resolution for their re-appointment as the Company's auditors and to authorise the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Andrew Whittaker  
Deputy Company Secretary  
6 February 1998

## **Report of the Auditors to the Members of London Electricity plc**

We have audited the financial statements on pages 7 to 30.

### **Respective responsibilities of directors and auditors**

As described on page 5 the Company's directors are responsible for the preparation of the 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.

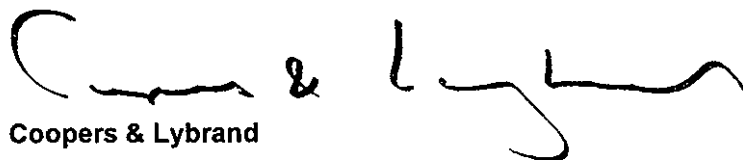
### **Basis of opinion**

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 Group'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 affairs of the Company and the Group at 31 December 1997 and of the profit and total recognised gains of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'C & L', is written over the company name.

**Coopers & Lybrand**

Chartered Accountants and Registered Auditors  
London

6 February 1998

**LONDON ELECTRICITY PLC**  
**GROUP PROFIT AND LOSS ACCOUNT**

**for the 9 months ended 31 December 1997**

	Note	9 months to Dec 97 £m	12 months to March 97 £m
Turnover continuing operations	3	892.1	1,349.8
Cost of sales		(585.5)	(931.9)
<b>Gross profit</b>		<b>306.6</b>	<b>417.9</b>
Net operating expenses	1	(192.7)	(250.5)
Exceptional items	1, 2	7.8	(21.8)
<b>Operating profit</b> continuing operations	3, 4	<b>121.7</b>	<b>145.6</b>
Share of profits of associated undertakings		2.6	3.5
Exceptional items - provision against investments	2	(11.6)	(14.7)
<b>Profit on ordinary activities before interest</b>		<b>112.7</b>	<b>134.4</b>
Income from investments		0.6	4.1
Net interest payable	7	(13.1)	(18.5)
<b>Profit on ordinary activities before taxation</b>		<b>100.2</b>	<b>120.0</b>
Taxation on profit on ordinary activities	8	(1.6)	(164.8)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>98.6</b>	<b>(44.8)</b>
Dividends			
Interim	10	(102.1)	(25.6)
<b>Retained loss for the financial period</b>		<b>(3.5)</b>	<b>(70.4)</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for 9 months ended 31 December 1997**

	9 months to Dec 97 £m	12 months to March 97 £m
Profit/(loss) on ordinary activities after taxation	98.6	(44.8)
<b>Total recognised gains and losses relating to the period</b>	<b>98.6</b>	<b>(44.8)</b>

**NOTE OF HISTORICAL COST GROUP PROFITS AND LOSSES  
for 9 months ended 31 December 1997**

	Note	9 months to Dec 97 £m	12 months to March 97 £m
Profit on ordinary activities before taxation		100.2	120.0
Realisation of revaluation surpluses on NGG investment	24	3.3	4.3
<b>Historical cost profit on ordinary activities before taxation</b>		<b>103.5</b>	<b>124.3</b>
<b>Historical cost loss for the period retained after taxation and dividends</b>		<b>(0.2)</b>	<b>(66.1)</b>

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS  
for 9 months ended 31 December 1997**

	Note	9 months to Dec 97 £m	12 months to March 97 £m
Profit/(loss) on ordinary activities after taxation		98.6	(44.8)
Dividends	10	(102.1)	(25.6)
<b>Retained loss</b>		<b>(3.5)</b>	<b>(70.4)</b>
Shares issued to Entergy London Investments plc		39.0	-
Shares issued under option & share save schemes		0.5	-
Share premium on issue on shares		3.0	1.6
Other net recognised gains relating to the period		-	4.3
		<b>42.5</b>	<b>5.9</b>
<b>Net increase/(decrease) in equity shareholders' funds</b>		<b>39.0</b>	<b>(64.5)</b>
Equity shareholders' funds at start of period		435.2	499.7
<b>Closing equity shareholders' funds</b>		<b>474.2</b>	<b>435.2</b>

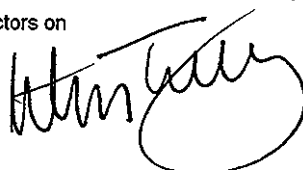


**LONDON ELECTRICITY PLC**  
**BALANCE SHEET**  
as at 31 December 1997

		<b>Group</b>		<b>Company</b>	
	Note	31 Dec 97 £m	31 March 97 £m	31 Dec 97 £m	31 March 97 £m
<b>Fixed assets</b>					
Tangible assets	11	898.1	860.0	827.0	790.2
Investments	12	7.6 905.7	10.3 870.3	104.0 931.0	106.2 896.4
<b>Current assets</b>					
Stocks	16	8.3	8.5	6.0	5.5
<b>Debtors : amounts falling due:</b>					
After more than one year	17	32.0	26.9	32.0	26.9
Within one year	17	301.9	315.5	309.9	323.9
Investments	18	27.4	28.2	14.8	17.1
Cash at bank and in hand		- 369.6	18.4 397.5	- 362.7	19.2 392.6
<b>Creditors:</b> <b>amounts falling due within one year</b>					
Borrowings	19	(153.3)	(141.7)	(153.0)	(141.7)
Other creditors	20	(381.1)	(262.8)	(384.9)	(263.5)
<b>Net current liabilities</b>		(164.8)	(7.0)	(175.2)	(12.6)
<b>Total assets less current liabilities</b>		740.9	863.3	755.8	883.8
<b>Creditors:</b> <b>amounts falling due after more than one year</b>					
Borrowings	19	(198.1)	(197.9)	(198.1)	(197.9)
Other creditors	20	(8.8) (206.9)	(7.5) (205.4)	(3.6) (201.7)	(4.2) (202.1)
<b>Provisions for liabilities and charges</b>	21	(59.8)	(222.7)	(54.9)	(217.3)
<b>Net assets</b>		474.2	435.2	499.2	464.4
<b>Capital and Reserves</b>					
Called up share capital	22	141.5	102.0	141.5	102.0
Share premium account	24	13.9	10.9	13.9	10.9
Capital redemption reserve	24	11.0	11.0	11.0	11.0
Revaluation reserve	24	-	3.3	-	3.3
Profit and loss account	24	307.8	308.0	332.8	337.2
Equity shareholders' funds		474.2	435.2	499.2	464.4

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

Alan Towers  
Finance Director



## **Statement Of Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies is set out below. Policies have been consistently applied except where specifically stated.

### **Basis of accounting**

These financial statements have been prepared under the historical cost accounting convention.

### **Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and all subsidiary undertakings after eliminating intercompany transactions for the financial period. No profit and loss account is presented for London Electricity plc in accordance with the exemptions allowed by Section 230 of the Companies Act 1985.

### **Associated undertakings**

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest unaudited financial statements of the undertakings concerned. These undertakings do not all have the same accounting reference date. Because the accounting policies of associated undertakings do not necessarily conform in all respects to those of the Group, adjustments are made on consolidation where the amounts involved are material to the Group.

### **Turnover**

Turnover represents the value of electricity consumption during the period, including an estimate of the sales value of units supplied to consumers between the date of the last meter reading and the period end, rents and the invoice value of other goods sold and services provided, exclusive of value added tax.

### **Operating leases**

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

### **Pensions**

The cost of providing pensions in respect of defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over employees working lives. Pension surpluses and deficits arising are allocated over the estimated average remaining service lives of current employees.

Differences between the amounts charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet.

The pension cost is assessed in accordance with the advice of qualified actuaries.

## **Tangible fixed assets**

Tangible assets are stated at cost less amounts provided to write off assets over their useful economic life. Cost includes staff costs where employees of the Group participate directly in the construction of assets.

Fixed assets are depreciated from the date of commissioning and are written off over their expected useful lives. No allowance is made for residual values.

The lives of each major class of depreciable assets are as follows:

	<u>YEARS</u>
Network assets (Depreciation is charged at 3% for 20 years followed by 2% for the remaining 20 years)	40
Freehold land	Not depreciated
Other buildings - freehold - leasehold	Up to 60 Lower of lease period or 60
Vehicles and mobile plant	5 - 10
Fixtures & equipment including computer hardware and software	3 - 5

Major systems development software costs are capitalised during the development phase and depreciated from the date of commissioning over a maximum period of 5 years.

Consumers' contributions are credited to the profit and loss account over a 40 year period at a rate of 3% for the first 20 years followed by 2% for the remaining 20 years. No allowance is made for residual values.

## **Fixed asset investments**

Fixed asset investments are stated in the Group balance sheet at cost less any provision for permanent diminution in value.

## **Current asset investments**

Current asset investments are stated at the lower of cost and net realisable value.

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of labour and materials. The cost elements of progress invoices are deducted in arriving at the amounts stated.

Profit is taken on contracts whilst the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable future losses.

## **Deferred taxation**

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 that the item will crystallise within the foreseeable future.

**Price control**

Charges for distribution of electricity and supply to customers with a maximum demand under 100Kwh are subject to a price control formula set out in the Company's Public Supply Licence which allows a maximum charge per unit of electricity.

Differences in the charges, or in the purchase cost of electricity, can result in the under or overrecovery of revenues in a particular year.

Where there is an overrecovery of supply or distribution business revenues against the regulated maximum allowable amount, revenues are deferred equivalent to the overrecovered amount. The deferred amount is deducted from turnover and included in provisions. Where there is an underrecovery, no anticipation of any potential future recovery is made.

**Property clawback**

Arrangements have been implemented which entitle HM Government to a proportion of certain property gains accruing to London Electricity plc as a result of disposals or events treated as disposals occurring after 31 March 1990 of properties held at that date. These arrangements will continue until 31 March 2000.

A provision for clawback in respect of property disposals is made only to the extent that it is probable that a liability will crystallise.

**Cashflow statement**

In accordance with FRS1 (revised) the group has not prepared a statement of cashflows for the current year as it is a wholly owned subsidiary of a company whose financial statements are publicly available.

## Notes to the Accounts

for 9 months ended 31 December 1997

### 1 Analysis of net operating expenses

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Distribution	92.4	114.7
Less: use of prior year provision	(3.1)	(2.9)
Distribution exceptional cost of restructuring	(6.0)	15.1
NGG exceptional item	(0.4)	0.5
Administrative	115.1	149.5
Less: use of prior year provision	(11.7)	(10.8)
Administrative: exceptional cost of restructuring	-	3.9
NGG exceptional item	(1.4)	2.3
	<b>184.9</b>	<b>272.3</b>

### Operating expenses

#### Distribution costs

Distribution costs are the cost of maintaining the network including appropriate depreciation, rates and National Grid Group (NGG) exit charges. Other charges from NGG are included in cost of sales.

#### Administrative expenses

Administrative expenses include all other operating costs.

The NGG exceptional item relates to the ESOP (1996/97: £2.8m).

### 2 Exceptional items

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
<b>Operating exceptionals</b>		
Exceptional cost of restructuring	(6.0)	19.0
Costs in respect of ESOP	(1.8)	2.8
Total operating exceptionals	<b>(7.8)</b>	<b>21.8</b>
<b>Non operating exceptionals</b>		
Increase in provision against investments	11.6	-
Increase in provision for losses in associated undertakings	-	1.7
Profit on sale of investment in pumped storage business	-	(1.3)
Net loss on disposal of subsidiary and associated undertaking	-	3.7
Costs of acquisition by Entergy London Investments plc	-	7.6
Loss on closure of subsidiary	-	3.0
Total non operating exceptionals	<b>11.6</b>	<b>14.7</b>
Total exceptionals	<b>3.8</b>	<b>36.5</b>

Although a number of the Group's operations were sold during the prior year the contribution of these operations was not considered to be material to the Group's result for the period and have therefore not been classified in the profit & loss account as discontinued operations.

### 3 Analysis of turnover, operating profit and net assets

Class of business	Turnover		Operating profit		Net assets	Net assets
	9 mths to Dec 97 £m	12 mths to Mar 97 £m	9 mths to Dec 97 £m	12 mths to Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
Distribution	243.2	336.1	105.9	125.2	782.3	722.3
Supply	816.1	1,264.5	2.7	7.1	62.2	86.7
Private electrical distribution systems	14.4	17.9	10.6	13.3	64.2	57.9
Other	37.9	59.8	4.8	-	(6.7)	1.6
	<b>1,111.6</b>	<b>1,678.3</b>	<b>124.0</b>	<b>145.6</b>	<b>902.0</b>	<b>868.5</b>
Less: Inter business transactions	(219.5)	(328.5)	(2.3)	-	-	-
Unallocated net liabilities	-	-	-	-	(427.8)	(433.3)
Continuing operations	<b>892.1</b>	<b>1,349.8</b>	<b>121.7</b>	<b>145.6</b>	<b>474.2</b>	<b>435.2</b>

#### Explanation of terminology used in the profit and loss account

##### Distribution business

This is the transfer of electricity from the points where it is received in bulk across the distribution systems and its delivery to consumers.

##### Supply business

This is the buying and selling of electricity as suppliers.

##### Private electrical distribution systems

This is the operation, maintenance and expansion of private electrical distribution systems.

##### Other businesses

This includes the operation of contracting, generation, transport, property and insurance activities.

##### Allocation of turnover and costs

Wherever possible turnover and costs are allocated specifically to the business to which they relate. However, because of the integrated nature of the Group's activities, it is necessary to recharge or apportion certain costs.

##### Allocation of assets and liabilities

Operating assets and liabilities are allocated or apportioned to the business to which they relate.

Net operating assets consist of non interest bearing operating assets (fixed assets, stocks and debtors) less non interest bearing operating liabilities (creditors and provisions) arising on operating activities.

Unallocated net liabilities includes other fixed asset investments, cash, borrowings, dividends receivable and payable and taxation.

##### Geographical analysis

Turnover arises entirely in the United Kingdom.

#### 4 Operating profit

Operating profit is stated after charging:

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Staff costs (Note 5)	61.1	88.4
Depreciation (Note 11)	41.5	45.1
Operating lease rentals:		
Land and buildings	5.3	7.3
Plant and machinery	0.6	1.1
Amounts paid to Coopers & Lybrand:		
Remuneration as Group auditors	0.3	0.2
Fees for other services in the United Kingdom	0.3	1.3
and after crediting :		
Rental income	1.4	1.3
Profit on disposal of fixed assets	3.9	1.8

Auditor's remuneration includes £0.2 million (1996/97 £0.1m) for audit services provided to the company.

#### 5 Staff costs

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Wages and salaries	71.1	100.9
Social security costs	5.6	8.5
Other pension costs (Note 25)	(0.7)	1.0
	<u>76.0</u>	<u>110.4</u>
Less: charged as capital expenditure	(14.9)	(22.0)
Charged to the profit and loss account	<u>61.1</u>	<u>88.4</u>

The average number of employees (including executive directors) during the period was:

	Number of employees	Number of employees
Secondary staff grades	2,846	3,020
Primary staff grades	<u>1,224</u>	<u>1,415</u>
	<u>4,070</u>	<u>4,435</u>

## 6 Directors' emoluments

	9 months to 31 Dec 97 £'000	12 months to 31 Mar 97 £'000
Aggregate emoluments	960	820
Compensation for loss of office	1,108	-
	<u>2,068</u>	<u>820</u>

Due to the acquisition of London Electricity plc by Entergy London Investments plc three directors exercised share options in the period. All other remaining options lapsed but a 'cash cancellation' payment equal to the accrued gain on the London Electricity plc shares plus an additional payment equivalent to the gross amount of the interim dividend was paid to two directors.

The aggregate emoluments of the highest paid director during the period, which are included in aggregate emoluments above, and the retirement benefits accruing at 31 December 1997 are disclosed in the accounts of Entergy London Investments plc. In the 12 months to 31 March 1997 the aggregate emoluments and benefits of the highest paid director were £210,000 with an accrued pension under a defined benefit scheme at the year end of £25,000.

Retirement benefits are accruing to two directors under money purchase schemes and to six directors under defined benefit schemes.

## 7 Net interest payable

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Interest receivable and similar income	4.1	5.5
Interest payable and similar charges:		
Bank loans and overdraft	(4.5)	(7.1)
Bonds	<u>(12.7)</u>	<u>(16.9)</u>
Net interest payable	<u>(13.1)</u>	<u>(18.5)</u>



## 8 Taxation on profit on ordinary activities

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
United Kingdom Corporation tax at 31% (1996/97 33%)		
Current taxation on ordinary activities	18.9	28.8
Windfall tax	-	140.0
Group relief	(21.1)	-
Tax on exceptional restructuring costs	-	(3.7)
Deferred tax on exceptional restructuring costs	6.1	(0.8)
Deferred tax on other items	(0.5)	1.4
Tax overprovided in prior years	(1.8)	-
	<u>1.6</u>	<u>165.7</u>
Corporation tax in relation to exceptional ESOP costs	-	(0.9)
	<u>1.6</u>	<u>164.8</u>

The taxation charge has been reduced by £7.5m (1996/97 £26.3m) as a result of timing differences, principally capital allowances and certain provisions.

No deferred taxation adjustment is considered necessary in respect of these timing differences except as shown above.

## 9 Profit on ordinary activities after taxation

The profit for the period is made up as follows :

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Dealt with in the accounts of the parent company	94.1	(53.1)
Retained by subsidiary undertakings	7.0	3.5
Retained by associated undertakings	(2.5)	4.8
	<u>98.6</u>	<u>(44.8)</u>

## 10 Dividends

	9 months to 31 Dec 97 £m	12 months to 31 Mar 97 £m
Interim dividend of 12.3p per 58 1/3 ordinary share (1996/97 14.3p per 58 1/3 ordinary share)	21.6	25.6
Interim dividend of 11.1p per 58 1/3 ordinary shares	19.5	-
Interim dividend of 14.2p per 58 1/3 ordinary shares	25.0	-
Interim dividend of 17.2p per 58 1/3 ordinary shares	36.0	-
	<u>102.1</u>	<u>25.6</u>

**Notes to the Balance Sheet**  
as at 31 December 1997

**11 Tangible fixed assets**

Group	Network Assets	Other land and buildings	Fixtures and equipment	Vehicles & mobile plant	Deduct: consumers' contributions	Total
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
At 1 April 1997	1,350.5	82.4	135.6	17.6	(221.0)	1,365.1
Additions	68.5	2.2	26.2	1.7	(16.9)	81.7
Disposals	(0.3)	(2.5)	-	(2.6)	-	(5.4)
<b>At 31 December 1997</b>	<b>1,418.7</b>	<b>82.1</b>	<b>161.8</b>	<b>16.7</b>	<b>(237.9)</b>	<b>1,441.4</b>

**Depreciation**

At 1 April 1997	446.1	21.5	84.2	9.9	(56.6)	505.1
Charge for the period	31.1	1.3	12.7	2.1	(5.7)	41.5
Disposals	-	(0.2)	(0.8)	(2.3)	-	(3.3)
<b>At 31 December 1997</b>	<b>477.2</b>	<b>22.6</b>	<b>96.1</b>	<b>9.7</b>	<b>(62.3)</b>	<b>543.3</b>

**Net book amounts**

<b>At 31 December 1997</b>	<b>941.5</b>	<b>59.5</b>	<b>65.7</b>	<b>7.0</b>	<b>(175.6)</b>	<b>898.1</b>
At 31 March 1997	904.4	60.9	51.4	7.7	(164.4)	860.0

Company	Network Assets	Other land and buildings	Fixtures and equipment	Vehicles & mobile plant	Deduct: consumers' contributions	Total
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
At 1 April 1997	1,285.0	81.9	132.7	-	(221.0)	1,278.6
Additions	65.2	2.2	26.4	-	(16.9)	76.9
Disposals	-	(2.5)	-	-	-	(2.5)
<b>At 31 December 1997</b>	<b>1,350.2</b>	<b>81.6</b>	<b>159.1</b>	<b>-</b>	<b>(237.9)</b>	<b>1,353.0</b>

**Depreciation**

At 1 April 1997	441.1	21.5	82.4	-	(56.6)	488.4
Charge for the period	30.0	1.2	12.3	-	(5.7)	37.8
Disposals	-	(0.2)	-	-	-	(0.2)
<b>At 31 December 1997</b>	<b>471.1</b>	<b>22.5</b>	<b>94.7</b>	<b>-</b>	<b>(62.3)</b>	<b>526.0</b>

**Net book amounts**

<b>At 31 December 1997</b>	<b>879.1</b>	<b>59.1</b>	<b>64.4</b>	<b>-</b>	<b>(175.6)</b>	<b>827.0</b>
At 31 March 1997	843.9	60.4	50.3	-	(164.4)	790.2

The net book amount of other land and buildings comprises:

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 1997 £m	31 Mar 97 £m
Freehold	33.2	35.1	32.7	34.6
Long leasehold (over 50 years)	9.9	9.7	9.9	9.7
Short leasehold (50 years or less)	16.4	16.1	16.5	16.1
	<u>59.5</u>	<u>60.9</u>	<u>59.1</u>	<u>60.4</u>

Tangible fixed assets include the following:

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 1997 £m	31 Mar 97 £m
Assets in the course of construction	49.4	80.9	45.1	69.6
Land not depreciated	16.2	16.2	16.2	16.2
	<u>65.6</u>	<u>97.1</u>	<u>61.3</u>	<u>85.8</u>

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 1997 £m	31 Mar 97 £m
Capital commitments:				
Contracted for but not provided for	71.0	52.7	68.0	48.2

## 12 Fixed asset investments

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 1997 £m	31 Mar 97 £m
Subsidiary undertakings (Note 13)	-	-	100.1	100.9
Associated undertakings (Note 14)	7.2	4.1	3.5	4.1
Other investments (Note 15)	0.4	6.2	0.4	1.2
	<u>7.6</u>	<u>10.3</u>	<u>104.0</u>	<u>106.2</u>

All investments are unlisted.

## 13 Subsidiary undertakings

	Company		
	Shares £m	Loans £m	Total £m
At 1 April 1997	23.2	77.7	100.9
Additions	-	1.0	1.0
Repayments	-	(1.2)	(1.2)
Transfer to amounts owed by subsidiary undertakings	-	(0.6)	(0.6)
<b>At 31 December 1997</b>	<u>23.2</u>	<u>76.9</u>	<u>100.1</u>

The principal operating subsidiaries included in the consolidated accounts are listed below:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal activities
The London Power Company Ltd	Ordinary £1	100%	Investment in electricity generation
London Power Insurance Ltd	Ordinary £1	100%	Insurance
London Electricity Services Ltd	Ordinary £1	100%	Electricity distribution projects
London Electricity Enterprises Ltd	Ordinary £1	100%	Parent undertaking for investments in commercial projects
London Electricity Contracting Ltd	Ordinary £1	100%	Electrical contracting
London Electricity Transport Services Ltd	Ordinary £1	100%	Provision and supply of transport services
Knight Debt Recovery Services Ltd	Ordinary £1	100%	Debt collection and tracing
Energy Communication Services Ltd	Ordinary £1	100%	Meter reading and related services

All of the above subsidiaries operate principally within the United Kingdom.

#### 14 Interests in associated undertakings

Group	Shares £m	Loans £m	Share of post acquisition reserves £m	Total £m
At 1 April 1997	5.2	4.7	(5.8)	4.1
Additions	0.5	6.0	-	6.5
Disposals	(1.5)	(5.5)	7.1	0.1
Repayments	-	(0.7)	-	(0.7)
Share of retained profits in period	-	-	(2.8)	(2.8)
<b>At 31 December 1997</b>	<b>4.2</b>	<b>4.5</b>	<b>(1.5)</b>	<b>7.2</b>

Company	Shares £m	Loans £m	Total £m
At 1 April 1997	3.1	1.0	4.1
Additions	0.4	6.0	6.4
Disposals	(1.5)	(5.5)	(7.0)
<b>At 31 December 1997</b>	<b>2.0</b>	<b>1.5</b>	<b>3.5</b>

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal activities
Thames Valley Power Ltd	Ordinary £1	50%	Generation and supply
London Total Energy Ltd	Ordinary £1	50%	Gas supply
Barking Power Ltd	Ordinary £1	13.50%	Construction and operation of a power station

All of the above associates operate principally within the United Kingdom.

Barking Power Ltd has been included in associated undertakings as the directors believe that London Electricity plc has a participating interest and exercises significant influence over the operating and financial policies of the company.

## 15 Other investments

	Shares £m	Group Loans £m	Total £m
<b>Group</b>			
At 1 April 1997	5.3	0.9	6.2
Additions	-	0.8	0.8
Transfer to profit and loss	(5.0)	(1.6)	(6.6)
<b>At 31 December 1997</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>

	Shares £m	Company Loans £m	Total £m
<b>Company</b>			
At 1 April 1997	0.3	0.9	1.2
Additions	-	0.8	0.8
Transfer to profit and loss	-	(1.6)	(1.6)
<b>At 31 December 1997</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>

Details of unlisted investments in which the Group and Company hold more than a 10% interest :

Name of undertaking	Description of shares held	Proportion of nominal value of shares held
Utilities Consortium Ltd	Ordinary £1	19.10%

## 16 Stocks

	<b>Group</b>		<b>Company</b>	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
Raw materials and consumables	1.2	1.2	1.1	1.1
Work in progress	7.1	7.3	4.9	4.4
	<b>8.3</b>	<b>8.5</b>	<b>6.0</b>	<b>5.5</b>

## 17 Debtors

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
<b>Amounts due within one year:</b>				
Trade debtors	84.6	111.9	82.7	110.6
Unbilled consumption	159.7	155.7	159.7	155.7
Amounts owed by other Group companies	-	-	13.4	14.2
Amounts owed by associated undertakings	0.9	1.1	0.4	0.4
Other debtors	43.6	19.2	41.9	15.8
Prepayments and accrued income	8.2	4.0	6.9	3.6
Advance corporation tax recoverable	-	13.1	-	13.1
Deferred taxation recoverable (Note 21)	4.8	10.4	4.8	10.4
Dividends receivable	0.1	0.1	0.1	0.1
	<b>301.9</b>	<b>315.5</b>	<b>309.9</b>	<b>323.9</b>

### Amounts due after more than one year:

Advance corporation tax recoverable	10.4	7.4	10.4	7.4
Pension scheme prepayment	21.6	19.5	21.6	19.5
	<b>32.0</b>	<b>26.9</b>	<b>32.0</b>	<b>26.9</b>

Various changes have been made to the 31 March 1997 comparative figures between the categories of trade debtors, unbilled consumption and other creditors. At 31 March 1997 Group trade debtors were £104.8m (company £103.5m), Group unbilled consumption was £102.4m (company £102.4m) and Group other creditors were £15.2m (company £12.0m). These changes are the result of systems improvements allowing a more accurate classification of customer debt.

## 18 Current asset investments

	Group		Company	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
<b>Listed</b>				
UK - investments	1.2	4.8	-	3.6
Overseas - investments	4.0	5.0	-	-
	<b>5.2</b>	<b>9.8</b>	<b>-</b>	<b>3.6</b>
<b>Unlisted</b>				
Money market investments	22.2	17.4	14.8	13.5
Tax certificates of deposit	-	1.0	-	-
	<b>22.2</b>	<b>18.4</b>	<b>14.8</b>	<b>13.5</b>
	<b>27.4</b>	<b>28.2</b>	<b>14.8</b>	<b>17.1</b>

## 19 Borrowings

	Group		Company	
	31 Dec 97	31 Mar 97	31 Dec 1997	31 Mar 97
	£m	£m	£m	£m
<b>Amounts falling due within one year:</b>				
Short term borrowings	<b>153.3</b>	<b>141.7</b>	<b>153.0</b>	<b>141.7</b>
<b>Amounts falling due after more than one year:</b>				
8% Eurobonds repayable 28 March 2003	<b>99.1</b>	<b>99.0</b>	<b>99.1</b>	<b>99.0</b>
8 5/8% Eurobonds repayable 26 October 2005	<b>99.0</b>	<b>98.9</b>	<b>99.0</b>	<b>98.9</b>
	<b>198.1</b>	<b>197.9</b>	<b>198.1</b>	<b>197.9</b>

The 8% Eurobonds may not be redeemed prior to 28 March 2003 except upon the occurrence of certain events. In addition, the 8 5/8 % Eurobonds may be redeemed in full together with accrued interest by either the 'Issuer' or 'Bondholders' upon the occurrence of certain events.

## 20 Creditors

	Group		Company	
	31 Dec 97	31 Mar 97	31 Dec 97	31 Mar 97
	£m	£m	£m	£m
<b>Amounts falling due within one year:</b>				
Payments received on account	<b>15.2</b>	<b>13.8</b>	<b>10.7</b>	<b>10.6</b>
Amounts owing for purchase of electricity	<b>103.0</b>	<b>73.7</b>	<b>103.0</b>	<b>73.7</b>
Amounts owed to Group companies	-	-	<b>19.4</b>	<b>12.0</b>
Amounts owed to parent company	<b>1.9</b>	-	<b>1.9</b>	-
Other trade creditors	<b>42.1</b>	<b>37.9</b>	<b>40.5</b>	<b>36.8</b>
Corporation tax	<b>73.7</b>	<b>24.5</b>	<b>75.4</b>	<b>23.0</b>
Advance corporation tax	-	<b>6.2</b>	-	<b>6.2</b>
Other taxation and social security	<b>3.3</b>	<b>3.6</b>	<b>2.8</b>	<b>3.2</b>
Other creditors	<b>88.3</b>	<b>75.6</b>	<b>79.8</b>	<b>72.4</b>
Accruals and deferred income	<b>18.9</b>	<b>27.5</b>	<b>16.7</b>	<b>25.6</b>
Proposed dividends	<b>34.7</b>	-	<b>34.7</b>	-
	<b>381.1</b>	<b>262.8</b>	<b>384.9</b>	<b>263.5</b>
<b>Amounts falling due after more than one year:</b>				
Other creditors	<b>3.7</b>	<b>4.2</b>	<b>3.6</b>	<b>4.2</b>
Accruals and deferred income	<b>5.1</b>	<b>3.3</b>	-	-
	<b>8.8</b>	<b>7.5</b>	<b>3.6</b>	<b>4.2</b>

See note 17 for details of a change to the comparative figures.



## 21 Provisions for liabilities and charges

### Group

	Insurance £m	Restructuring costs £m	Other £m	Windfall tax £m	Total £m
At 1 April 1997	12.3	35.7	34.7	140.0	222.7
Utilised in the period	(2.5)	(14.8)	(28.3)	(70.0)	(115.6)
Released in the period	(2.2)	(6.0)	-	-	(8.2)
Transferred to creditors	-	-	-	(70.0)	(70.0)
Transferred from profit and loss account	1.4	-	29.5	-	30.9
<b>At 31 December 1997</b>	<b>9.0</b>	<b>14.9</b>	<b>35.9</b>	<b>0.0</b>	<b>59.8</b>

### Company

	Insurance £m	Restructuring costs £m	Other £m	Windfall tax £m	Total £m
At 1 April 1997	7.5	35.7	34.1	140.0	217.3
Utilised in the period	(1.6)	(14.8)	(28.3)	(70.0)	(114.7)
Released in the period	(2.1)	(6.0)	-	-	(8.1)
Transferred to creditors	-	-	-	(70.0)	(70.0)
Transferred from profit and loss account	1.3	-	29.1	-	30.4
<b>At 31 December 1997</b>	<b>5.1</b>	<b>14.9</b>	<b>34.9</b>	<b>-</b>	<b>54.9</b>

Included in amounts transferred from the profit and loss account to Other provisions is £27.6m relating to overrecoveries of supply and distribution revenues in accordance with the accounting policy stated on page 12.

### Deferred taxation

The amount provided for deferred taxation and the amounts for which provision has been made are as follows:

#### Provided in accounts:

	<b>Group</b>		<b>Company</b>	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
At 1 April	(10.4)	(11.0)	(10.4)	(10.9)
Transfer from profit and loss	5.6	0.6	5.6	0.5
<b>At 31 December</b>	<b>(4.8)</b>	<b>(10.4)</b>	<b>(4.8)</b>	<b>(10.4)</b>

#### Provided in accounts:

Other timing differences	(4.8)	(10.4)	(4.8)	(10.4)
	(4.8)	(10.4)	(4.8)	(10.4)

**Potential liability not provided:**

	<b>Group</b>		<b>Company</b>	
	31 Dec 97 £m	31 Mar 97 £m	31 Dec 97 £m	31 Mar 97 £m
Accelerated capital allowances	200.2	191.7	188.8	182.5
Other timing differences	(4.6)	(4.5)	(3.9)	(3.6)
	<u>195.6</u>	<u>187.2</u>	<u>184.9</u>	<u>178.9</u>

Total potential deferred taxation liability is computed at a Corporation tax rate of 31% (31 March 1997 31%).

**22 Share capital**

	<b>Group and Company</b>	
	31 Dec 97 £m	31 Mar 97 £m
Authorised		
257,142,857 ordinary shares of 58 1/3 p each		
(31 March 1997 257,142,857 ordinary shares of 58 1/3p each)	<u>150.0</u>	<u>150.0</u>
Allotted, called up and fully paid 242,626,505		
ordinary shares of 58 1/3 p each(1996/97 174,686,836		
ordinary shares of 58 1/3p each)	<u>141.5</u>	<u>102.0</u>

**Share Issues**

During the period options were exercised on 1,082,527 (1996/97, 417,049) ordinary shares at £4.83, £3.00, £2.61, £5.71, £4.82 and £3.03, and that number of shares was issued for a total consideration of £3.9m (1996/97 £1.6m).

During the period 66,857,142 shares were issued to Entergy London Investments plc for a total consideration of £39.0m.

**23 Share options****(a) The Executive Share Option Scheme**

An approved share option scheme for executive directors and senior executives whereby an option to purchase the shares of the Company is issued and may be exercised between the third and tenth anniversaries of the date of grant.

Options have been granted to eligible employees and executive directors to subscribe for ordinary shares in the Company in accordance with the rules of the scheme.

**(b) The Sharesave Scheme**

An approved share option scheme where the options to purchase the shares of the Company are linked to a five year savings contract. All staff who met a qualifying period of employment prior to the grant date were eligible to participate.

The rules of the Executive Share Option Scheme and Sharesave include provision for early exercise of the options in certain circumstances. These schemes ceased when the company was acquired by Entergy London Investments plc.

**Options granted and outstanding at 31 December 1997 were:**

	Date options granted	Subscription price per share	Period within which options are exercisable	Number of shares for which rights are exercisable	
				31 Dec 1997	31 March 1997
Executive share option scheme					
	1 Jan. 1991	2.61	17/1/94-17/1/2001	Nil	30,000
	2 Jan. 1992	3.00	14/1/95-14/1/2002	Nil	109,500
	3 July 1993	4.83	20/7/96-20/7/2003	Nil	299,400
	4 Mar. 1994	5.71	28/3/97-28/3/2004	Nil	22,767
	5 April 1995	5.92	3/4/98-3/4/2005	Nil	75,077
	6 April 1995	6.04	13/4/98-13/4/2005	Nil	10,768
Sharesave					
	1 Dec. 1990	1.75	1/3/96-1/9/96	Nil	Nil
	2 Sept. 1992	3.03	30/12/97-30/6/98	Nil	836,031
	3 Aug. 1996	4.82	1/10/2001-1/4/2002	Nil	3,625,911

Due to the acquisition of London Electricity plc by Entergy Power UK plc the following shares were exercised after 31/3/97 and the cash offer made by Entergy Power UK plc was accepted.

Shares Exercised	Exercise Price £	Market price at date of exercise £	Date of Exercise
30,000	2.61	7.055	April 1997
96,000	3.00	7.055	April 1997
210,700	4.83	7.055	April 1997
22,767	5.71	7.055	April 1997
604,811	3.03	7.055	April 1997
118,249	4.82	7.055	April 1997

	Group £m	Company £m
<b>24 Retained profit and reserves</b>		
Share premium account		
At 1 April 1997	10.9	10.9
Premium on options exercised	3.0	3.0
<b>At 31 December 1997</b>	<b>13.9</b>	<b>13.9</b>
<b>Capital redemption reserve</b>		
At 1 April 1997	11.0	11.0
<b>At 31 December 1997</b>	<b>11.0</b>	<b>11.0</b>

	Group £m	Company £m
<b>Revaluation reserve</b>		
At 1 April 1997	3.3	3.3
Revaluation surplus realised on disposal of shares in NGG	(3.3)	(3.3)
<b>At 31 December 1997</b>	-	-
<b>Profit and loss account</b>		
At 1 April 1997	308.0	337.2
Revaluation surplus realised on disposal of shares in NGG	3.3	3.3
Retained loss for the period	(3.5)	(7.7)
<b>At 31 December 1997</b>	<b>307.8</b>	<b>332.8</b>
<b>Total reserves at 31 December 1997</b>	<b>332.7</b>	<b>357.7</b>

## 25 Pension commitments

The principal pension scheme available to employees of London Electricity plc has been the Electricity Supply Pension Scheme (ESPS). Since April 1994 new employees have been offered membership of a defined contribution scheme.

The ESPS provides pensions and related benefits based on the final pensionable pay of employees throughout the electricity supply industry. The assets of the scheme are held in a separate trustee administered fund.

The scheme was unitised with effect from 31 March 1989 and an actuarial valuation carried out at that date apportioned the assets of the ESPS between the various participating employers. The most recent formal actuarial valuation of the London Electricity Group for the purpose of determining contribution rates was carried out at 31 March 1995 by Bacon & Woodrow, consulting actuaries. The valuation method adopted was the attained age method.

The principal assumptions were that the investment return would exceed salary increases by 2.5% and exceed future pension increases by 4.0% per annum.

At the valuation date, the actuarial value of the assets relating to London Electricity Group was £672.8 million, which represented 108.1% of the actuarial value of the accrued benefits. Accrued benefits include all benefits for pensioners and former members as well as benefits based on service to date for active members, allowing for future salary rises. The resultant surplus is being used to increase benefits to members and to facilitate reductions in employer and employee contributions.

In order to calculate the pension charge in accordance with the Group's accounting policy as stated on page 10 a separate actuarial valuation was prepared by Bacon & Woodrow, consulting actuaries. This valuation was determined using the projected unit credit method, and resulted in a regular annual pension charge of 11.0% of pensionable pay. This regular cost has been reduced by the benefit of an actuarial surplus arising using this method, which is being spread over 10 years, being the average remaining service life of employees. The resulting credit to profit in the year was £1.7m (1996/97 £nil). A prepayment of £21.6m (31 March 1997 £19.5 million) is included in debtors greater than one year, as a result of the spreading the surplus.

Executive directors and certain senior employees are also entitled to join the London Electricity Executives pension scheme from which further benefits based on final pensionable pay are available.

Under the Company's defined contribution scheme the charge to profit is the contribution paid by the Company for the year. The amount paid is not yet material.

The total net credit (1996/97 charge) for pension schemes in the accounts is £0.7 million (1996/97 £0.3 million).

## 26 Lease obligations

The annual commitments of the Group under non-cancellable operating leases are as follows:

	31 Dec 97		31 March 97	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within				
One year	0.6	0.3	0.2	0.1
Two to five years inclusive	0.2	1.0	1.1	1.1
Over five years	5.9	0.0	5.6	-
	<u>6.7</u>	<u>1.3</u>	<u>6.9</u>	<u>1.2</u>

## 27 Commitments and contingent liabilities

The Group planned to invest between £50m and £75m in infrastructure costs for the Channel Tunnel Rail Link over the next five years. However on 29 January 1998 the Board of London & Continental Railways (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 timing and extent of the Group's investment in the infrastructure cannot be ascertained with any certainty.

During the period the company has used its pension fund surplus to increase benefits to members and to facilitate reductions in employer and employee contributions. A High Court ruling on pensions surpluses upheld the use of surpluses by companies. However, should this decision be reversed by the Court of Appeal the company may be required to repay part of the surplus to the pension fund.

Other than the matters noted above, there were no other material commitments, contingent liabilities or guarantees apart from those given in respect of certain subsidiaries in the ordinary course of business.

## 28 Related party transactions

In accordance with Financial reporting standard No. 8: Related Party Disclosures, the group is exempt from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

## 29 Ultimate parent company

The company is wholly owned by Entergy London Investments Plc, formerly Entergy Power UK plc which is the company's immediate parent company. Entergy Corporation incorporated in the United States of America is regarded by the directors as the Group's ultimate parent company. Copies of that company's consolidated accounts may be obtained from Entergy Corporation, P.O.Box 61000, New Orleans, LA 70161, USA.