

THE LONDON POWER COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1996

Company No: 2449611



THE LONDON POWER COMPANY LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1996**

Contents

Page:

- 3. Report of the Directors
 - 6. Statement of Directors' Responsibilities
 - 7. Report of the Auditors
 - 8. Profit and Loss Account
 - 9. Balance Sheet
 - 10. Notes to the Financial Statements
-

Directors

Mr M J Kersey
Mr M A Holmes
Mr J D Zieve

Registered Number

2449611

Auditors

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

Registered Office:
Templar House
81-87 High Holborn
London WC1V 6NU

THE LONDON POWER COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1996

The Directors submit their annual report and financial statements of the Company for the year ended 31 March 1996.

ULTIMATE HOLDING COMPANY

The Company is a 100 per cent beneficially owned subsidiary of London Electricity plc, a company registered in England and Wales.

PRINCIPAL ACTIVITY

The Company's principal activity is to act as the holding company for investments in projects involving the generation of electricity. It will continue in this activity for the foreseeable future.

RESULTS AND DIVIDEND

The profit for the year was £995,975 (1995: loss £3,701,236). Further information is contained in the financial statements appended to this report.

The Directors recommend that no dividend be paid this year.

DIRECTORS

Directors who held office during the year were as follows:

Mr Michael John Kersey
Mr Michael Andrew Holmes (appointed 29 November 1995)
Mr Jon Doron Zieve (appointed 29 November 1995)
Dr Roger John Urwin (resigned 29 September 1995)
Mr Alan Victor Towers (resigned 5 July 1995)

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' interests in the issued ordinary share capital and share options of London Electricity plc:-

No director or any person connected has an interest in the shares of the Company. All the Directors have interests in the parent company London Electricity plc. Such interests are detailed in the Report and Accounts of that company. Those interests not disclosed in the accounts of that company are detailed below:-

(a) Ordinary Shares

	At 31/3/96	At 1/4/95
M A Holmes	12,320	19,458
J D Zieve	1,178	2,375

Share holdings at 31 March 1996 take into account the share capital consolidation which took place on 18 January 1996 by means of which six new ordinary shares were issued to replace every seven existing shares.

(b) Share Options

		Sharesave No.1	Sharesave No.2	Executive No.3
M A Holmes	31/3/96	-	990	9,500
	1/4/95	5,571	990	9,500
J D Zieve	31/3/96	-	-	10,950
	1/4/95	-	-	10,950
Total	31/3/96	-	990	20,450
	1/4/95	5,571	990	20,450

Exercise price per share	£1.75	£3.03	£4.83
Earliest exercisable date	1/3/96	31/12/97	20/7/96
Latest exercise date	1/9/96	30/6/98	20/7/2003

Options exercised during the year

	Shares exercised	Exercise price	Market price at date of exercise	Date of exercise
M A Holmes	5,571	£	£	1/3/96
	5,571	1.75	7.59	

No new options were granted during the year.

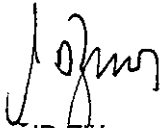
Other Interests In Company

Mr A B Robertson, the Company Secretary, holds one share in the Company as nominee of London Electricity plc.

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 handwritten signature in dark ink, appearing to read 'JD Zieve', is written over the printed name.

JD Zieve
Director
18 June 1996

Statement of 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 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 assume 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.

**Report of the Auditors
to the Members of The London Power Company Ltd**

We have audited the financial statements on pages 8 to 14.

Respective responsibilities of directors and auditors

As described on page 6 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.

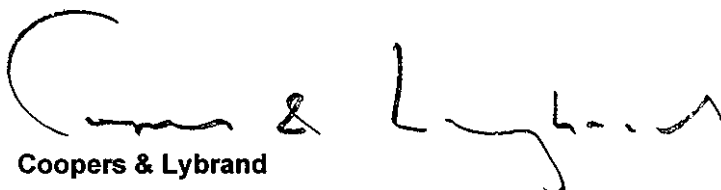
Basis of opinion

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 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 affairs of the Company at 31 March 1996 and of the profit and total recognised gains and losses 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
18 June 1996

THE LONDON POWER COMPANY LIMITED
PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1995/96 £	1994/95 £
Administrative expenses		(300,622)	(131,654)
Operating loss	2	<u>(300,622)</u>	<u>(131,654)</u>
Exceptional item - Amounts written off investments		0	(2,663,855)
Interest payable	5	(1,787,636)	(934,980)
Interest receivable and similar income	6	3,047,292	0
Profit / (loss) on ordinary activities before taxation		<u>959,034</u>	<u>(3,730,489)</u>
Taxation	7	36,940	29,253
Profit / (loss) for the financial year		<u><u>995,974</u></u>	<u><u>(3,701,236)</u></u>

The results for the year relate entirely to continuing operations.

A statement of total recognised gains and losses and a reconciliation of historic cost profits and losses are not shown as all gains and losses are recognised in the profit and loss account, and there is no difference between the result reported and that calculated under the historic cost convention.

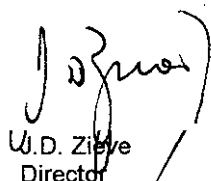
THE LONDON POWER COMPANY LIMITED

BALANCE SHEET

AS AT 31 MARCH 1996

	Notes	1995/96 £	1994/95 £
Fixed Assets			
Investments	8	7,748,259	10,624,401
Current Assets			
Debtors : amounts falling due within one year	12	13,362,228	34,757
		<u>13,362,228</u>	<u>34,757</u>
Current Liabilities			
Creditors: amounts falling due within one year	13	(10,147,654)	(661,219)
Net Current Assets/(Liabilities)		<u>3,214,574</u>	<u>(626,462)</u>
Total Assets Less Current Liabilities		<u>10,962,833</u>	<u>9,997,939</u>
Creditors: amounts falling due after more than one year	14	(11,464,408)	(11,495,488)
Net Liabilities		<u>(501,575)</u>	<u>(1,497,549)</u>
Capital and Reserves			
Share Capital	15	3,000,000	3,000,000
Profit and loss account	16	(3,501,575)	(4,497,549)
Equity Shareholders' Funds	17	<u>(501,575)</u>	<u>(1,497,549)</u>

The financial statements on pages 8 to 14 were approved by the Board of Directors on 18 June 1996 and signed on its behalf by:


U.D. Zieve
Director

THE LONDON POWER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1996

1. ACCOUNTING POLICIES

Accounting conventions

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

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

Investment income

Investment income is taken to the profit and loss account as it is earned except for that relating to investment in long term generation projects, where the interest is not recognised until the project becomes operational.

Fixed asset investments including associated and subsidiary undertakings

Fixed assets investments are shown at cost less any provision for permanent diminution in value.

2. OPERATING LOSS

Operating loss is stated after charging the following:

	1996 £	1995 £
Audit fees	<u>2,000</u>	<u>2,000</u>

3. EMPLOYEES

The Company had no employees during the year.

4. DIRECTORS' EMOLUMENTS

During the year no directors received emoluments for work performed on behalf of The London Power Company Limited.

5. INTEREST PAYABLE

	1996 £	1995 £
Interest on loan from parent Company	<u>1,787,636</u>	<u>934,980</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1996 £	1995 £
Interest receivable and similar income	<u>3,047,292</u>	<u>-</u>

7. TAXATION ON LOSS ON ORDINARY ACTIVITIES

No liability to Corporation tax arises in the period due to the availability of excess management expenses. The recovery represents amounts receivable from group Companies in respect of the surrender by way of group relief of the Company's management expenses.

8. FIXED ASSET INVESTMENTS

	1996 £	1995 £
Associated undertakings (note 9)	5,235,000	730,974
Subsidiary undertakings (note 10)	1,445,553	-
Other investments (note 11)	1,067,706	9,893,427
	<u>7,748,259</u>	<u>10,624,401</u>

9. INTEREST IN ASSOCIATED UNDERTAKINGS

	1996 £	1995 £
Balance at 1 April	730,974	720,974
Additions	5,600,000	10,000
Transfer from other investments	-	2,663,855
Amounts written off investments	-	(2,663,855)
Loan repayable under 1 year	(375,000)	-
Transfer to subsidiaries (note 10)	(720,974)	-
Balance at 31 March	<u>5,235,000</u>	<u>730,974</u>

Additions includes 1,000,000 £1 ordinary shares issued at par and £4,600,000 loan stock in Thames Valley Power. Loan repayment of £375,000 due from Thames Valley power has been transferred to debtors due less than one year. Principal associated undertakings at 31 March 1996:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal Activities
Combined Power Systems Ltd	Ordinary £1 Preference £1	30.8% 33.33%	Supply of combined heat and power units
Thames Valley Power	Ordinary £1	50%	Generation and supply of electricity and heat

10. INTEREST IN SUBSIDIARY UNDERTAKINGS

	1996 £	1995 £
Balance at 1 April	0	-
Additions	724,579	-
Transfer from associates	720,974	-
Balance at 31 March	1,445,553	-

Principal subsidiary undertakings at 31 March 1996:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal Activities
Combined Power Systems (Southern) Ltd	Ordinary £1	100%	Supply of combined heat and power units

11. OTHER INVESTMENTS

	Shares £	Loan stock £	Total £
Balance at 1 April 1995	16,252	9,877,175	9,893,427
Additions	1,051,454	-	1,051,454
Loan repayments due under 1 year	-	(9,877,175)	(9,877,175)
Balance at 31 March 1996	1,067,706	0	1,067,706

Additions include £1,051,454 in respect of £1.00 ordinary shares in Barking Power purchased at par.

Details of investments in which the Company held more than 10% interest:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal Activities
Barking Power Ltd	Ordinary £1	13.475%	Power Generation

12. DEBTORS

	1996 £	1995 £
Amounts falling due within one year:		
Amount owed by parent Company	71,697	34,757
Amounts owed by undertakings in which the Company has a participating interest	610,356	-
Subordinated loan stock repayable by Barking Power Ltd	12,680,175	-
	13,362,228	34,757

13. CREDITORS

	1996 £	1995 £
Amounts falling due within one year:		
Amount owed to parent Company	10,145,654	649,219
Accruals and deferred income	2,000	12,000
	10,147,654	661,219

14. CREDITORS

	1996 £	1995 £
Amounts falling due after more than one year:		
Loan from parent Company at LIBOR plus 4%	9,968,414	10,716,664
Interest on loan from parent Company	490,031	778,824
Other amounts due to parent Company	1,005,963	-
	<u>11,464,408</u>	<u>11,495,488</u>

15. SHARE CAPITAL

	1996 £	1995 £
Authorised		
5.6m Ordinary shares of £1 each	<u>5,600,000</u>	<u>5,600,000</u>
Allotted, called up and fully paid		
3m Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

16. PROFIT AND LOSS ACCOUNT

	1996 £
Balance at 1 April 1995	(4,497,549)
Profit for the year	995,974
Balance at 31 March 1996	<u>(3,501,575)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Opening equity shareholders' funds	(1,497,549)	2,203,687
Profit for the year	995,974	(3,701,236)
Closing equity shareholders' funds	<u>(501,575)</u>	<u>(1,497,549)</u>

18. CAPITAL COMMITMENT

The Company has a 13.475% holding in Barking Power Limited.

Barking Power Limited was formed to construct and operate a power station on the Thames Estuary. The construction is funded principally by project finance without recourse to the Company. As a shareholder The London Power Company Limited has a financial commitment limited to the contribution of a further £1.85 million over the next year. This contribution will take the form of equity and subordinated loan stock.

19. PARENT COMPANY

London Electricity plc, a Company registered in England and Wales, is the ultimate parent Company. According to the register kept by the Company, London Electricity plc has a 100% interest in the equity capital of The London Power Company Limited at 31 March 1996. Copies of the parents' financial statements are available from the Company Secretariat, London Electricity plc, Templar House, 81-87 High Holborn, London WC1 6NU.

20. POST BALANCE SHEET EVENT

On 1 April 1996, the Company subscribed to £420,420 Series G loan stock in Barking Power Ltd. On the same date the Company also purchased 92,708 £1 ordinary shares in Barking Power Ltd.