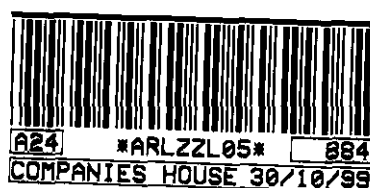


Damhead Creek Limited
(Formerly Kingsnorth Power Limited)
Company No: 2675504

Financial Statements
For the Year Ended 31 December 1998



Damhead Creek Limited

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Damhead Creek Limited

Directors' Report for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activities and future developments

The Company's principal activity is the development and construction of a gas fired power station near the River Medway, Kent. In pursuance to this objective the Company has commitments for capital expenditure and on 15 December 1998 secured project financing of £463.4 million. Further details can be found in Note 12 to the financial statements on Capital Commitments.

On 3 August 1998 the authorised share capital was increased by £40 million by the creation of 40 million ordinary shares of £1 each. On 3 August 1998 one ordinary £1 share was allotted in consideration for the intercompany creditor balance of £3,337,390. On 15 December 1998 ten million £1 ordinary shares were allotted at par (in consideration for cash).

On 1 September 1998, the Company purchased the entire share capital of Damhead Creek Finance Limited.

On 9 October 1998, the Company changed its name from Kingsnorth Power Limited to Damhead Creek Limited.

Dividends

The directors do not propose to pay a dividend.

Directors and their interests

The directors of the Company who held office during the year ended 31 December 1998 or who are directors of the Company at the date of signing of this report are as follows: -

	Appointed	Resigned
Michael G. Thompson	01.09.97	01.04.98
Charles J. Brown	26.01.98	12.04.99
Robert J. Cushman	26.01.98	16.03.98
Gerritt L. Ewing	07.12.98	27.08.99
David A. Stoner	26.01.98	
Mark C. Clarke	31.07.98	13.09.99
Fred F. Nugent	31.07.98	
John B. Stewart	27.08.99	
Hamid Fatemi	27.08.99	
Robert J Moore	27.08.99	
Geoffrey D Roberts	27.08.99	
Cynthia Dyer	13.09.99	

The directors had no interest in the share capital of the Company.

Damhead Creek Limited

Report of the Directors (Continued)

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunction and resulting widespread commercial disruption. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

An analysis of significant risks has been performed to determine the impact of the issue in our activities. The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers, including those responsible for power station construction. In appropriate cases formal assurance is being sought from these other parties.

The total cost to complete modifications to our computer hardware and software is not expected to be significant.

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 of the Company for that year. 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; and
- 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.

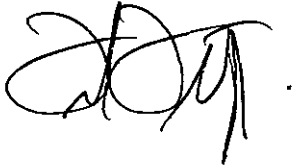
Damhead Creek Limited

Report of the Directors (Continued)

Auditors

The auditors, PricewaterhouseCoopers, are willing to be reappointed in accordance with Section 385 of the Companies Act 1985.

By order of the Board

A handwritten signature in black ink, appearing to be 'J. M. J.', written over a horizontal line.

Director

15 October 1999

Report of the Auditors to the Members of Damhead Creek Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

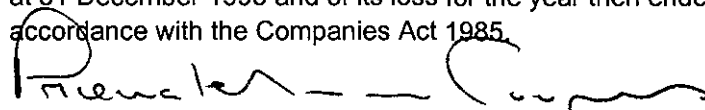
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

19 October 1999

Damhead Creek Limited

Profit and Loss Account For the Year Ended 31 December 1998

	<i>Notes</i>	1998 £'000	1997 £'000
Administrative expenses		(6)	(9)
Operating loss		(6)	(9)
Loss on ordinary activities before taxation		(6)	(9)
Tax on loss on ordinary activities		-	-
Retained loss for the period	<i>10</i>	(6)	(9)

All operations are continuing.

There were no recognised gains or losses except the loss for each period and therefore no separate statement of total recognised gains and losses has been produced.

The accompanying notes are an integral part of these financial statements.

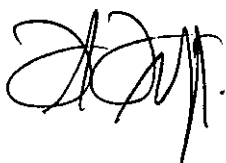
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Damhead Creek Limited

Balance Sheet as at 31 December 1998

	Notes	31 December 1998 £'000	31 December 1998 £'000	31 December 1997 £'000	31 December 1997 £'000
Fixed assets					
Tangible assets	4	51,530		1,200	
Investments	5	30		-	
			51,560		1,200
Current assets					
Debtors: amounts falling due within one year		3,257		-	
Debtors: amounts falling due after more than one year		10,000		-	
	6	13,257		-	
Cash at bank and in hand		786		-	
		14,043		-	
Creditors: amounts falling due within one year	7	(5,820)		(3,346)	
Net current assets/(liabilities)			8,223		(3,346)
Total assets/(liabilities) less current liabilities			59,783		(2,146)
Creditors: amounts falling due after one year	8		(48,598)		-
Net assets/(liabilities)			11,185		(2,146)
Capital and reserves					
Called up share capital	9		11,200		1,200
Share premium account	10		3,337		-
Profit and loss account	10		(3,352)		(3,346)
Total shareholder's funds	11		11,185		(2,146)

The financial statements were approved by the board on 15 October 1999 and signed on its behalf by:



Director

Damhead Creek Limited

Notes to the Financial Statements for the year ended 31 December 1998

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements, which have been consistently applied, are set out below:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The financial statements contain information about Damhead Creek Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small group.

Development costs

Expenditure incurred during the development period of the power station, including the cost of financing loans for development, is capitalised and carried forward at cost until the completion of construction. These costs are shown as "Assets in the Course of Construction" until the power station becomes operational, at which point they will be reclassified as "Generation Assets".

Fixed assets

Fixed assets are stated at cost. Depreciation will commence upon completion of the power station.

Depreciation will be provided on all fixed assets at rates calculated to write off the costs, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its useful life. Depreciation is to be charged from the "take-over" date based upon the useful asset lives as follows:

Power Station	20 years
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No depreciation is provided on freehold land.

Investments

The Company's investments in subsidiary undertakings are stated at cost.

Deferred tax

Deferred taxation is provided on the liability basis to take account of the difference between the incidence of income and expenditure for accounting and taxation purposes to the extent that it is likely that a liability will crystallise in the foreseeable future.

Interest

Interest on borrowings specifically related to the financing of the power station is being capitalised during the construction period. All other interest is charged/credited directly to the profit and loss account.

Damhead Creek Limited

Notes to the Financial Statements for the year ended 31 December 1998

1 Accounting policies (Continued)

Cash flow statement

In accordance with FRS 1 (revised) the Company has not prepared a statement of cash flows for the current period as it is a wholly owned subsidiary of a company whose financial statements are publically available.

2 Auditors' remuneration

	31 December 1998 £'000	31 December 1997 £'000
Operating loss is stated after charging:		
Auditors' remuneration	6	9

Auditors' remuneration for other services amounting to £8,000 has been capitalised in the year (1997: nil).

3 Directors' remuneration and employees

The Company has no employees and the directors received no emoluments from the Company during the year.

No retirement benefits are accruing to any of the Company's directors.

4 Tangible fixed assets

	Freehold Land £'000	Assets in the course of construction £'000	Total £'000
Cost at 1 January 1998	1,200	-	1,200
Additions	-	50,320	50,330
Cost at 31 December 1998	1,200	50,320	51,530
Net Book Value at 31 December 1998	1,200	50,320	51,530
Net Book Value at 31 December 1997	1,200	-	1,200

Assets in the course of construction include capitalised interest of £616,720 for the year ended 31 December 1998.

Damhead Creek Limited

Notes to the Financial Statements for the year ended 31 December 1998

5 Fixed asset investments

Shares in group undertakings	£'000
Cost at 1 January 1998	-
Additions	30
Cost at 31 December 1998	30

The group undertaking is Damhead Creek Finance Limited, a wholly owned subsidiary incorporated in the Cayman Islands, whose main activity is to act as a finance company.

The Company owns 100% of the ordinary US\$ 0.01 share capital of Damhead Creek Finance Limited.

6 Debtors

	31 December 1998 £'000	31 December 1997 £'000
Amounts due from parent undertaking	10,000	-
Amounts due from subsidiary undertaking	148	-
Other debtors	3,109	-
	13,257	-

Amounts due from parent undertaking after more than one year.

7 Creditors: amounts due within one year

	31 December 1998 £'000	31 December 1997 £'000
Amounts owed to parent	218	3,337
Amounts owed to subsidiary	30	-
Other creditors	20	9
Accruals and deferred income	5,552	-
	5,820	3,346

8 Creditors: amounts due after more than one year

	31 December 1998 £'000	31 December 1997 £'000
Amounts owed to group undertakings	48,598	-

The Company has granted fixed and floating charges over substantially all its assets to guarantee the borrowings of Damhead Creek Finance Limited, a fellow member of the Entergy Group. At 31 December 1998 the outstanding borrowings covered by the guarantee totalled £100,200,000.

Damhead Creek Limited

Notes to the Financial Statements for the year ended 31 December 1998

9 Share capital

	31 December 1998 £'000	31 December 1997 £'000
Authorised		
41,200,100 Ordinary shares of £1 each	41,200	1,200
Allotted, called up and fully paid:		
11,200,101 Ordinary shares of £1 each	11,200	1,200

On 3 August 1998 the authorised share capital was increased by £40 million by the creation of 40 million ordinary shares of £1 each. Also on 3 August 1998 one ordinary £1 share was allotted in consideration for the intercompany creditor balance of £3,337,390. On 15 December 1998 10 million £1 ordinary shares were allotted at par (in consideration for cash).

10 Reserves

	Share premium Account £'000	Profit and loss account £'000
At 1 January 1998	-	(3,346)
Loss for the year	-	(6)
Arising on share issue	3,337	-
At 31 December 1998	3,337	(3,352)

11 Reconciliation of shareholders' funds

	1998 £'000	1997 £'000
Loss for the year	(6)	(9)
Proceeds from issue of equity shares	13,337	-
Net increase/(decrease) in shareholder's funds	13,331	(9)
Shareholders' funds brought forward	(2,146)	(2,137)
Shareholders' funds carried forward	11,185	(2,146)

The movement in shareholders' funds includes all movements in reserves.

Damhead Creek Limited

Notes to the Financial Statements for the year ended 31 December 1998

12 Commitments

Capital commitments

The Company has commitments for capital expenditure contracted for but not provided of £193 million.

Operational commitments

The supply of gas to the power station will be provided predominantly via a long-term gas supply contract entered into on 15 June 1998 and expected to expire in 2015. The estimated minimum commitment for the supply of gas under this contract totals approximately £920 million.

Other financial commitments

The company is the Guarantor on a Senior Credit agreement entered into by Damhead Creek Finance Limited having a fixed and floating charge over its assets and uncalled share capital in respect of group financing facilities amounting to £463.4 million. In addition the Company is the Guarantor on a Subordinated Credit agreement, entered into by Damhead Creek Finance Limited amounting to £36.1 million.

13 Related party transactions

In accordance with FRS 8: Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the group or entities of the group qualifying as related parties, as it is a wholly-owned subsidiary of Entergy Corporation which publishes consolidated financial statements.

14 Ultimate parent undertaking

The Company is wholly owned by Damhead Creek Holding Limited and the directors regard Damhead Creek Holding Limited as the Company's immediate parent company.

The ultimate parent undertaking and controlling party is Entergy Corporation, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Entergy Corporation's financial statements can be obtained from the Company Secretary at Entergy Corporation, 634 Loyola Avenue, New Orleans, Louisiana 70113, USA.