

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO SC

Edison Mission Energy Limited
(formerly Mission Energy Limited)

Accounts 31 December 1995
together with directors' and auditors' reports

Registered number: 2704476



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1995.

Principal activity and business review

The principal activity of the company is to perform marketing and development services on behalf of an intermediate parent company, Edison Mission Energy, a United States corporation.

Turnover is derived from recharges to the US parent company of expenditure incurred in performing marketing services on that company's behalf, marked up at up to 7.5%.

Turnover for the year amounted to £6,786,280 (1994 - £4,665,041) and profit before taxation was £335,787 (1994 - £176,010).

Results and dividends

The results for the year were as follows:

	1995 £	1994 £
Retained earnings 1 January 1995	210,149	134,030
Profit for the financial year	195,734	76,119
Retained earnings at 31 December 1995	<u>405,883</u>	<u>210,149</u>

The directors recommend that no dividend be paid (1994 - £nil).

Directors and their interests

The directors who served during the year were as follows:

S.P. Barrett (USA)	
P.C. Gracey, Jr. (USA)	
N.P. Grimstone	
J.C. Henneforth (USA)	(resigned 28 February 1995)
R.J. Stone	(resigned 31 July 1996)
S.D. Melita (Chairman) (USA)	(appointed 7 February 1995)
C.S. Dubin	(appointed 11 May 1995)

No director had any interest required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Responsibilities of directors

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 enable them to ensure that the accounts 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.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 6 to the accounts.

Auditors

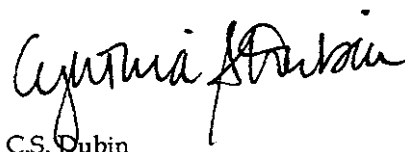
The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Liability insurance for company officers

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the company.

Lansdowne House
Berkeley Square
London
W1X 5DH

By order of the Board,



C.S. Dubin

Director

2 August 1996

Auditors' report

London

To the Shareholders of Edison Mission Energy Limited:

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

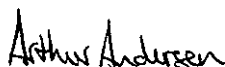
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

2 August 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	6,786,280	4,665,041
Operating expenses		(6,466,142)	(4,496,995)
Gross profit		320,138	168,046
Interest receivable		19,762	6,029
Interest payable		(11)	(27)
Foreign exchange (loss) gain		(4,102)	1,962
Profit on ordinary activities before taxation	3	335,787	176,010
Tax on profit on ordinary activities	5	(140,053)	(99,891)
Profit for the financial year	12	195,734	76,119
Retained profit, beginning of year	12	210,149	134,030
Retained profit, end of year	12	405,883	210,149

There are no recognised gains or losses in either year other than those included with the profit and loss account.

A statement of movements in reserves is given in note 12.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	6	903,049	1,172,821
Current assets			
Debtors	7	1,806,303	1,204,916
Cash		1,122,863	714,403
		2,929,166	1,919,319
Creditors: Amounts falling due within one year	8	(1,905,040)	(1,328,193)
Net current assets		1,024,126	591,126
Total assets less current liabilities		1,927,175	1,763,947
Creditors: Amounts falling due after more than one year	9	(1,500,000)	(1,500,000)
Provisions for liabilities and charges	10	(21,290)	(53,796)
Net assets		405,885	210,151
Capital and reserves			
Called-up equity share capital	11	2	2
Profit and loss account	12	405,883	210,149
Total capital employed	12	405,885	210,151

Signed on behalf of the Board

C.S. Dubin

Director



2 August 1996

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

b) Turnover

Turnover comprises the value of sales (excluding VAT) of goods and services in the normal course of business.

c) Tangible fixed assets

Tangible fixed assets are shown at historical cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Fixtures, fittings and equipment	5-7 years
Leasehold improvements	shorter of lease term and useful economic life

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

e) Pension costs

The company makes contributions to the private pension schemes of employees. The amount charged to the profit and loss account comprises the contribution payable during the year.

f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to accounts (continued)

1 Accounting policies (continued)

g) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

h) Cash flow statement

Under the provisions of Financial Reporting Standard No.1, the company has not prepared a cash flow statement because its parent undertaking, Mission Energy Company (UK) Limited, which is incorporated in Great Britain, has prepared consolidated accounts which include the accounts of the company for the year and which contain a consolidated cash flow statement.

2 Turnover

Turnover represents service fees, which are derived by means of recharging to Edison International Inc. (a company incorporated in the United States) such expenditure as is incurred in performing marketing and development services on that company's behalf. Costs are recharged with a 7.5% mark-up, except for professional costs which are recharged without a mark-up.

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1995 £	1994 £
Depreciation	389,653	248,550
Staff costs (note 4)	1,463,051	1,212,604
Auditors' remuneration:		
- audit services	6,500	6,500
- non-audit services	20,100	21,563

Notes to accounts (continued)

4 Staff costs

Particulars of employees (including executive directors) are as shown below.

Employee costs during the year amounted to:

	1995 £	1994 £
Wages and salaries	1,332,503	1,098,691
Social security costs	80,322	64,896
Pension costs	50,226	49,017
	<u>1,463,051</u>	<u>1,212,604</u>

The average weekly number of persons employed by the company during the year was as follows:

	1995 Number	1994 Number
Administration	23	18
Marketing	3	7
	<u>26</u>	<u>25</u>

Directors remuneration:

Directors of the company received the following remuneration:

	1995 £	1994 £
Emoluments (including pension contributions)	<u>1,113,234</u>	<u>745,837</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	1995 £	1994 £
Chairman	<u>343,796</u>	<u>198,943</u>
Highest paid director	<u>343,796</u>	<u>262,514</u>

Notes to accounts (continued)

4 Staff costs (continued)

Directors received emoluments (excluding pension contributions) in the following ranges:

	1995 Number	1994 Number
Up to £ 5,000	-	2
£ 40,001 - £ 45,000	1	-
£ 45,001 - £ 50,000	1	-
£ 60,001 - £ 65,000	-	2
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	1	-
£160,001 - £165,000	-	1
£195,001 - £200,000	-	1
£205,001 - £210,000	1	-
£260,001 - £265,000	1	1
£340,001 - £345,000	1	-
	<hr/>	<hr/>

5 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and comprises:

	1995 £	1994 £
Corporation tax at 33% (1994 - 33%)	130,546	71,718
Deferred taxation arising from:		
- capital allowances	(55,966)	18,654
Adjustments in respect of prior years	65,473	9,519
	<hr/>	<hr/>
	140,053	99,891

Notes to accounts (continued)

6 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
Beginning of year	575,557	916,904	1,492,461
Additions	890	118,989	119,879
End of year	<u>576,447</u>	<u>1,035,893</u>	<u>1,612,340</u>
Depreciation			
Beginning of year	(133,418)	(186,220)	(319,638)
Charge	(127,583)	(262,070)	(389,653)
End of year	<u>(261,001)</u>	<u>(448,290)</u>	<u>(709,291)</u>
Net book value			
Beginning of year	<u>442,139</u>	<u>730,684</u>	<u>1,172,823</u>
End of year	<u>315,446</u>	<u>587,603</u>	<u>903,049</u>

7 Debtors

The following are included in debtors, all of which fall due within one year:

	1995 £	1994 £
Amounts owed by group undertakings	1,322,230	901,129
UK corporation tax recoverable	-	7,054
VAT	81,175	57,753
Other debtors	301,793	119,459
Prepayments and accrued income	101,105	119,521
	<u>1,806,303</u>	<u>1,204,916</u>

Notes to accounts (continued)

8 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1995 £	1994 £
Trade creditors	354,350	34,992
Amounts owed to group undertakings	381,597	662,636
Social security and PAYE	-	25,365
Accruals and deferred income	1,169,093	605,200
	<u>1,905,040</u>	<u>1,328,193</u>

9 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling after more than one year:

	1995 £	1994 £
Amounts owed to group undertakings	<u>1,500,000</u>	<u>1,500,000</u>

The amounts owing to group undertakings are unsecured and non-interest bearing.

10 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation, which arises as follows:

	1995 £	1994 £
Excess of tax allowances over book depreciation of fixed assets	<u>21,290</u>	<u>53,796</u>

The movement in the year was as follows:

	1995 £	1994 £
Beginning of year	53,796	28,423
(Credited) charged to profit and loss account	(55,966)	18,654
Adjustment in respect of prior years	<u>23,460</u>	<u>6,719</u>
End of year	<u>21,290</u>	<u>53,796</u>

Deferred tax has been provided in full as the directors have concluded on the basis of reasonable assumptions that it is probable that the entire liability will crystallise.

Notes to accounts (continued)

11 Called-up equity share capital

	1995 £	1994 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 Reconciliation of movements in capital and reserves

	Share capital £	Profit and loss account £	Capital and reserves £
At 1 January 1994	2	134,030	134,032
Profit for the year	-	76,119	76,119
At 31 December 1994	<u>2</u>	<u>210,149</u>	<u>210,151</u>
Profit for the year	-	195,734	195,734
At 31 December 1995	<u>2</u>	<u>405,883</u>	<u>405,885</u>

13 Lease commitments

The company leases buildings under non cancellable operating leases. The minimum annual rentals under the foregoing leases are as follows:

	Land and buildings	
	1995 £	1994 £
Operating leases which expire:		
- within 2-5 years	<u>494,977</u>	<u>494,977</u>

During 1993 the company contracted to take out a five year lease on new office premises, and occupied them in March 1994. No rental was payable until May 1995. The annual rental expense, spread over the period of occupancy, will be £275,023. The lease will expire in August 1998.

The lease agreements provide that the company will pay all insurance, maintenance and repairs.

Notes to accounts (continued)

14 Capital commitments

There were no capital commitments at 31 December 1995.

15 Ultimate parent company

The ultimate parent company is Edison International a company incorporated in the USA.

The largest group of which the company is a member and for which consolidated accounts are prepared is that headed by Edison International. The accounts of this group are available to the public and may be obtained from 2244 Walnut Grove Avenue, Rosemead, California 91770, USA.

The smallest such group is that headed by Mission Energy Company (UK) Limited, a company registered in England and Wales. The accounts of this company are available to the public and may be obtained from Lansdowne House, Berkeley Square, London W1X 5DH.