

THAMES VALLEY POWER LIMITED**Registered Number 3041643****ANNUAL REPORT AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1998**

THAMES VALLEY POWER LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

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Directors

Mr R Barnes
Mr S J Bott
Mr M A Holmes (resigned 31 March 1998)
Mr J L Norton
Mr G W Welsh
Mr G K Bauer
Mr D Collison (appointed 1 April 1998)

Secretary

Mr A Whittaker (resigned 2 November 1998)
Mr R I Higson

Registered Number

3041643

Auditors

PricewaterhouseCoopers, 1 Embankment Place, London WC2N 6NN

Registered Office

Templar House
81-87 High Holborn
LONDON
WC1V 6NU

THAMES VALLEY POWER LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998

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

ULTIMATE HOLDING COMPANY

The Company is a 50/50 Joint Venture between The London Power Company Limited (a 100% beneficially owned subsidiary of London Electricity plc) and CU Power Generation Limited (a 100% beneficially owned subsidiary of Canadian Utilities Limited).

PRINCIPAL ACTIVITY

The Company's principal activity is electrical power generation. It will continue in this activity for the foreseeable future.

RESULTS AND DIVIDEND

The financial statements comparatives cover a nine month period after the company changed its year end last year to 31 December.

The loss for the financial year was £146,427 (Profit for nine months to 31 December 1997: £253,931). Further information is contained in the financial statements appended to this report.

The Directors do not recommend payment of a dividend.

FIXED ASSETS

Details of the movements in fixed assets during the period are shown in Note 10 to the financial statements.

DIRECTORS

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

Mr G K Bauer

Mr R Barnes

Mr J L Norton

Mr S J Bott

Mr G W Welsh

Mr M A Holmes (resigned 31 March 1998)

Mr D Collison (appointed 1 April 1998)

Mr D Collison (alternate to Mr M A Holmes until 31 March 1998)

Mr I A Smith (alternate to Mr G W Welsh)

Mr C Twa (alternate to Mr G K Bauer)

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.

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

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

DIRECTORS' SHAREHOLDINGS

No director or any connected person has an interest in the share capital of the Company.

YEAR 2000

The company's year 2000 compliance programme is well advanced.

The company has implemented a detailed examination across its business initially to identify areas where it is not compliant, then to determine and prioritise the necessary action and finally to implement that action.

Compliance of critical computer systems is planned to be completed by the end of May 1999, allowing sufficient time for testing.

The operation of our business also depends on the computer systems of our customers and our suppliers. We will be seeking assurances from third parties and we are planning contingency actions in key risk areas.

No significant expenditure has been required by the company to ensure that the systems are year 2000 compliant.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors.

By Order of the Board



R I Higson
Company Secretary

14 May 1999

Registered Office:

Templar House
81-87 High Holborn
London WC1V 6NU

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

THAMES VALLEY POWER LIMITED

AUDITORS' REPORT TO THE MEMBERS OF THAMES VALLEY POWER LIMITED

We have audited the financial statements on pages 7 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 5, 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 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 and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
14 May 1999

THAMES VALLEY POWER LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

		12 Months 31 December 1998 £	9 Months 31 December 1997 £
	Notes		
Turnover	2	5,122,585	3,603,518
Cost of sales		(2,591,071)	(1,670,717)
Gross profit		<u>2,531,514</u>	<u>1,932,801</u>
Net operating expenses	3	(1,678,376)	(1,267,230)
Operating profit	4	<u>853,138</u>	<u>665,571</u>
Interest receivable	7	46,307	37,589
Interest payable	8	(493,083)	(449,229)
Profit on ordinary activities before taxation		<u>406,362</u>	<u>253,931</u>
Tax on profit on ordinary activities	9	(552,789)	-
Retained (loss) / profit for the period	18	<u>(146,427)</u>	<u>253,931</u>

The results of the Company relate entirely to continuing operations.

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

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

THAMES VALLEY POWER LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1998

	Notes	31 December 1998 £	31 December 1997 £
Fixed assets			
Tangible assets	10	9,002,220	9,704,934
Current assets			
Stocks	11	82,946	135,012
Debtors	12	645,807	1,115,950
Bank		480,300	-
		<u>1,209,053</u>	<u>1,250,962</u>
Current liabilities			
Amounts falling due within one year	13	(1,458,246)	(1,609,231)
Net current liabilities		<u>(249,193)</u>	<u>(358,269)</u>
Total assets less current liabilities		<u>8,753,027</u>	<u>9,346,665</u>
Amounts falling due in more than one year			
Long term loans	14	(4,950,000)	(5,950,000)
Provisions for liabilities and charges	15	(1,136,990)	(584,201)
Net assets		<u><u>2,666,037</u></u>	<u><u>2,812,464</u></u>
Capital and reserves			
Share capital	17	2,020,000	2,020,000
Reserves			
Profit and loss account	18	646,037	792,464
Equity shareholders' funds	19	<u><u>2,666,037</u></u>	<u><u>2,812,464</u></u>

The financial statements on pages 7 to 15 were approved by the Board of Directors on 14 May 1999 and signed on its behalf by:



D Collison
Director

THAMES VALLEY POWER LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	31 December 1998 £	31 December 1997 £
Net cash inflow from continuing operating activities	20	<u>2,014,800</u>	<u>633,051</u>
Returns on investments and servicing of finance			
Interest received		46,307	37,589
Interest paid		(493,083)	(605,497)
Net cash outflow from returns on investments and servicing of finance		<u>(446,776)</u>	<u>(567,908)</u>
Taxation			
Consideration received from CU Power Generation Limited in respect of consortium relief of corporation tax		-	278,818
Consideration received from London Electricity plc in respect of consortium relief of corporation tax		-	278,818
Net cash inflow from taxation		<u>-</u>	<u>557,636</u>
Capital expenditure and financial investment			
Purchase of fixed assets		(73,154)	(155,999)
Net cash outflow from capital expenditure		<u>(73,154)</u>	<u>(155,999)</u>
Net cash inflow before financing		<u>1,494,870</u>	<u>466,780</u>
Financing			
Loan repayments		(1,000,000)	(1,500,000)
Net cash outflow from financing		<u>(1,000,000)</u>	<u>(1,500,000)</u>
Increase / (decrease) in cash	21	<u><u>494,870</u></u>	<u><u>(1,033,220)</u></u>

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

Accounting conventions

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

Turnover

Turnover arises entirely in the United Kingdom from the generation and supply of electricity and heat and is stated exclusive of value added tax.

Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets over their expected useful economic lives. The straight line method is used.

Lives of depreciable assets are as follows:

Plant and equipment	15 years
Lease premium	15 years
IT equipment	3 years

Stocks

Stocks are stated at the lower of cost or net realisable value.

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 to crystallise within the foreseeable future.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date unless covered by forward foreign exchange contracts, in which case the forward rate is used. Any differences are taken to the profit and loss account.

Leases

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

2. TURNOVER

Turnover arises entirely in the United Kingdom.

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

3. NET OPERATING EXPENSES

	31 Dec 1998	31 Dec 1997
	£	£
Continuing operations		
Operation and maintenance costs	1,401,011	1,061,033
Administrative costs	277,365	206,197
	<u>1,678,376</u>	<u>1,267,230</u>

4. OPERATING PROFIT

	31 Dec 1998	31 Dec 1997
	£	£
Operating profit is stated after charging the following:		
Depreciation	775,868	571,470
Amortisation of discount (see note 16)	3,547	3,547
Auditors' remuneration	<u>2,500</u>	<u>2,500</u>

5. DIRECTORS' EMOLUMENTS

No Director received remuneration from the Company during the period.

6. EMPLOYEE INFORMATION

The Company had no employees during the period.

7. INTEREST RECEIVABLE

	31 Dec 1998	31 Dec 1997
	£	£
Interest receivable on the bank deposit account	<u>46,307</u>	<u>37,589</u>

8. INTEREST PAYABLE

	31 Dec 1998	31 Dec 1997
	£	£
Interest due on the long term loans from The London Power Company Limited and CU Power Generation Limited.	492,945	449,229
Bank Interest	138	-
	<u>493,083</u>	<u>449,229</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	31 Dec 1998	31 Dec 1997
	£	£
Deferred taxation (see note 15)	552,789	-
	<u>552,789</u>	<u>-</u>

For the year ended 31 December 1998 the UK corporation tax charge was reduced by £0.2 million as a result of accelerated capital allowances. The tax loss of £260,195 for the year has been added to the tax losses brought forward to give a total tax loss of £744,628 which has been carried forward and is available for use against future profits.

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

10. FIXED ASSETS

	Plant and Equipment £	Lease Premium £	IT Equipment £	Total £
Cost				
As at 1 January 1998	10,139,905	1,390,000	4,795	11,534,700
Additions	12,817	-	60,337	73,154
At 31 December 1998	<u>10,152,722</u>	<u>1,390,000</u>	<u>65,132</u>	<u>11,607,854</u>
Depreciation				
As at 1 January 1998	1,604,781	223,925	1,060	1,829,766
Charge for the period	676,610	92,664	6,594	775,868
At 31 December 1998	<u>2,281,391</u>	<u>316,589</u>	<u>7,654</u>	<u>2,605,634</u>
Net book value				
At 31 December 1997	<u>8,535,124</u>	<u>1,166,075</u>	<u>3,735</u>	<u>9,704,934</u>
At 31 December 1998	<u>7,871,331</u>	<u>1,073,411</u>	<u>57,478</u>	<u>9,002,220</u>

11. STOCKS

	31 Dec 1998 £	31 Dec 1997 £
Raw materials and consumables	<u>82,946</u>	<u>135,012</u>

12. DEBTORS

	31 Dec 1998 £	31 Dec 1997 £
Amount falling due within one year:		
Trade debtors	88,403	550,249
Prepayments and accrued income	538,733	547,965
Amounts owed by London Electricity plc	4,482	-
Unamortised discount (see note 16)	14,189	17,736
	<u>645,807</u>	<u>1,115,950</u>

13. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	31 Dec 1998 £	31 Dec 1997 £
Trade creditors	9,618	4,479
Bank overdraft	25,119	39,689
Other taxation and social security	84,966	54,693
Amounts owed to CU Power Generation Limited	-	97,163
Amounts owed to other group companies	70,236	30,010
Accruals and deferred income	268,307	383,197
Current instalments due on long term loans from The London Power Company Limited and CU Power Generation Limited (see note 14)	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,458,246</u>	<u>1,609,231</u>

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

14. CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

The following loans are repayable by 30 June 2005 in equal quarterly instalments. Interest on the principal amounts outstanding is charged at 7.5% per annum.

	31 Dec 1998	31 Dec 1997
	£	£
The London Power Company Limited	2,975,000	3,475,000
CU Power Generation Limited	2,975,000	3,475,000
	<u>5,950,000</u>	<u>6,950,000</u>

The loans are to be repaid as follows:

Repayable in less than one year	1,000,000	1,000,000
Repayable between two and five years	4,750,000	4,750,000
Repayable in over five years	200,000	1,200,000
	<u>5,950,000</u>	<u>6,950,000</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current period are as follows:

	31 Dec 1998	31 Dec 1997
	£	£
At 1 January (1 April)	584,201	584,200
Charge for the period	552,789	1
At 31 December	<u>1,136,990</u>	<u>584,201</u>

Deferred taxation provided in the accounts is as follows:

	31 Dec 1998	31 Dec 1997
	£	£
At 1 January (1 April)	584,201	584,200
Capital allowances in advance of depreciation	552,789	1
At 31 December	<u>1,136,990</u>	<u>584,201</u>

There is no unprovided deferred tax.

16. CONSORTIUM RELIEF

	31 Dec 1998	31 Dec 1997
	£	£
Discount		
At 1 January (1 April)	26,566	26,566
Tax value of losses surrendered during the period	-	-
Less: Consideration receivable	-	-
At 31 December	<u>26,566</u>	<u>26,566</u>
Amortisation		
At 1 January (1 April)	8,830	5,283
Provided during the period	3,547	3,547
At 31 December	<u>12,377</u>	<u>8,830</u>
Net unamortised discount	<u>14,189</u>	<u>17,736</u>

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

17. SHARE CAPITAL

	31 Dec 1998	31 Dec 1997
	£	£
Authorised		
1,500,000 'A' ordinary shares of £1 each	1,500,000	1,500,000
1,500,000 'B' ordinary shares of £1 each	1,500,000	1,500,000
	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called up and fully paid		
1,010,000 'A' ordinary shares of £1 each held by The London Power Company Limited	1,010,000	1,010,000
1,010,000 'B' ordinary shares of £1 each held by CU Power Generation Limited	1,010,000	1,010,000
	<u>2,020,000</u>	<u>2,020,000</u>

18. RESERVES

	Profit and Loss Account	
	31 Dec 1998	31 Dec 1997
	£	£
Balance at 1 January (1 April)	792,464	538,533
Retained (loss) / profit for the period	(146,427)	253,931
Balance at 31 December	<u>646,037</u>	<u>792,464</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	31 Dec 1998	31 Dec 1997
	£	£
Opening shareholders' funds	2,812,464	2,558,533
(Loss) / profit for the period	(146,427)	253,931
Closing shareholders' funds	<u>2,666,037</u>	<u>2,812,464</u>

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 Dec 1998	31 Dec 1997
	£	£
Continuing operating activities		
Operating profit	853,138	665,571
Depreciation on tangible fixed assets (see note 10)	775,868	571,470
Amortisation of discount (see note 16)	3,547	3,547
Decrease in stocks	52,066	11,664
Decrease/(increase) in trade debtors	461,846	(550,249)
Decrease/(increase) in prepayments and accrued income	9,232	(56,701)
(Increase) in amounts owed by London Electricity plc	(4,482)	-
Increase/(decrease) in trade creditors	5,139	(19,499)
(Decrease)/(increase in amounts owed to CU Power Generation Ltd	(97,163)	97,163
Increase in amounts owed to other group companies	40,226	30,010
Increase/(decrease) in other taxation and social security	30,273	(88,258)
Decrease in accruals and deferred income	(114,890)	(31,667)
Net cash inflow from continuing operating activities	<u>2,014,800</u>	<u>633,051</u>

THAMES VALLEY POWER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

21. CHANGES IN CASH

	31 Dec 1998	31 Dec 1997
	£	£
At 1 January (1 April)	(39,689)	993,531
Net cash inflow / (outflow)	494,870	(1,033,220)
At 31 December	<u>455,181</u>	<u>(39,689)</u>

	31 Dec 1998		31 Dec 1997	
Analysis of balances	Change in		Change in	
	31/12/98	year	31/12/97	period
	£	£	£	£
Cash at bank	480,300	480,300	-	(1,087,000)
Bank overdraft	(25,119)	14,570	(39,689)	53,780
	<u>455,181</u>	<u>494,870</u>	<u>(39,689)</u>	<u>(1,033,220)</u>
				<u>993,531</u>

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£
Increase in cash in the year	494,870
Cash to repay loan	1,000,000
Change in net debt	<u>1,494,870</u>
Net debt at 1 January 1998	<u>(6,989,689)</u>
Net debt at 31 December 1998	<u>(5,494,819)</u>

Analysis of change in net debt

	At 1 Jan		Other	At 31 Dec
	1998	Cash flows	changes	1998
	£	£	£	£
Cash in hand	-	480,300	-	480,300
Bank overdraft	(39,689)	14,570	-	(25,119)
Debt due within 1 year	(1,000,000)	1,000,000	(1,000,000)	(1,000,000)
Debt due after 1 year	(5,950,000)	-	1,000,000	(4,950,000)
Total	<u>(6,989,689)</u>	<u>1,494,870</u>	<u>-</u>	<u>(5,494,819)</u>

23. CAPITAL COMMITMENTS

There is no capital expenditure that has been contracted for but not provided for in the financial statements.

24. RELATED PARTIES

During the year, the cost of services provided to the company by London Electricity Services Ltd (a 100% subsidiary of London Electricity plc) was £167,008. The balance outstanding at 31 December 1998 was £70,236 inclusive of VAT.