

LONDON ELECTRICITY PLC
REPORTS & ACCOUNTS
FOR THE YEAR
ENDED 31 MARCH 1997

Registered Company number 2366852



Directors' Report

The directors present their report and financial statements for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES

The principal activities of the Group throughout the year 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 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 and to be issued share capital of London Electricity plc. By 26 February 1997 this offer was accepted by over 90 per cent of the shareholders of London Electricity plc. On 27 February 1997 Entergy Power UK 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. At the date of signing of this report Entergy Power UK plc had purchased the remaining shares and now owns 100 per cent of London Electricity plc.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The historical cost profit on ordinary activities of the Group before taxation amounted to £120.0 million and after taxation to a loss of £44.8 million. An interim dividend of 14.3 pence per share was paid on 31 January 1997 amounting to £25.6 million. The directors do not recommend the payment of a final dividend.

DIRECTORS

The directors of the company who held office during the year ended 31 March 1997 or are directors at the signing of this report are as follows:

		<u>Appointed</u>	<u>Resigned</u>
Ian Beament	(E)		
Michael Bemis	(E)	20 Feb 1997	
Mike Brown	(E)		
Judith Hanratty	(NE)		20 Feb 1997
Mike Kersey	(E)		31 May 1997
Edwin Lupberger (Chairman)	(NE)	20 Feb 1997	
Gerald McInvale	(NE)	20 Feb 1997	
Terry Ogletree	(NE)	20 Feb 1997	
Gordon Owen	(NE)		20 Feb 1997
Leslie Priestley	(NE)		20 Feb 1997
Sir Bob Reid (Chairman)	(NE)		20 Feb 1997
Alan Towers	(E)		

(E) - Executive director
(NE) - Non executive director

DIRECTORS' INTERESTS

No contract or arrangement has been entered into at any time during the year or subsisted at the end of the year 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 March 1997 in the issued ordinary share capital and share options of the Company, as shown in the register kept by the Company, are given below. The interests are shown from 1 April 1996 or date of appointment where this is later.

All the interests are beneficial unless otherwise stated.

(a) Ordinary shares	Shares at 31/3/97	Shares at 31/3/96
I R Beament	Nil	15,774
M B Bemis	Nil	N/A
M J Brown	Nil	6,013
M J Kersey	Nil	428
E A Lupberger	Nil	N/A
G McInvale	Nil	N/A
T L Ogletree	Nil	N/A
A V Towers	<u>1,800</u>	<u>10,727</u>
Total	<u>1,800</u>	<u>32,942</u>

Shareholdings at 31 March 1996 and 1997 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.

None of the directors has a beneficial interest in the shares of any subsidiary company, nor in the debenture or loan stocks issued by the Company or any subsidiary.

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

(b) Share options

		Sharesave No. 2	Executive No.3	Executive No. 5	Total
M J Kersey	31/3/97	-	-	75,077	75,077
	1/4/96	-	-	75,077	75,077
I R Beament	31/3/97	-	19,400	-	19,400
	1/4/96	-	19,400	-	19,400
M J Brown	31/3/97	990	14,400	-	15,390
	1/4/96	990	14,400	-	15,390
A V Towers	31/3/97	990	23,800	-	24,790
	1/4/96	990	23,800	-	24,790
Total	31/3/97	<u>1,980</u>	<u>57,600</u>	<u>75,077</u>	<u>134,657</u>
	1/4/96	<u>1,980</u>	<u>57,600</u>	<u>75,077</u>	<u>134,657</u>
Exercise price per share		£3.03	£4.83	£5.92	
Earliest exercisable date		31/12/97	20/7/96	3/4/98	
Latest exercise date		30/6/98	20/7/2003	3/4/2005	

None of the above directors had options granted, exercised or sold during the year.

The closing market price of the shares at 31 March 1997 was £7.055 (31 March 1996 £7.43).

The number of options lapsed unexercised was nil (1995/96 5,571).

Due to the acquisition of London Electricity plc by Entergy Power UK plc the following options were exercised after 31 March 1997 and the Cash Offer made by Entergy Power UK plc was accepted. In addition these options also received an additional payment of 17.9 pence per share which was the equivalent gross amount of the interim dividend.

	<u>Options exercised</u>	<u>Exercise price</u>	<u>Market price at date of exercise £</u>	<u>Date of exercise</u>
I R Beament	19,400	4.83	7.055	April 1997
M J Brown	767	3.03	7.055	April 1997
	14,400	4.83	7.055	April 1997
A V Towers	767	3.03	7.055	April 1997
	<u>35,334</u>			

All other remaining options lapsed but a "cash cancellation" payment equal to the accrued gain on the London Electricity plc shares plus the additional payment was paid on the following :

	<u>Number of options "cash cancelled"</u>	<u>Exercise price £</u>	<u>"Cash cancellation" payment per option £</u>
M J Kersey	75,077	5.92	1.31
A V Towers	<u>23,800</u>	4.83	2.40
	<u>98,877</u>		

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 1997 the Company was 92.55 per cent owned by Entergy Power UK plc following the commencement of their compulsory acquisition procedure on 27 February 1997. At the date of signing of this report the company was 100 per cent owned by Entergy Power UK plc. Details of the immediate and ultimate holding companies of the Group are set out in note 30 to the accounts.

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 £640,758 (1995/96 £750,000).

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 :

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- 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.

POST BALANCE SHEET EVENTS

HM Government, newly elected on 1 May 1997, introduced in the July 1997 budget a windfall tax which will affect those regulated companies privatised since 1979. The financial impact of such a tax on the Group is estimated to be £140m, and this has been provided as part of the tax charge.

DIFFERENCES BETWEEN MARKET AND BALANCE SHEET VALUE OF LAND

Land & buildings are carried in the historical cost accounts at a net book value of £114.0 million. The directors consider the market value of land and 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.

Details of employee share schemes may be found in Note 24 to the accounts on page 26.

NON EXECUTIVE DIRECTORS

The independent non executive directors holding office at the date of this report together with a short biographical note on each, are as follows:

- | | |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Edwin Lupberger: | Chairman of the Board, President and CEO of Entergy Corporation, New Orleans, Louisiana. Age 60. |
| Gerald McInvale: | Executive Vice President and Chief Financial Officer of Entergy Corporation, New Orleans, Louisiana. Joined Entergy after holding executive positions with a major consumer products firm. Age 53. |
| Terry Ogletree: | Executive Vice President - International of Entergy Corporation, New Orleans, Louisiana. Joined Entergy in 1993 having previously been an executive with major independent power firms. Age 53. |

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 Robertson
Company Secretary
28 July 1997

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.

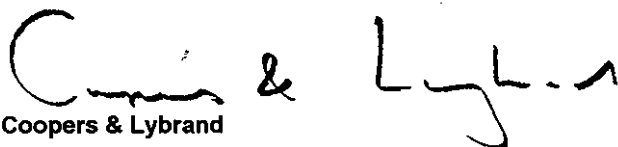
Basis of opinion

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 March 1997 and of the loss and total recognised losses of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', is written over the printed name.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

28 July 1997

LONDON ELECTRICITY PLC

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

			Excluding National Grid Group transactions	National Grid Group transactions	Total
	Note	1996/97 £m	1995/96 £m	1995/96 £m	1995/96 £m
Turnover continuing operations	4	1,349.8	1,278.6	(90.9)	1,187.7
Cost of sales		(931.9)	(842.8)	8.3	(834.5)
Gross profit		417.9	435.8	(82.6)	353.2
Net operating expenses	1	(250.5)	(253.9)	(14.4)	(268.3)
Exceptional items	1, 3	(21.8)	(11.7)	-	(11.7)
Operating profit continuing operations	4, 5	145.6	170.2	(97.0)	73.2
Share of profits / (losses) of associated undertakings		3.5	(2.2)	-	(2.2)
Exceptional items	3	(14.7)	(4.5)	70.1	65.6
Profit on ordinary activities before interest		134.4	163.5	(26.9)	136.6
Income from investment in National Grid Group		-	-	144.4	144.4
Income from investments		4.1	-	-	-
Net interest payable	8	(18.5)	(4.9)	-	(4.9)
Profit on ordinary activities before taxation		120.0	158.6	117.5	276.1
Taxation on profit on ordinary activities	9	(164.8)	(36.0)	(53.4)	(89.4)
(Loss) / profit on ordinary activities after taxation		(44.8)	122.6	64.1	186.7
Dividends					
Distribution in specie	11	-	-	(350.4)	(350.4)
Special	11	-	(198.7)	-	(198.7)
Interim	11	(25.6)	(22.9)	-	(22.9)
Final proposed	11	-	(47.3)	-	(47.3)
Retained loss for the financial year		(70.4)	(146.3)	(286.3)	(432.6)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 1997**

	1996/97 £m	1995/96 £m
(Loss) / profit on ordinary activities after taxation	(44.8)	186.7
Other net gains recognised in reserves: Surplus on revaluation of NGG investment	-	266.2
Total recognised gains and losses relating to the year	(44.8)	452.9

**NOTE OF HISTORICAL COST GROUP PROFITS AND LOSSES
for the year ended 31 March 1997**

	1996/97 £m	1995/96 £m
Profit on ordinary activities before taxation	120.0	276.1
Realisation of revaluation surpluses on NGG investment	4.3	340.5
Historical profit on ordinary activities before taxation	124.3	616.6
Historical cost loss for the year retained after taxation and dividends	(66.1)	(92.1)

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 31 March 1997**

	Note	1996/97 £m	1995/96 £m
(Loss) / profit on ordinary activities after taxation		(44.8)	186.7
Dividends	11	(25.6)	(619.3)
Retained loss		(70.4)	(432.6)
Shares issued under option schemes		1.6	9.6
Shares repurchased and cancelled		-	(0.8)
Goodwill on acquisition deducted from reserves		-	(0.5)
Other net recognised gains relating to the year		4.3	266.2
		5.9	274.5
Net decrease in equity shareholders' funds		(64.5)	(158.1)
Equity shareholders' funds at start of year		499.7	657.8
Closing equity shareholders' funds		435.2	499.7

LONDON ELECTRICITY PLC
BALANCE SHEET
as at 31 March 1997

		Group		Company	
	Note	1997 £m	1996 £m	1997 £m	1996 £m
Fixed assets					
Tangible assets	12	860.0	783.6	790.2	720.3
Investments	13	<u>10.3</u>	<u>10.6</u>	<u>106.2</u>	<u>114.6</u>
		870.3	794.2	896.4	834.9
Current assets					
Stocks	17	8.5	7.4	5.5	3.6
Debtors : amounts falling due:					
After more than one year	18	26.9	29.4	26.9	35.3
Within one year	18	255.1	388.8	263.5	387.2
Investments	19	28.2	29.3	17.1	19.2
Cash at bank and in hand		<u>18.4</u>	<u>0.4</u>	<u>19.2</u>	<u>1.2</u>
		337.1	455.3	332.2	446.5
Creditors: amounts falling due within one year					
Borrowings	20	(141.7)	(96.1)	(141.7)	(96.1)
Other creditors	21	<u>(202.4)</u>	<u>(388.5)</u>	<u>(203.1)</u>	<u>(386.9)</u>
Net current liabilities		(7.0)	(29.3)	(12.6)	(36.5)
Total assets less current liabilities		863.3	764.9	883.8	798.4
Creditors: amounts falling due after more than one year					
Borrowings	20	(197.9)	(197.7)	(197.9)	(197.7)
Other creditors	21	<u>(7.5)</u>	<u>(13.3)</u>	<u>(4.2)</u>	<u>(9.3)</u>
		(205.4)	(211.0)	(202.1)	(207.0)
Provisions for liabilities and charges	22	(222.7)	(54.2)	(217.3)	(49.9)
Net assets		<u>435.2</u>	<u>499.7</u>	<u>464.4</u>	<u>541.5</u>
Capital and Reserves					
Called up share capital	23	102.0	101.7	102.0	101.7
Share premium account	25	10.9	9.6	10.9	9.6
Capital redemption reserve	25	11.0	11.0	11.0	11.0
Revaluation reserve	25	3.3	7.6	3.3	7.6
Profit and loss account	25	308.0	369.8	337.2	411.6
Equity shareholders' funds		<u>435.2</u>	<u>499.7</u>	<u>464.4</u>	<u>541.5</u>

The financial statements were approved by the Board of Directors on
28 July 1997 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, modified to include the investment in The National Grid Group at the November 1995 valuation.

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 year. 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.

Acquisitions of subsidiary undertakings and other businesses

The results of subsidiary undertakings and other businesses acquired during the year are included in the Group profit and loss account from the date that control passes.

In accordance with FRS 6 and 7, on acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of the identifiable assets and liabilities existing at the date of acquisition and reflecting the conditions at that date.

Goodwill arising on the acquisition of a business is written off immediately against reserves. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired.

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 audited financial statements of the undertakings concerned, which all have the same accounting reference date, except in the case of London Total Gas Ltd where management accounts have been used. Audited financial statements were drawn up to 31 December 1996.

Turnover

Turnover represents the value of electricity consumption during the year, including an estimate of the sales value of units supplied to consumers between the date of the last meter reading and the year 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.

The capital costs of ex-gratia and supplementary pensions are charged to the profit and loss account in the accounting period in which they are granted.

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	Up to 60
- leasehold	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.

Employee Share Ownership Plan (ESOP)

Shares held by the ESOP are recorded as current asset investments at a November 1995 valuation and are included in the Company's balance sheet.

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 the year ended 31 March 1997

1 Analysis of net operating expenses

	1996/97 £m	1995/96 £m
Distribution	114.7	115.2
Less: use of prior year provision	(2.9)	(1.7)
Distribution: exceptional cost of restructuring	15.1	4.2
NGG exceptional item	0.5	2.8
Administrative	149.5	138.7
Less: use of prior year provision	(10.8)	(6.6)
Administrative: exceptional cost of restructuring	3.9	15.8
NGG exceptional item	2.3	11.6
	272.3	280.0

Operating expenses

Distribution costs

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

Administrative expenses

Administrative expenses include all other operating costs.

NGG exceptional item

The NGG exceptional item relates to costs in respect of the ESOP of £2.8m (1995/96 : £13.1m) and professional fees of £nil (1995/96 : £1.3m).

2 National Grid Group (NGG) demerger in 1995/96

In December 1995, the Company demerged its 10.5 per cent shareholding in the National Grid Group (NGG). As part of the transaction the Company received dividends of £134.9m. The company subsequently distributed the majority of its shares to eligible shareholders in the form of a distribution in specie. An Employee Share Ownership Plan (ESOP) was also set up to hold NGG shares for option holders who would otherwise have suffered a loss in value resulting from the NGG transactions. An additional effect of the demerger was that all customers received a discount on their electricity bills of £50 (which led to adjustments to revenue and to the fossil fuel levy).

The effect of these transactions in the prior year is disclosed separately in the comparative figures in these accounts.

3 Exceptional items

	1996/97 £m	1995/96 £m
Operating exceptional items		
Exceptional cost of restructuring	19.0	20.0
Costs in respect of ESOP	2.8	-
Total Operating exceptional items	21.8	20.0
Non operating exceptional items		
Increase in provision for losses in associated undertakings	1.7	4.5
Profit on sale of investment in pumped storage business	(1.3)	(70.1)
Net loss on disposal of subsidiary and associated undertaking	3.7	-
Costs incurred in respect of acquisition by Entergy Power UK plc	7.6	-
Loss on closure of subsidiary	3.0	-
Total non operational exceptional items	14.7	(65.6)
Total exceptional items	36.5	(45.6)

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

4 Analysis of turnover, operating profit and net assets

Class of business	Turnover		Operating profit		Net assets	Net assets
	1996/97 £m	1995/96 £m	1996/97 £m	1995/96 £m	1996/97 £m	1995/96 £m
Distribution	336.1	357.1	125.2	147.5	722.3	686.8
Supply	1,264.5	1,188.9	7.1	9.2	86.7	44.0
Private electrical distribution systems	17.9	15.9	13.3	12.0	57.9	56.1
Other	59.8	43.2	-	3.0	1.6	11.5
NGG items	-	(90.9)	-	(97.0)	-	-
	1,678.3	1,514.2	145.6	74.7	868.5	798.4
Less: Inter business transactions	(328.5)	(326.5)	-	(1.5)	-	-
Unallocated net liabilities	-	-	-	-	(433.3)	(298.7)
Continuing operations	1,349.8	1,187.7	145.6	73.2	435.2	499.7

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, building energy management systems, 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.

5 Operating profit

	1996/97 £m	1995/96 £m
Operating profit is stated after charging:		
Staff costs (Note 6)	88.4	85.3
Depreciation (Note 12)	45.1	41.1
Operating lease rentals:		
Land and buildings	7.3	6.6
Plant and machinery	1.1	1.3
Amounts paid to Coopers & Lybrand:		
Remuneration as Group auditors	0.2	0.2
Fees for other services in the United Kingdom	1.3	1.1
and after crediting :		
Rental income	1.3	2.5
Profit on disposal of fixed assets	1.8	2.6

Auditor's remuneration includes £0.1 million (1995/96 £0.1m) for audit services provided to the parent company.

6 Staff costs

	1996/97 £m	1995/96 £m
Wages and salaries	100.9	97.7
Social security costs	8.5	8.1
Other pension costs (Note 26)	1.0	1.3
	<u>110.4</u>	<u>107.1</u>
Less: charged as capital expenditure	(22.0)	(21.8)
Charged to the profit and loss account	<u>88.4</u>	<u>85.3</u>

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

	Number of employees	Number of employees
Staff grades	3,020	2,925
Industrial staff grades	<u>1,415</u>	<u>1,479</u>
	<u>4,435</u>	<u>4,404</u>

7 Directors' emoluments

	1996/97 £'000	1995/96 £'000
Aggregate emoluments	<u>820</u>	<u>817</u>

No directors exercised share options in the year although, as detailed in the director's report all directors who held options at year end "cash cancelled" their options after 31 March 1997.

Highest paid director

Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares received) under long term incentive schemes :	£'000	£'000
	210	161

Defined benefit pension schemes:

Accrued pension at end of year	25	14
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The highest paid director did not exercise any share options during the year but, as detailed in the directors' report, "cash cancelled" his remaining options after 31 March 1997. No shares were received under the executive or sharesave scheme during the year.

8 Net interest payable

	1996/97 £m	1995/96 £m
Interest receivable and similar income	5.5	11.8
Interest payable and similar charges:		
Bank loans and overdraft	(7.1)	(4.7)
Bonds	<u>(16.9)</u>	<u>(12.0)</u>
Net interest payable	<u>(18.5)</u>	<u>(4.9)</u>

9 Taxation on profit on ordinary activities

	1996/97 £m	1995/96 £m
United Kingdom Corporation tax at 33%(1995/96 33%)		
Current taxation on ordinary activities	28.8	43.7
Exceptional windfall tax	140.0	-
Tax on exceptional restructuring costs	(3.7)	(4.6)
Deferred tax on exceptional restructuring costs	(0.8)	(2.0)
Deferred tax on other items	1.4	(1.1)
	<u>165.7</u>	<u>36.0</u>
Corporation tax reduction relating to customer discount	-	(27.3)
Tax credit on NGG special dividend	-	22.8
Tax credit on NGG ordinary dividends	-	1.8
Corporation tax in relation to exceptional ESOP costs	(0.9)	(3.6)
Corporation tax charge arising from distribution in specie	-	59.7
	<u>(0.9)</u>	<u>53.4</u>
	<u>164.8</u>	<u>89.4</u>

The taxation charge has been reduced by £26.3m (1995/96 £12.8m) 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.

10 Profit on ordinary activities after taxation

The profit for the financial year is made up as follows :

	1996/97 £m	1995/96 £m
Dealt with in the accounts of the holding company	(53.1)	186.9
Retained by subsidiary undertakings	3.5	6.7
Retained by associated undertakings	4.8	(6.9)
	<u>(44.8)</u>	<u>186.7</u>

11 Dividends

	1996/97 £m	1995/96 £m
Interim dividend of 14.3p per 58 1/3 ordinary share (1995/96 11.5p per 50p ordinary share)	25.6	22.9
Final proposed of nil per 58 1/3 ordinary share (1995/96 27.0p per consolidated ordinary share)	-	47.3
	<u>25.6</u>	<u>70.2</u>
Distribution of NGG shares by way of specie dividend	-	350.4
Special dividend of nil (1995/96 100p per 50p ordinary share)	-	198.7
	<u>25.6</u>	<u>619.3</u>

Notes to the Balance Sheet
as at 31 March 1997

12 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
Cost						
At 1 April 1996	1,241.4	77.0	118.8	15.9	(204.2)	1,248.9
Additions	109.3	5.6	23.8	4.4	(16.8)	126.3
Disposals	(0.2)	(0.2)	(7.0)	(2.7)	-	(10.1)
At 31 March 1997	1,350.5	82.4	135.6	17.6	(221.0)	1,365.1

Depreciation

At 1 April 1996	416.3	19.7	71.1	9.8	(51.6)	465.3
Charge for the year	29.9	1.8	16.0	2.4	(5.0)	45.1
Disposals	(0.1)	-	(2.9)	(2.3)	-	(5.3)
At 31 March 1997	446.1	21.5	84.2	9.9	(56.6)	505.1

Net book amounts

At 31 March 1997	904.4	60.9	51.4	7.7	(164.4)	860.0
At 31 March 1996	825.1	57.3	47.7	6.1	(152.6)	783.6

Company

	Network Assets	Other land and buildings	Fixtures and equipment	Vehicles & mobile plant	Deduct: consumers' contributions	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 1996	1,186.0	76.5	111.7	-	(204.2)	1,170.0
Additions	99.1	5.6	23.0	-	(16.8)	110.9
Disposals	(0.1)	(0.2)	(2.0)	-	-	(2.3)
At 31 March 1997	1,285.0	81.9	132.7	-	(221.0)	1,278.6

Depreciation

At 1 April 1996	412.4	19.7	69.2	-	(51.6)	449.7
Charge for the year	28.8	1.8	14.9	-	(5.0)	40.5
Disposals	(0.1)	-	(1.7)	-	-	(1.8)
At 31 March 1997	441.1	21.5	82.4	-	(56.6)	488.4

Net book amounts

At 31 March 1997	843.9	60.4	50.3	-	(164.4)	790.2
At 31 March 1996	773.6	56.8	42.5	-	(152.6)	720.3

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Capital commitments:				
Contracted for but not provided for	52.7	91.8	48.2	83.3

The net book amount of other land and buildings comprises:

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Freehold	35.1	35.8	34.6	35.3
Long leasehold (over 50 years)	9.7	9.3	9.7	9.3
Short leasehold (50 years or less)	16.1	12.2	16.1	12.2
	<u>60.9</u>	<u>57.3</u>	<u>60.4</u>	<u>56.8</u>

Tangible fixed assets include the following:

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Assets in the course of construction	80.9	82.3	69.6	75.2
Land not depreciated	16.2	16.2	16.2	16.2
	<u>97.1</u>	<u>98.5</u>	<u>85.8</u>	<u>91.4</u>

13 Fixed asset investments

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Subsidiary undertakings (Note 14)	-	-	100.9	103.6
Associated undertakings (Note 15)	4.1	1.4	4.1	2.9
Other investments (Note 16)	6.2	9.2	1.2	8.1
	<u>10.3</u>	<u>10.6</u>	<u>106.2</u>	<u>114.6</u>

All investments are unlisted.

14 Subsidiary undertakings

	Company		
	Shares	Loans	Total
	£m	£m	£m
At 1 April 1996	16.9	86.7	103.6
Additions	6.3	7.7	14.0
Repayments	-	(4.9)	(4.9)
Transfer to amounts owed by subsidiary undertakings	-	(11.8)	(11.8)
At 31 March 1997	23.2	77.7	100.9

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%	Holding company 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.

15 Interests in associated undertakings

Group	Shares £m	Loans £m	Share of post acquisition reserves £m	Total £m
At 1 April 1996	3.8	5.3	(7.7)	1.4
Transfers from other investments	1.1	-	-	1.1
Additions	1.5	0.7	-	2.2
Transfers to other investments	(0.3)	-	-	(0.3)
Transfers to debtors; amounts due within one year	-	(0.6)	-	(0.6)
Disposals	(0.9)	-	1.9	1.0
Repayments	-	(0.7)	-	(0.7)
Share of retained profits in year	-	-	-	-
At 31 March 1997	5.2	4.7	(5.8)	4.1

Company	Shares £m	Loans £m	Total £m
At 1 April 1996	1.9	1.0	2.9
Additions	1.5	0.7	2.2
Transfers to other investments	(0.3)	0.0	(0.3)
Repayments	-	(0.7)	(0.7)
At 31 March 1997	3.1	1.0	4.1

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal activities
London Total Gas Ltd	Ordinary £1	50%	Gas supply
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.

16 Other investments

	Shares £m	Group Loans £m	Total £m
Group			
At 1 April 1996	9.2	-	9.2
Additions at costs	5.0	0.6	5.6
Disposals	(4.2)	-	(4.2)
Transfers (to)/from associates	(1.1)	0.3	(0.8)
Transfer to current asset investments	(3.6)	-	(3.6)
At 31 March 1997	5.3	0.9	6.2

	Shares £m	Group Loans £m	Total £m
Company			
At 1 April 1996	8.1	-	8.1
Additions at costs	-	0.6	0.6
Disposals	(4.2)	-	(4.2)
Transfers from associates	-	0.3	0.3
Transfers to current asset investments	(3.6)	-	(3.6)
At 31 March 1997	0.3	0.9	1.2

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%

17 Stocks

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Raw materials and consumables	1.2	1.4	1.1	1.3
Work in progress	7.3	6.0	4.4	2.3
	8.5	7.4	5.5	3.6

18 Debtors

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Amounts due within one year:				
Trade debtors	104.8	113.5	103.5	111.1
Unbilled consumption	102.4	77.2	102.4	77.2
Amounts owed by other Group companies	-	-	14.2	16.0
Amounts owed by associated undertakings	1.1	0.7	0.4	0.1
Other debtors	19.2	52.9	15.8	38.7
Prepayments and accrued income	4.0	8.1	3.6	7.8
Advance corporation tax recoverable	13.1	125.1	13.1	125.1
Deferred taxation recoverable (Note 22)	10.4	11.0	10.4	10.9
Dividends receivable	0.1	0.3	0.1	0.3
	255.1	388.8	263.5	387.2

Amounts due after more than one year:

Advance corporation tax recoverable	7.4	10.0	7.4	10.0
Pension scheme prepayment	19.5	19.4	19.5	19.4
Amounts owed by subsidiary undertakings	-	-	-	5.9
	26.9	29.4	26.9	35.3

19 Current asset investments

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Listed				
UK - investments	4.8	1.2	3.6	-
Overseas - investments	5.0	2.9	-	-
	9.8	4.1	3.6	-
Unlisted				
Money market investments	17.4	23.2	13.5	19.2
Tax certificates of deposit	1.0	2.0	-	-
	18.4	25.2	13.5	19.2
	28.2	29.3	17.1	19.2

Investments include 1.7 million shares in NGG which are stated at a valuation of £3.6m and are listed on the London Stock Exchange with a market value of £3.6m at 31 March 1997.

At 31 March 1997 the ESOP held 1.3 million of the above shares in NGG which are stated at a valuation of £2.6million and are listed on the London Stock Exchange with market value of £2.6m at 31 March 1997.

The ESOP was set up to purchase NGG shares to be transferred to option holders as compensation for loss in value of the London Electricity plc shares under option following the demerger of NGG in 1995/6. The ESOP Trustee is funded by London Electricity plc to purchase from London Electricity plc the appropriate number of NGG shares required in relation to unexercised options.

Costs of the ESOP to the Company are recognised in the profit & loss account up to the first exercise date of the relevant option.

All remaining shares held by the ESOP are now included in current asset investments.

Dividends on these shares have not been waived.

20 Borrowings

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Amounts falling due within one year:				
Short term borrowings	<u>141.7</u>	<u>96.1</u>	<u>141.7</u>	<u>96.1</u>
Amounts falling due after more than one year:				
8% Eurobonds repayable 28 March 2003	99.0	98.9	99.0	98.9
8 5/8% Eurobonds repayable 26 October 2005	<u>98.9</u>	<u>98.8</u>	<u>98.9</u>	<u>98.8</u>
	<u>197.9</u>	<u>197.7</u>	<u>197.9</u>	<u>197.7</u>

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.

Borrowing facilities

The Group had at 31 March 1997 bilateral committed borrowing facilities of £85m of varying maturities up to seven years (1995/96 £230m).

As part of the acquisition by Entergy Power UK plc a £200m committed working capital facility was also available for use by the Group.

The other facilities available to the Group were short term unsecured, uncommitted facilities of £208m (1995/96 £228m) and the Company has a £150m Sterling Commercial Paper programme (1995/96 £150m).

21 Creditors

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Amounts falling due within one year:				
Payments received on account	13.8	11.4	10.6	7.5
Amounts owing for purchase of electricity	73.7	73.5	73.7	73.5
Amounts owed to Group companies	-	-	12.0	12.5
Other trade creditors	37.9	32.6	36.8	30.9
Corporation tax	24.5	86.9	23.0	83.9
Advance corporation tax	6.2	64.6	6.2	64.6
Other taxation and social security	3.6	3.6	3.2	3.3
Other creditors	15.2	43.3	12.0	40.4
Advance payments on extension of VAT	-	5.2	-	5.2
Accruals and deferred income	27.5	20.1	25.6	17.8
Proposed dividends	-	47.3	-	47.3
	<u>202.4</u>	<u>388.5</u>	<u>203.1</u>	<u>386.9</u>
Amounts falling due after more than one year:				
Other creditors	4.2	11.1	4.2	7.1
Accruals and deferred income	3.3	0.1	-	0.1
Advance payments on extension of VAT	-	2.1	-	2.1
	<u>7.5</u>	<u>13.3</u>	<u>4.2</u>	<u>9.3</u>

22 Provisions for liabilities and charges

Group

	Insurance £m	Restructuring costs £m	Other £m	Windfall tax £m	Total £m
At 1 April 1996	16.0	30.4	7.8	-	54.2
Utilised in the year	(2.3)	(13.7)	(2.4)	-	(18.4)
Released in the year	(4.6)	-	-	-	(4.6)
Transferred from profit and loss account	3.2	19.0	29.3	140.0	191.5
At 31 March 1997	12.3	35.7	34.7	140.0	222.7

Company

	Insurance £m	Restructuring costs £m	Other £m	Windfall tax £m	Total £m
At 1 April 1996	12.3	30.4	7.2	-	49.9
Utilised in the year	(2.3)	(13.7)	(2.4)	-	(18.4)
Released in the year	(4.6)	-	-	-	(4.6)
Transferred from profit and loss account	2.1	19.0	29.3	140.0	190.4
At 31 March 1997	7.5	35.7	34.1	140.0	217.3

Included in amounts transferred from the profit and loss account to Other provisions is £27.9m 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 amount for which provision has not been made are as follows:

Provided in accounts:

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
At 1 April	(11.0)	(7.9)	(10.9)	(7.8)
Transfer from profit and loss	0.6	(3.1)	0.5	(3.1)
At 31 March	(10.4)	(11.0)	(10.4)	(10.9)

Provided in accounts:

Other timing differences	(10.4)	(11.0)	(10.4)	(10.9)
	(10.4)	(11.0)	(10.4)	(10.9)

Potential liability not provided:

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Accelerated capital allowances	191.7	184.1	182.5	177.6
Other timing differences	(4.5)	(6.5)	(3.6)	(6.4)
	187.2	177.6	178.9	171.2

Total potential deferred taxation liability is computed at a Corporation tax rate of 31% (31 March 1996 33%).

23 Share capital

Group and Company	
1997	1996
£m	£m

Authorised

257,142,857 ordinary shares of 58 1/3 p each

(1995/96 257,142,857 ordinary shares of 58 1/3p each)	<u>150.0</u>	<u>150.0</u>
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Allotted, called up and fully paid 174,686,836

ordinary shares of 58 1/3 p each(1995/96 174,290,836

ordinary shares of 58 1/3p each)	<u>102.0</u>	<u>101.7</u>
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Share options

During the year options were exercised on 417,049 (1995/96: 5,104,982) ordinary shares at £4.83, £3.00, £6.04, £1.75 and £3.03, and that number of shares was issued for a total consideration of £1.6m (1995/96 £9.6m).

24 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.

Options granted and outstanding at 31 March 1997 were:

	Date options granted	Subscription price per share	Period within which options are exercisable	Number of shares for which rights are exercisable	
				1997	1996
Executive share option scheme					
	1 Jan. 1991	2.61	17/1/94-17/1/2001	30,000	30,000
	2 Jan. 1992	3.00	14/1/95-14/1/2002	109,500	129,000
	3 July 1993	4.83	20/7/96-20/7/2003	299,400	475,800
	4 Mar. 1994	5.71	28/3/97-28/3/2004	22,767	22,767
	5 April 1995	5.92	3/4/98-3/4/2005	75,077	75,077
	6 April 1995	6.04	13/4/98-13/4/2005	10,768	14,551
Sharesave					
	1 Dec. 1990	1.75	1/3/96-1/9/96	Nil	161,115
	2 Sept. 1992	3.03	30/12/97-30/6/98	836,031	892,282
	3 Aug. 1996	4.82	1/10/2001-1/4/2002	3,625,911	N/A

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

All other options "cash cancelled" or lapsed prior to the signing of these accounts.

	Group £m	Company £m
25 Retained profit and reserves		
Share premium account		
At 1 April 1996	9.6	9.6
Premium on options exercised	1.3	1.3
At 31 March 1997	10.9	10.9
Capital redemption reserve		
At 1 April 1996	11.0	11.0
At 31 March 1997	11.0	11.0

	Group £m	Company £m
Revaluation reserve		
At 1 April 1996	7.6	7.6
Revaluation surplus realised on disposal of shares in NGG	(4.3)	(4.3)
At 31 March 1997	3.3	3.3
 Profit and loss account		
At 1 April 1996	369.8	411.6
Revaluation surplus realised on disposal of shares in NGG	4.3	4.3
Goodwill written off on investment in Subsidiaries & Associated undertaking	4.3	-
Retained loss for the year	(70.4)	(78.7)
At 31 March 1997	308.0	337.2
Total reserves at 31 March 1997	333.2	362.4

26 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 11 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 10.5% 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 net charge to profit in the year was £nil (1996/95 nil). A prepayment of £19.5m (31 March 1996 £19.4 million) is included in debtors greater than one year, as a result of 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 charge for pension schemes in the accounts is £0.3 million (1995/96 £0.3 million).

Contributions payable by the Company arising from ex-gratia pensions and early retirement were £0.7 million (1995/96 £1 million).

27 Lease obligations

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

	1997	Other	1996	Other
	Land and buildings		Land and buildings	
	£m	£m	£m	£m
Expiring within:				
One year	0.2	0.1	0.4	0.4
Two to five years inclusive	1.1	1.1	0.2	1.1
Over five years	5.6	-	6.5	-
	6.9	1.2	7.1	1.5

28 Commitments and contingent liabilities

During the year the Group subscribed £5m for a 8.55% stake in London & Continental Railways and paid £5.6m to purchase the private distribution networks at North Pole International depot, Waterloo International station and Manchester International depot from European Passenger Services Ltd. The Group expects to invest, over the next six years, between £50m and £75m in infrastructure costs for the Channel Tunnel Rail Link.

The Group may be called upon to subscribe up to a further £5m for equity during the next few years.

During the year the company has used the ESPS pension fund surplus to increase benefits to members and to facilitate reductions in employer and employee contributions. A recent High Court ruling on pension 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.

HM Government, newly elected on 1 May 1997, introduced in the July 1997 budget a windfall tax which will affect those regulated companies privatised since 1979. The financial impact of such a tax on the Group is estimated to be £140m, and this has been provided for as part of the tax charge.

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.

29 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.

30 Ultimate parent company

The company is wholly owned by Entergy Power UK Plc and this 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 the company's consolidated accounts may be obtained from Entergy Corporation, P.O.Box 61000, New Orleans, LA 70161, USA.