

**WESTERN POWER INVESTMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

30 November 2008

MONDAY



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# WESTERN POWER INVESTMENTS LIMITED

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## **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 30 November 2008.

### **1. Principal activities**

During the year, the company sold its investment in Teesside Power Limited (TPL), a company established to build and operate a power station in Teesside.

The company also acquired an investment in Teesside Power Investments Limited (TPIL).

The company's principal activity is to hold this investment.

### **2. Review of business and future developments**

The results for the year are shown in the profit and loss account on page 4. Profit on ordinary activities before taxation for the year was £35.7m (for the period ended 30 November 2007: £0.1m). The company has total assets of £15.8m (30 November 2007: £4.2m).

#### **Strategy**

The company seeks to maximize the benefits from its participation in Teesside Power Investments Limited (TPIL).

#### **Risk management**

The company's risk management objectives and policies, as well as its risks exposure, are described in note 15 of the financial statements.

#### **Future outlook**

The directors consider that the year end financial position of the company was satisfactory. No significant change in the company's principal business activity is expected.

### **3. Dividends**

The directors declared and paid an ordinary dividend of £24.4m during the year (30 November 2007: £1.4m).

### **4. Directors**

The directors of the company during the year, and as at the date of this report, together were:

#### **Name**

J. P. Ganley  
S.I. Mansfield  
G.P. Minson

No director had any interest in the ordinary shares of the company, at any time during the year.

# WESTERN POWER INVESTMENTS LIMITED

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## **REPORT OF THE DIRECTORS**

### **5. Disclosure of information to auditors**

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

### **6. Directors' responsibilities**

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that year. 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 financial statements, 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 to 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.

### **7. Auditors**

The company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the company pursuant to Section 386 of The Companies Act 1985.

BY ORDER OF THE BOARD



N. RUSSELL  
Secretary

**Independent auditors' report to the members of  
Western Power Investments Limited**

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We have audited the financial statements of Western Power Investments Limited for the year ended 30 November 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

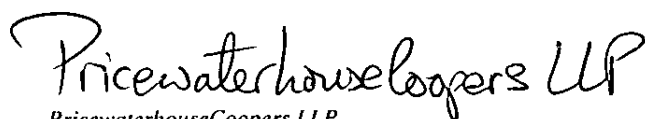
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

25 February 2009

# WESTERN POWER INVESTMENTS LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 30 November 2008

	Note	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Revenue	3	35,536	83
Administrative expenses		(232)	(23)
<b>OPERATING PROFIT</b>	4	<b>35,304</b>	<b>60</b>
Interest receivable and similar income	5	427	37
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>35,731</b>	<b>97</b>
Tax on profit on ordinary activities	8	(156)	(29)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>35,575</b>	<b>68</b>

The operating profit of the company for the year is derived from continuing operations.

There is some difference between the gain on ordinary activities before taxation and the gain for the year as stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit for the year above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 10 form part of these financial statements.  
Auditors' report – page 3.

# WESTERN POWER INVESTMENTS LIMITED

## BALANCE SHEET as at 30 November 2008

	Note	30 November 2008 £000	30 November 2007 £000
<b>CURRENT ASSETS</b>			
Investments	9	14,615	2,600
Debtors	10	94	30
Cash at bank		1,076	1,545
		15,785	4,175
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(489)	(54)
<b>NET CURRENT ASSETS</b>		15,296	4,121
<b>NET ASSETS</b>		<u>15,296</u>	<u>4,121</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2,645	2,645
Profit and Loss account	13	12,651	1,476
<b>TOTAL SHAREHOLDERS' FUNDS</b>	14	<u>15,296</u>	<u>4,121</u>

Approved by the Board of Directors on 23<sup>rd</sup> February 2009

Director *John Marshall*

The notes on pages 6 to 10 form part of these financial statements.  
Auditors' report – page 3.

# WESTERN POWER INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2008

### 1. ACCOUNTING POLICIES

- (a) **Accounting convention:** The financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable Accounting Standards in the United Kingdom and pronouncements of the Urgent Issues Task Force (UITF).
- (b) **Current asset investments:** Current asset investments are carried at cost less any provision or amounts written off for impairment in value.
- (c) **Revenue:** Revenue represents the charges made for management services provided net of value added tax, dividends received and gains on current asset investments. Revenue is recognised as the services are provided under the management agreement or when the right to receive a dividend is established.
- (d) **Taxation:** Corporation tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date.

### 2. CASH FLOW STATEMENT

The company is more than 90% controlled by its ultimate parent company, and is therefore exempt from preparing a cash flow statement as required by FRS1, 'Cash flow statements', as the ultimate parent company accounts are publicly available.

### 3. REVENUE

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Management services	154	83
Dividends received	4,743	-
Dividends in specie	18,427	-
Gain on sale of investment	12,212	-
	<b>35,536</b>	<b>83</b>

### 4. OPERATING PROFIT

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Operating profit is stated after charging:		
Auditors' remuneration - audit services	6	5
Management fees payable to group undertaking	18	17

# WESTERN POWER INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2008

### 5. *INTEREST RECEIVABLE AND SIMILAR INCOME*

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Interest receivable from group undertakings	372	-
Bank interest income	55	37
	<u>427</u>	<u>37</u>

### 6. *STAFF COSTS*

The company has no employees (30 November 2007: Nil). All persons involved in the company's operation are employed by a group undertaking. The charges made by this group undertaking for all services provided to the company are included in the service charges payable to group undertakings (see note 4).

### 7. *DIRECTORS' EMOLUMENTS*

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Aggregate emoluments	1	5
Company pension contributions to money purchase schemes	-	-
	<u>1</u>	<u>5</u>

In accordance with the Companies Act 1985, directors' emoluments above represent the proportional of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed. Three directors are members of the defined contribution and the defined benefit pension schemes.

Three directors have been granted shares in respect of a long term incentive scheme. No directors have exercised options.



# WESTERN POWER INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2008

### 8. TAX ON ORDINARY ACTIVITIES

#### (a) Analysis of tax charge in year:

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
<b>Current tax</b>		
UK corporation tax - current year	156	29
<b>Total current tax (see note 8(b))</b>	<b>156</b>	<b>29</b>

#### (b) Factors affecting tax charge for the year:

	Year ended 30 November 2008 £000	8 month period ended 30 November 2007 £000
Profit on ordinary activities before tax	35,731	97
Non taxable gain on disposal of shares	(12,220)	-
Dividend income non taxable	(23,170)	-
Expenses disallowed for the purpose of tax provision	204	-
	<b>545</b>	<b>97</b>
Tax on profit on ordinary activities	156	29
<b>Current tax charge for the year</b>	<b>156</b>	<b>29</b>

The company has taken advantage of the substantial shareholding exemption therefore the gain on disposal of the shares in TPL is exempt from UK Corporation tax.

The standard rate of corporation tax in the UK is measured at 28.67% following the change in corporation tax rates from 1 April 2008 (30 November 2007: 30%).

### 9. INVESTMENTS

	£000
<b>At 30 November 2007</b>	<b>2,600</b>
Additions	15,346
Disposals	(3,331)
<b>At 30 November 2008</b>	<b>14,615</b>

The investments comprise:

Name of Company	Country of Incorporation	Class and issued share capital	Ownership percentage	Activity
Teesside Power Investments Limited (TPIL)	England	Ordinary Shares	7.69%	Investment Company

During the year, the company:

- Acquired an investment in Teesside Power Investments Limited (TPIL)
- Acquired and disposed of an investment in Portland General Electric Company
- Disposed of its investment in Teesside Power Limited

# WESTERN POWER INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2008

### 10. DEBTORS

Debtors comprise of amounts due within one year from group undertakings.

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 2008	30 November 2007
	£000	£000
Payable to group undertaking	397	-
Other creditors and accruals	11	34
Corporation tax payable	81	20
	<u>489</u>	<u>54</u>

### 12. SHARE CAPITAL

At 30 November 2008 share capital comprised:

	30 November 2008	30 November 2007
	£000	£000
<u>Authorised</u>		
10,000,000 Ordinary shares of £ 1.00 each	10,000	10,000
<u>Allotted, called up and fully paid</u>		
2,644,878 Ordinary shares of £ 1.00 each	2,645	2,645

### 13. PROFIT AND LOSS ACCOUNT

	£000
At 30 November 2007	1,476
Profit for the year	35,575
Dividends paid	(24,400)
At 30 November 2008	<u>12,651</u>

### 14. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS

	£000
Profit for the year	35,575
Dividends paid	(24,400)
Net increase in opening shareholder's funds	11,175
Opening shareholder's funds	4,121
Closing shareholder's funds	<u>15,296</u>

# **WESTERN POWER INVESTMENTS LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS – 30 NOVEMBER 2008**

### **15. FINANCIAL RISK MANAGEMENT**

The company is exposed to financial risk through its financial assets and liabilities. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the most important components of financial risk the directors consider relevant to the entity are interest rate risk, credit risk and liquidity risk.

#### **(a) Interest rate risk**

Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and prepayments. The company manages its interest rate risk by establishing hedges in related securities or derivatives as appropriate to the circumstances of the company.

#### **(b) Credit risk**

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations. Credit risk is managed by reviewing the credit quality of counterparties and reviewing, if applicable, the underlying collateral against which the assets are secured.

#### **(c) Liquidity risk**

We have implemented policies to be able to fund the company and to enable our core business to continue to generate revenue under adverse conditions. The company manages its liquidity risk by having the ability to call additional funds from its shareholders as and when required.

### **16. RELATED PARTY DISCLOSURES**

Under the terms of FRS8, "Related Party Disclosures", the company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available.

### **17. FINANCIAL COMMITMENTS AND CONTINGENCIES**

The company had no financial commitments and contingencies outstanding at the year end. The company is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution nor does it have instruments that meet the definition of capital instruments that are publicly listed or publicly traded.

### **18. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS**

The immediate parent company is ELQ Investors, Ltd. registered in the United Kingdom. The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., ("Group") with its principal place of business at 85 Broad Street, New York, NY 10004, United States of America. This company is incorporated in the United States of America.

On 21 September 2008, the group's ultimate parent undertaking The Goldman Sachs Group, Inc. became a bank holding company and will be regulated by the Board of governors of the Federal Reserve System.