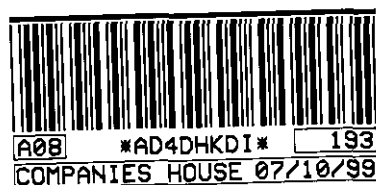


2223002

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

REPORT AND ACCOUNTS

31st March 1999



Registered number : 2223002

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

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ASSOCIATED ELECTRICITY SUPPLIES LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Name	Executive / non executive	Nationality
Lord Ezra	Chairman / Non-executive	British
R L Cohen	Managing Director / Executive	British
J C Banon	Non executive	French
J -L Guïèze	"	French
B Saint-André	"	French
L Bermejo (appointed 11th June 1999)	"	French
P Lederer (appointed 11th June 1999)	"	French
B J Lescoeur (appointed 11th June 1999)	"	French

SECRETARY AND REGISTERED OFFICE

Mrs E Gosden
37 - 41 Old Queen Street, London, SW1H 9JA

AUDITORS

Deloitte & Touche
Hill House, 1 Little New Street, London, EC4A 3TR

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31st March 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is to provide advisory services in connection with the use of the cross-channel power link between the electricity grids of England & Wales and of France.

FUTURE PROSPECTS

In the coming year, the company will continue to provide advisory services in connection with the cross-channel power link and with the supply and consumption of electricity in the United Kingdom.

RESULTS AND DIVIDENDS

The profit after taxation amounted to £3,004,181 in the financial year ended 31st March 1999, as compared with a profit of £4,864,974 in the year ended 31st March 1998. A final dividend of £28,000 per share was paid on 1st July, 1999. This compared to a total of £60,000 per share in respect of 1998. No further dividend is proposed and the retained profit for the year has been transferred to reserves.

DIRECTORS

The names of the present directors are given on page 3. Mr L Bermejo, Mr P Lederer and Mr B J Lescoeur were all appointed 11th June 1999. Mr P Flahaut was appointed to the Board on 12th June, 1998 and resigned 11th June 1999. Mr J-P Guery resigned from the Board on 12th March 1999.

DIRECTORS' INTERESTS

There are no directors' interests requiring disclosure under the Companies Act 1985 in the company or any other group company.

YEAR 2000

Many of the world's computer systems currently use a two digit format to indicate the year. If not modified, these computer systems will be unable to recognise properly dates beyond the year 1999, which could lead to systems failures and business disruption.

Computers do not play a significant role in the business of the company. Since year end the company has virtually completed implementation of a Year 2000 programme and is expected to move to compliant systems at the end of the third quarter 1999. The costs of this programme have been charged to the profit and loss account as incurred and are not material. Major suppliers are expected to move to compliant systems at the end of the third quarter 1999.

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

AUDITORS

A resolution to appoint Robson Rhodes as auditors will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 judgments and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. 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.

Approved by the Board of Directors and signed on behalf of the Board



Mrs E Gosden
Company Secretary
10th September 1999

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF ASSOCIATED ELECTRICITY SUPPLIES LIMITED

We have audited the financial statements on pages 7 to 16 which have been prepared under the accounting policies set out on page 10.

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 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 mis-statement, 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 as at 31st March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR
10th September 1999

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

PROFIT AND LOSS ACCOUNT - YEAR ENDED 31st MARCH 1999

		Continuing operations 1998/99	Continuing operations 1997/98
	Notes :	£	£
TURNOVER	1b & 2	3,907,854	6,539,997
Employee costs	3	(271,843)	(296,399)
Depreciation of tangible fixed assets	10	(16,210)	(18,869)
Other operating charges	5	(270,875)	(202,839)
		<u>(558,928)</u>	<u>(518,107)</u>
OPERATING PROFIT		3,348,926	6,021,890
Interest receivable and other income	6	1,086,837	1,033,231
Interest payable and other payments	7	<u>(6,066)</u>	<u>(4,434)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,429,697	7,050,687
Tax on profit on ordinary activities	8	<u>(1,425,516)</u>	<u>(2,185,713)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,004,181	4,864,974
Dividends paid and proposed	9	<u>(2,800,000)</u>	<u>(6,000,000)</u>
RETAINED PROFIT / (LOSS) FOR THE YEAR		<u>204,181</u>	<u>(1,135,026)</u>
STATEMENT OF RETAINED PROFITS			
Balance at 1st April		958,015	2,093,041
Retained profit / (loss) for the year		<u>204,181</u>	<u>(1,135,026)</u>
Balance at 31st March		<u>1,162,196</u>	<u>958,015</u>

There are no recognised gains or losses or other movements in shareholders' funds for the current or preceding financial year other than as stated in the profit and loss account.

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

BALANCE SHEET - 31st MARCH 1999

	Notes :	31/03/99 £	31/03/98 £
FIXED ASSETS	10	28,113	29,702
CURRENT ASSETS			
Cash at bank and in hand		3,393	7,180
Debtors	11	<u>8,225,097</u>	<u>7,186,615</u>
		8,228,490	7,193,795
CREDITORS			
Amounts falling due within one year	12	<u>(7,094,307)</u>	<u>(6,265,382)</u>
NET CURRENT ASSETS		<u>1,134,183</u>	<u>928,413</u>
TOTAL NET ASSETS		<u><u>1,162,296</u></u>	<u><u>958,115</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		<u>1,162,196</u>	<u>958,015</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>1,162,296</u></u>	<u><u>958,115</u></u>

These financial statements were approved by the Board of Directors on 10th September 1999.

Signed on behalf of the Board of Directors by :



Lord Ezra

Chairman

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

STATEMENT OF CASH FLOWS - YEAR ENDED 31st MARCH 1999

	Notes :	1998/99 £	1997/98 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	2,758,976	3,421,360
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		689,867	518,406
Interest paid		<u>(4,825)</u>	<u>(4,434)</u>
		685,042	513,972
		3,444,018	3,935,332
TAXATION			
Corporation tax paid		(933,184)	(433,722)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		<u>(14,621)</u>	<u>(780)</u>
		(14,621)	(780)
EQUITY DIVIDENDS PAID		<u>(2,500,000)</u>	<u>(3,500,000)</u>
NET CASH (OUTFLOW) / INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING	15	<u>(3,787)</u>	<u>830</u>
(DECREASE) / INCREASE IN CASH IN THE YEAR		<u>(3,787)</u>	<u>830</u>
<u>Reconciliation of net cash flow to movement in net funds</u>			
		£	
Decrease in cash in the year		3,787	
Net funds at 1 April 1998		<u>7,180</u>	
Net funds at 31 March 1999		<u>3,393</u>	

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax.

c) Depreciation

Depreciation is provided on all tangible assets evenly over their expected useful lives as follows :

Office equipment	3 to 5 years
Motor vehicles	4 years

d) Leasing

Rentals payable by the company under operating leases are charged to the profit and loss account as incurred.

e) Deferred taxation

Provision is made for deferred taxation using the liability method on short term timing differences and on all other material timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

f) Pension costs

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

2. Segmental analysis

The turnover and profit on ordinary activities before taxation arise primarily from France and are attributable to the principal activity of the business.

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

3. Employee costs

	1998/99	1997/98
	£	£
Wages and salaries	230,198	249,056
Social security costs	21,636	24,440
Pension costs	18,545	21,439
Other	1,464	1,464
	<u>271,843</u>	<u>296,399</u>
	Number	Number
Average number of employees during the year	<u>5</u>	<u>5</u>

4. Emoluments of directors

	1998/99	1997/98
	£	£
Emoluments (excluding pension contributions)	<u>80,074</u>	<u>77,992</u>
	Number	Number
Number of directors who are members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

5. Other operating charges

	1998/99	1997/98
	£	£
Other operating charges includes :		
Operating lease rentals	92,000	92,000
Auditors' remuneration	<u>5,000</u>	<u>4,000</u>

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

6. Interest receivable and other income

	1998/99	1997/98
	£	£
Interest receivable from parent company	404,831	312,903
Bank interest receivable	906	1,615
Other income	681,100	718,713
	<u>1,086,837</u>	<u>1,033,231</u>

7. Interest payable and other payments

	1998/99	1997/98
	£	£
Interest payable to an associated company	<u>6,066</u>	<u>4,434</u>

8. Tax on profit on ordinary activities

The tax charge on the profit on ordinary activities for the year comprises :	1998/99	1997/98
	£	£
UK Corporation Tax at 31% (1997/98 at 31%)	<u>1,425,516</u>	<u>2,185,713</u>
	<u>1,425,516</u>	<u>2,185,713</u>

9. Dividends paid and proposed

	1998/99	1997/98
	£	£
No interim dividend per share paid on 31st March 1999 (1997/98 - £35,000 per share)	0	3,500,000
Final dividend of £28,000 per share paid on 1st July, 1999 (1997/98 - £25,000 per share)	<u>2,800,000</u>	<u>2,500,000</u>
	<u>2,800,000</u>	<u>6,000,000</u>

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

10. Tangible fixed assets

	Office equipment £	Motor vehicles £	Total £
Cost :			
1st April 1998	79,350	61,431	140,781
Additions	14,621	0	14,621
Disposals	(7,810)	0	(7,810)
31st March 1999	<u>86,161</u>	<u>61,431</u>	<u>147,592</u>
Depreciation :			
1st April 1998	72,027	39,052	111,079
Charge for the year	7,126	9,084	16,210
Disposals	(7,810)	0	(7,810)
31st March 1999	<u>71,343</u>	<u>48,136</u>	<u>119,479</u>
Net book value :			
31st March 1998	<u>7,323</u>	<u>22,379</u>	<u>29,702</u>
31st March 1999	<u>14,818</u>	<u>13,295</u>	<u>28,113</u>

11. Debtors

	31/03/99 £	31/03/98 £
Amounts owed by parent company	8,141,568	2,316,513
Trade debtors	38,751	4,831,468
Prepayments and accrued income	6,878	20,619
Other debtors	37,900	18,015
	<u>8,225,097</u>	<u>7,186,615</u>

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

12. Creditors - amounts falling due within one year

	31/03/99	31/03/98
	£	£
Corporation tax	4,241,863	3,749,531
Dividends	2,800,000	2,500,000
Trade creditors	23,379	0
Accruals and deferred income	29,065	15,851
	<u>7,094,307</u>	<u>6,265,382</u>

13. Called up share capital

	31/03/99	31/03/98
	Number	Number
Ordinary shares of £1 each :		
Authorised, issued and fully paid	<u>100</u>	<u>100</u>

14. Reconciliation of operating profit to net cash inflow from operating activities

	1998/99	1997/98
	£	£
Operating profit	3,348,926	6,021,890
Depreciation	16,210	19,107
Operating expenses reimbursed	558,927	517,745
(Increase) in debtors	(1,201,680)	(3,130,496)
Increase / (Decrease) in creditors	36,593	(6,886)
Net cash inflow from operating activities	<u>2,758,976</u>	<u>3,421,360</u>

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

15. Analysis of net funds

	31/03/98	Cashflow	31/03/99
	£	£	£
Net cash :			
Cash at bank and in hand	7,180	(3,787)	3,393
	<u>7,180</u>	<u>(3,787)</u>	<u>3,393</u>

16. Financial commitments

	1998/99	1997/98
	£	£
The annual level of commitment under non-cancellable operating leases was as follows :		
Land and buildings :		
Operating leases which expire after 5 years	<u>92,000</u>	<u>92,000</u>

17. Related party transactions

	31/03/99
	£
Transactions with Electricité de France, an associated company :	
Turnover	3,907,854
Interest receivable and other income	681,100
Interest payable	6,066
Dividends payable	700,000
Amounts due from Electricité de France (31/03/98 £4,831,468)	38,751
Transactions with Dalkia Group plc, one of the parent companies:	
Interest receivable and other income	404,831
Dividends payable	2,100,000
Amounts due from Dalkia Group plc (31/03/98 £2,316,513)	8,141,568

ASSOCIATED ELECTRICITY SUPPLIES LIMITED

NOTES TO THE ACCOUNTS

18. Pension commitments

All of the employees of the company are members of a group defined benefit pension scheme. The assets of the scheme are controlled and invested by the Trustees independently of the finances of the group companies concerned. Contributions to the scheme are funded on the basis of rates recommended by independent actuaries at the time of their triennial valuations, the most recent of which was carried out on 1st April 1996.

The total pension cost for the year was £18,545 (1997/98 - £21,439).

Details of the pension scheme can be found in the accounts of Dalkia plc.

19. Parent undertakings

The company is a 75% subsidiary of A.H.S. Limited, itself a wholly owned subsidiary of Dalkia plc (formerly Energy and Technical Services Group plc), registered in England and Wales. The ultimate parent company and ultimate controlling party is Vivendi incorporated in France. The results for the year are incorporated in the group accounts of both the parent companies. Copies of the accounts of Dalkia plc and Vivendi can be obtained from :

Dalkia plc
Buchanan House
24 - 30 Holborn
EC1N 2LX

Vivendi
42, avenue de Friedland
75380 Paris Cedex 08
France