LONDON ENERGY PLC
(FORMERLY LONDON ELECTRICITY PLC)

Registered Number 2228297

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

CONTENTS

Directors

Humphrey A E Cadoux-Hudson
Vincent de Rivaz
Derek A Lickorish

Company Secretary

Robert I Higson

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2003. The Company changed its name from London Electricity plc to London Energy plc on 30 June 2003.

Principal activity and review of the business

The Company's principal activity during the year continued to be the supply of electricity, gas and telecoms to commercial, residential and industrial customers. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, after taxation, amounted to £17.3m (2002: restated loss of £16.2m). The Directors do not recommend payment of a dividend (2002: £Nil).

Future developments

The Directors aim to maintain the management policies which have resulted in the Company's growth in recent years.

Directors and their interests

Directors who held office during the year and subsequently were as follows:

Humphrey A E Cadoux-Hudson
Vincent de Rivaz
Derek A Lickorish (Appointed 1 April 2003)

One of the Directors is employed by and has a service contract with the ultimate parent company, Electricite de France (EdF). The remaining Directors were employed by the immediate parent company, EDF Energy plc (formerly London Electricity Group plc), and have service contracts with that company.

There are no contracts of significance during or at the end of the financial year in which a Director of the Company was materially interested.

None of the Directors who held office at the end of the financial year had an interest in the shares of the Company or any other Group company.

Political and charitable contributions

During the year, the Company made no charitable or political contributions (2002: £Nil).

Creditors payment policy

The Company's current policy concerning the payment 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 or contract;
- 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. At 31 December 2003, the Company had an average of 54 days (2002: 53 days) purchases outstanding in its trade creditors.

DIRECTORS' REPORT Continued

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy plc (formerly London Electricity Group plc) group of companies. This is carried out in a number of ways, including formal and informal briefings, departmental meetings, regular reports in a staff newsletter and the Group intranet.

Equal opportunities

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

Going concern

The financial statements have been prepared under the going concern concept because EDF Energy plc (formerly London Electricity Group plc), the immediate parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

By order of the Board

Robert I Higson
Company Secretary
Date
14 JUN 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 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; 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 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 confirm that they have complied with these requirements and having a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON ENERGY PLC (FORMERLY LONDON ELECTRICITY PLC)

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 with the Company 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 United Kingdom 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON ENERGY PLC (FORMERLY LONDON ELECTRICITY PLC) Continued

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

Date

14 JUN 2004

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Turnover	2	**1,792.3**	1,729.5
Cost of sales		**(1,590.5)**	(1,510.2)
Gross profit		**201.8**	219.3
Administrative expenses		**(169.3)**	(228.4)
Operating profit/(loss)	3	**32.5**	(9.1)
Profit/(loss) on ordinary activities before interest and taxation		**32.5**	(9.1)
Interest receivable and similar income	6	**7.7**	6.2
Interest payable and similar charges	7	**(8.5)**	(8.9)
Profit/(loss) on ordinary activities before taxation		**31.7**	(11.8)
Tax charge on profit/loss on ordinary activities	8	**(14.4)**	(4.4)
Profit/(loss) retained for the financial year	20	**17.3**	(16.2)

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Profit/(loss) for the financial year		**17.3**	(16.2)
Total recognised gains and losses relating to the year		**17.3**	(16.2)
Prior year adjustment – change in accounting policy	24	**0.3**	
Total recognised gains and losses since last annual report		**17.6**	

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

BALANCE SHEET
AT 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Fixed assets			
Intangible assets	*9*	**215.9**	229.6
Tangible assets	*10*	**3.8**	3.5
Investments in subsidiary undertakings	*11*	**-**	2.5
Total fixed assets		**219.7**	235.6
Current assets			
Debtors falling due within one year		**537.9**	508.9
Less: securitisation of trade debtors		**(100.0)**	(100.0)
Net debtors falling due within one year	*12*	**437.9**	408.9
Debtors falling due after more than one year	*13*	**-**	1.9
Investments	*14*	**10.6**	10.3
Cash		**16.8**	37.6
Total current assets		**465.3**	458.7
Creditors (amounts falling due within one year)	*16*	**(542.2)**	(529.0)
Net current liabilities		**(76.9)**	(70.3)
Total assets less current liabilities		**142.8**	165.3
Provisions for liabilities and charges	*18*	**(70.7)**	(110.5)
Net assets		**72.1**	54.8
Capital and reserves			
Called up share capital	*19*	**10.0**	10.0
Profit and loss account	*20*	**62.1**	44.8
Equity shareholder's funds	*20*	**72.1**	54.8

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

The financial statements on pages 7 to 20 were approved by the Board of Directors on 14 JUN 2004 and were signed on its behalf by:

Derek A Lickorish
Director

Humphrey A E Cadoux-Hudson
Director

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

In preparing the financial statements for the current year, the Company discontinued its policy of discounting of deferred tax assets and liabilities. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3. Further details are given in note 24.

The Company is following the transitional arrangements of FRS 17 'Retirement benefits'. The required disclosures are shown in note 22. Full adoption of the standard is required by the year ended 31 December 2005.

Fundamental accounting concepts

The financial statements have been prepared under the going concern concept because EDF Energy plc (formerly London Electricity Group plc), the immediate parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

Consolidation

Consolidated financial statements have not been prepared as the Company is exempt from the obligation to prepare consolidated financial statements under section 228(1) of the Companies Act 1985. Consolidated financial statements are prepared by the immediate parent company, EDF Energy plc (formerly London Electricity Group plc).

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group which produces publicly available financial statements.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Cost includes staff costs where employees participate directly in the construction of assets.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Plant and machinery – 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS Continued

Fixed asset investments including subsidiary undertakings

Fixed asset investments are shown at cost less any provision for permanent diminution in value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is not measured on a discounted basis. Previously deferred tax was measured on a discounted basis. Comparative figures have been restated as required (note 24).

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The Company participates in both a defined contribution pension scheme and defined benefit pension scheme. Contributions in respect of the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The cost of providing pensions in respect of defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over employees working lives. The pension cost is assessed in accordance with the advice of qualified actuaries.

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of supply of electricity, gas and telecoms. This includes an estimate of the sales value of units and therms supplied to consumers between the date of the last meter reading and the year end, and the invoice value of other goods sold and services provided.

NOTES TO THE FINANCIAL STATEMENTS Continued

3. Operating profit/(loss)

This is stated after charging:	2003 £m	2002 £m
Amortisation of goodwill	**13.7**	13.7
Auditors' remuneration	**0.1**	0.1
Depreciation of owned fixed assets	**1.3**	0.2
Impairments of investments in subsidiary undertakings (note 11)	**2.5**	15.0

In 2003, the Directors were of the opinion that the carrying value of the investment in Virgin HomePhone Limited was overstated, and it was written down accordingly. The write-down was included within administrative expenses for the year. In 2002, the investment in Virgin HomeEnergy Limited was written down.

4. Directors' emoluments

One of the Directors is employed by the ultimate parent company, Electricite' de France (EdF). The remaining Directors are employed by the immediate parent company, EDF Energy plc (formerly London Electricity Group plc). The Directors did not receive any remuneration from the Company during the year.

5. Staff costs

	2003 £m	2002 £m
Wages and salaries	**7.2**	9.0
Social security costs	**1.0**	1.1
Other pension costs	**0.9**	1.0
	9.1	11.1

The monthly average number of employees during the year was as follows:

	2003 Number	2002 Number
Administration	**293**	332

6. Interest receivable and similar income

	2003 £m	2002 £m
Interest receivable on loans to other Group companies	**7.3**	5.7
Other interest receivable	**0.4**	0.5
	7.7	6.2

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Interest payable and similar charges

	2003 £m	2002 £m
Interest payable on loans from other Group companies	**4.4**	4.6
Other loans	**4.1**	4.3
	8.5	8.9

8. Tax on profit/loss on ordinary activities

a) Analysis of tax charge in the year

UK current tax	2003 £m	Restated 2002 £m
UK corporation tax charge on profits for the year	**(9.9)**	(7.7)
Total current tax charge (Note 8(b))	**(9.9)**	(7.7)

UK deferred tax	2003 £m	2002 £m
Origination and reversal of timing differences	**(4.5)**	3.3
Total deferred tax credit/(charge) (Note 15)	**(4.5)**	3.3
Tax charge on profit/loss on ordinary activities	**(14.4)**	(4.4)

(b) Factors affecting tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2003 £m	2002 £m
Profit/(loss) on ordinary activities before tax	**31.7**	(11.8)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	**(9.5)**	3.5
Effect of:		
Disallowed expenses and non-taxable income	**(0.8)**	(5.1)
Capital allowances lower than depreciation	**-**	0.2
General provisions – timing differences	**4.5**	(3.5)
General provisions – permanent differences	**-**	1.3
Amortisation of non tax deductible goodwill	**(4.1)**	(4.1)
Current tax charge for the year	**(9.9)**	(7.7)

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Intangible fixed assets

Goodwill	2003 £m
Cost	
At 1 January 2003	**274.1**
At 31 December 2003	**274.1**
Depreciation	
At 1 January 2003	**44.5**
Charge for the year	**13.7**
At 31 December 2003	**58.2**
Net book value	
At 31 December 2003	**215.9**
At 31 December 2002	229.6

Goodwill relates to the purchase of the SWEB brand by London Energy plc (formerly London Electricity plc). Goodwill is being amortised over a period of 20 years on a straight-line basis.

The Directors have reviewed the net book value of goodwill at 31 December 2003 and in their opinion this amount is fully supported by expected future cash flows arising.

10. Tangible fixed assets

	Plant and machinery £m
Cost	
At 1 January 2003	**3.7**
Additions	**1.6**
At 31 December 2003	**5.3**
Depreciation	
At 1 January 2003	**0.2**
Charge for the year	**1.3**
At 31 December 2003	**1.5**
Net book value	
At 31 December 2003	**3.8**
At 31 December 2002	3.5

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Investments in subsidiary undertakings

	Total £m
Cost	
At 1 January 2002	-
Additions	17.5
Write downs	(15.0)
At 1 January 2003	2.5
Write downs	(2.5)
At 31 December 2003	-

The principal subsidiary undertakings at 31 December 2003, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows:

	Description of ordinary shares held	Percentage of ordinary shares held	Principal activity
Green Electron Limited	Ordinary £1.00	100%	Non-trading
Green Electron Limited	Ordinary A £1.00	100%	Non-trading
Green Electron Limited	Ordinary B £1.00	100%	Non-trading
Virgin HomeEnergy Limited	Ordinary A £0.10	75%	Electricity & gas supply
Virgin HomeEnergy Limited	Ordinary B £0.01	100%	Electricity & gas supply
Virgin HomePhone Limited	Ordinary B £0.01	100%	Telecoms supply
Virgin HomePhone Limited	Ordinary C £0.10	99.9%	Telecoms supply

NOTES TO THE FINANCIAL STATEMENTS Continued

12. Debtors falling due within one year

	2003 £m	Restated 2002 £m
Trade debtors	**148.9**	156.1
Less: securitisation of trade debtors	**(100.0)**	(100.0)
Net trade debtors	**48.9**	56.1
Unbilled debtors	**195.6**	175.7
Amounts owed by EDF Energy plc (formerly London Electricity Group plc)	**100.0**	100.0
Amounts owed by other group companies	**77.4**	56.1
Other debtors	**13.3**	15.4
Prepayments and accrued income	**-**	0.3
Deferred taxation recoverable (note 15)	**2.7**	5.3
	437.9	408.9

In September 2000 EDF Energy plc (formerly London Electricity Group plc), and London Energy plc (formerly London Electricity plc), entered into a commercial paper securitisation programme involving the sale of billed and unbilled trade debtors to a trust. Interest is charged monthly on trade debtors securitised based on a margin above the sterling equivalent of the US commercial paper rate payable by the issuer of the facility, and is payable by London Energy plc (formerly London Electricity plc). The amount available under the securitisation is £100 million over a revolving term of 5 years, increasing to £175 million at the option of London Energy plc (formerly London Electricity plc).

Funds based on the amount of trade debtors receivable are advanced to London Energy plc (formerly London Electricity plc) on a monthly basis, with a percentage of collected receivables deferred to cover interest, costs and bad debt. London Energy plc (formerly London Electricity plc) is not obliged to support any losses suffered by the trust as a result of securitisation, nor does it intend to do so. Furthermore, the trust has agreed in writing that it will seek repayment of the funds advanced to London Energy plc (formerly London Electricity plc), including funding costs, only to the extent that sufficient funds are generated by the assets securitised and that it will not seek recourse in any other form.

Comparative figures for billed trade debtors, unbilled debtors and other debtors have been restated in order to be split consistently with current year figures for 2003. This change also affects payments on account within creditors (note 16).

13. Debtors falling due after more than one year

	2003 £m	Restated 2002 £m
Deferred taxation recoverable (note 15)	**-**	1.9

Amounts owed by EDF Energy plc (formerly London Electricity Group plc) have been restated as a debtor falling due within one year, as the amounts owed are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS Continued

14. Current asset investments

	2003 £m	2002 £m
Other investments	**10.6**	10.3

Other investments represent consumer deposits held on short-term investment accounts.

15. Deferred taxation

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

	2003 £m
At 1 January	**6.9**
Prior year adjustment (note 24)	**0.3**
At 1 January (restated)	**7.2**
Charge for the year (note 8(a))	**(4.5)**
At 31 December	**2.7**

Deferred taxation provided in the financial statements is as follows:

	2003 £m	Restated 2002 £m
Short term timing differences	**2.9**	7.4
Accelerated capital allowances	**(0.2)**	(0.2)
Net deferred tax recoverable	**2.7**	7.2

Maturity

Amounts recoverable:	2003 £m	2002 £m
In one year or less (note 12)	**2.7**	5.3
After more than one year (note 13)	**-**	1.9
	2.7	7.2

NOTES TO THE FINANCIAL STATEMENTS Continued

16. Creditors: amounts falling due within one year

	2003 £m	Restated 2002 £m
Trade creditors	**29.3**	36.4
Payments received on account	**134.9**	148.2
Borrowings (note 17)	**105.6**	105.6
Amounts owed to other Group companies	**198.1**	175.4
Corporate tax	**17.6**	7.7
Other taxes and social security costs	**19.2**	15.9
Accruals	**16.8**	14.6
Other creditors	**20.7**	25.2
	542.2	529.0

The comparative figure for payments on account has been restated in order to be split consistently with current year figures for 2003. This change also affects other debtors (note 12).

17. Borrowings

	2003 £m	2002 £m
Amounts due to EDF Energy plc (formerly London Electricity Group plc)	**105.6**	105.6

Maturity

Amounts repayable:	2003 £m	2002 £m
In one year or less, or on demand	**105.6**	105.6

18. Provisions for liabilities and charges

The movements in provisions during the current year are as follows:

	At 1 January 2003 £m	Utilised in the year £m	Released in the year £m	Arising during the year £m	At 31 December 2003 £m
Energy efficiency	0.3	-	-	-	**0.3**
Teeside	74.6	(14.2)	-	-	**60.4**
Legal expense provisions	35.6	(11.0)	(14.6)	-	**10.0**
	110.5	**(25.2)**	**(14.6)**	**-**	**70.7**

The Energy efficiency provision is for monitoring and reporting Energy Efficiency Standard of Performance 3 and outstanding obligations under Standards of Performance 1, 2 and 3.

The Teeside provision arose on the acquisition of the supply business of South Western Electricity. The provision represents the difference between the contract price and the estimated market electricity price.

The legal expense provisions relate to the possible costs of defending a number of legal disputes, the majority of which were settled during the year.

NOTES TO THE FINANCIAL STATEMENTS Continued

19. Share capital

Authorised

	2003 **£m**	2002 £m
10,000,000 Ordinary shares of £1 each	**10.0**	10.0

Allotted, called up and fully paid

	2003 **Number**	2002 Number	**2003** **£m**	2002 £m
Ordinary shares of £1 each	**10,000,000**	10,000,000	**10.0**	10.0

20. Reconciliation of shareholder's funds and movement on reserves

	Share capital £m	Profit and loss account £m	**Total shareholder's funds** **£m**
At 1 January 2002	10.0	57.0	**67.0**
Prior year adjustment (restated)	-	4.0	**4.0**
At 1 January 2002 (restated)	10.0	61.0	**71.0**
Loss retained for the financial year (restated)	-	(16.2)	**(16.2)**
At 31 December 2002 (restated)	10.0	44.8	**54.8**
Profit retained for the financial year	-	17.3	**17.3**
At 31 December 2003	**10.0**	**62.1**	**72.1**

21. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002: £Nil).

NOTES TO THE FINANCIAL STATEMENTS Continued

22. Pension commitments

The Company participates in the following group-wide pension schemes.

Electricity Supply Pension Scheme

The London Electricity Group segment of the Electricity Supply Pension Scheme (ESPS) is a multi-employer defined benefit scheme. The ESPS which operates throughout the Electricity Supply Industry, provides pension and other related benefits based on final pensionable pay of employees. The assets of the scheme are held in a separate trustee-administered fund. The scheme was closed to new employees in 1994.

It is not possible to identify the Company's share of the underlying assets and liabilities in the Group scheme. Accordingly, the Company accounts for the scheme as if it were a defined contribution scheme i.e. the Company pays contributions to the scheme at a fixed contribution rate, defined by Group, which is charged directly to the profit and loss account.

The most recent formal actuarial valuation of the London Electricity Group segment of the ESPS was carried out as at 31 March 2001 by Hewitt Bacon & Woodrow, consulting actuaries. This valuation was updated by Hewitt Bacon & Woodrow to 31 December 2003. The results of these valuations have been used as the basis for assessing pension costs for the year.

Details of the principal assumptions used to calculate the assets and liabilities of the London Electricity Group segment of the ESPS under FRS 17 are set out below, while the results of the valuation are included in the financial statements of EDF Energy plc (formerly London Electricity Group plc). The total market value of the assets of London Electricity Group's segment of the ESPS at 31 December 2003 was £1,056m (2002 £925m) and the present value of the scheme liabilities was £1,292m (2002 £1,128m).

The principal financial assumptions used to calculate ESPS liabilities under FRS 17 were:

	31 December 2003 % p.a.	31 December 2002 % p.a.
Inflation assumption	**2.8**	2.3
Rate of increase in salaries	**3.8**	3.3
Rate of increase of pensions in payment and deferred pensions	**2.8**	2.3
Rate used to discount plan liabilities	**5.4**	5.5
Expected rate of return on equities	**8.5**	8.0
Expected rate of return on bonds	**4.8**	4.5

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2001, which determined the Group's contribution rate for future years.

London Electricity 1994 Retirement Plan

Since April 1994, new employees of the Company have been offered membership of the London Electricity 1994 Retirement Plan (LERP), a defined contribution pension scheme.

In March 2004, the LERP was renamed EDF Energy Group Pension Scheme. The EDF Energy Group merged its non-ESPS pension schemes into this scheme. All past benefits have not changed. Hereafter, members of the affected scheme have the option to contribute to the new defined benefit scheme.

Pension costs arising from all the pension schemes, charged to the profit and loss account for the year, amounted to £0.9m (2002: £1.0m).

NOTES TO THE FINANCIAL STATEMENTS Continued

23. Related parties

In accordance with FRS 8 'Related parties disclosures', the Company 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.

24. Prior year adjustment

Deferred tax

The Directors have decided to discontinue the policy of discounting deferred tax assets and liabilities in order to reduce the difference in the Company's accounting policies with those of the Company's ultimate parent company, EdF, which prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS, the discounting of deferred tax assets and liabilities is not permitted. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3.

The effect on the Company profit and loss account for the years ended 31 December 2003 and 31 December 2002 is shown below.

	2003 £m	2002 £m
Increase/(decrease) in tax charge as a result of change in accounting policy	**0.1**	(0.1)
Total net (profit decrease)/loss decrease	**(0.1)**	0.1
As previously reported		(16.3)
As restated		(16.2)

The effect on the Company balance sheet at 31 December 2003 and 31 December 2002 is shown below.

	2003			2002		
	Under previous policy	**Accounting policy change**	**Per accounts**	As previously reported	Accounting policy change	Per accounts (restated)
	£m	**£m**	**£m**	£m	£m	£m
Debtors falling due within one year	**337.7**	**0.2**	**337.9**	308.6	0.3	308.9
Movement in equity shareholder's funds	**-**	**(0.2)**	**-**	-	(0.3)	-

25. Parent undertaking and controlling party

EDF Energy plc (formerly London Electricity Group plc) holds a 100% interest in London Energy plc (formerly London Electricity plc) and is considered to be the immediate parent company. EDF Energy plc (formerly London Electricity Group plc) heads the smallest group for which consolidated financial statements are prepared.

At 31 December 2003, 'Electricité de France' (EdF), a French state owned company is regarded by the Directors as the Company's ultimate parent company. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.