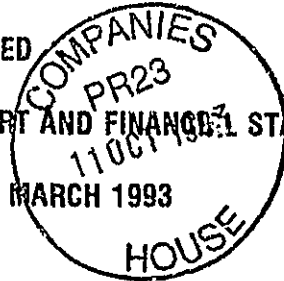


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E&S RETAIL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 1993



E&S RETAIL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1993

The directors present their report and the audited consolidated financial statements of the Company and its subsidiary undertakings for the period from incorporation on 12 December 1991 to 31 March 1993.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the retailing of electrical appliances and associated goods and services from stores within the UK.

OPERATIONAL REVIEW

During the period the Group incurred significant costs of approximately £8.5 million relating to the set up of operations. These costs substantially increased the operating loss for the period. The Group plans to continue to improve trading and focus on operating costs to maximise returns in the future.

DEVELOPMENT OF THE BUSINESS

E&S Retail Limited was formed as a result of a merger of the retail interests of Eastern Electricity plc and Southern Electric plc ("the Parent Undertakings"). Trade commenced on 27 April 1992 when the retailing activities of the Parent Undertakings were transferred to the Group. Assets and liabilities transferred into the Group at that date by the Parent Undertakings were at their fair values.

At 31 March 1993 the entire ordinary share capital of the Company was held in equal proportions by Eastern Electricity plc and Southern Electric plc.

POST BALANCE SHEET EVENT

On 1 April 1993 Midlands Electricity plc exercised its option to take an interest in the Company, for a total consideration of £17,600,000. The consideration for the additional shares issued to Eastern Electricity plc and Southern Electric plc on the same date amounted to £13,750,000.

As at that date, additional share capital totalling £6,034 was issued to all three Parent Undertakings. The share capital of the Company is now held by Eastern Electricity plc, Southern Electric plc and Midlands Electricity plc in the ratio of 36%, 36% and 28% respectively.

RESULTS AND TRANSFER TO RESERVES

The loss on ordinary activities before taxation amounted to £17,754,000. After including a taxation credit of £3,131,000, £14,623,000 has been transferred to reserves. No dividends have been paid or are proposed.

E&S RETAIL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

FIXED ASSETS

Fixed assets at a valuation of £11,915,000, associated with the retailing activities of the Parent Undertakings, were transferred to the Group on the commencement of trade. Details of fixed asset movements are shown in note 8 to the financial statements.

SUPPORT OF THE PARENT UNDERTAKINGS

The Parent Undertakings continue to provide financial support to the Group. Details of the nature and level of support are shown in notes 13 and 14 to the financial statements.

CORPORATE GOVERNANCE

The board welcomes the report of the Cadbury Committee on the financial aspects of Corporate Governance published on 1 December 1991. The 19 recommendations in the Code of Best Practice have been fully and carefully reviewed; the board are satisfied that, with the exception of 2 recommendations where guidance is awaited from the accountancy profession on reporting arrangements, the Group complies in all significant respects with the Code.

The board is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement. The board meets regularly and has adopted a formal scheme of delegation which identifies matters specifically reserved for decision by the full board, the terms of reference of board committees and delegations of authority to individual Executive Directors.

The board is currently made up of 5 Executive Directors and 6 Non-Executive Directors. The role of Chairman is held by a Non-Executive Director and the role of Chief Executive by an Executive Director.

The Non-Executive Directors bring wide and substantial experience to bear on the deliberations of the board and represent the interests of the shareholders. The two sub-committees of the board whose terms of references are specifically defined in the scheme of delegation, are composed of both Executive and Non-Executive Directors.

A statement of the Directors' responsibilities for the accounts is included with the report of the Auditors.

E&S RETAIL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

DIRECTORS

The Directors of the Company who have served during the period are set out below:

| | Date of Appointment | Date of Resignation |
|------------|------------------------|------------------------|
| M Pooley | 12 December 1991 | 24 December 1991 |
| AJG McGurk | 12 December 1991 | 24 December 1991 |
| W Waring | 24 December 1991 | 5 May 1993 |
| DJ Swinden | 24 December 1991 | - |
| HR Casley | 24 December 1991 | - |
| JW Deane | 24 December 1991 | - |
| E Bradley | 27 April 1992 | - |
| N Gossage | 27 April 1992 | 14 July 1993 |
| MIRG Byrne | 27 April 1992 | - |
| EL Stanley | 18 May 1992 | - |
| MJ Harling | 1 July 1992 | - |
| B Clayton | 1 January 1993 | - |

In addition to the above, the following were appointed after 31 March 1993:

| | Date of Appointment | Date of Resignation |
|-------------------------|------------------------|------------------------|
| RK Young | 1 April 1993 | 28 April 1993 |
| IR Leveritt (Alternate) | 8 April 1993 | - |
| PL Chapman | 29 April 1993 | - |
| MA Hughes | 5 May 1993 | - |
| JF Devaney | 5 May 1993 | - |
| RD Murray (Alternate) | 5 May 1993 | - |

During the period the Company purchased insurance for its Directors and other officers against liabilities arising in respect of business carried out on behalf of the Company.

DONATIONS

Charitable donations of £2,274 were made during the year.

E&S RETAIL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

EMPLOYEES

The Group's employment policies are based on equal opportunities for all staff. Applications for employment by disabled people are fully considered having due regard to the aptitudes of the applicants concerned.

The commitment of all employees to providing high standards of customer care and service is essential. To this end, arrangements for employee communication training and involvement, including an attitude survey, internal newsletter and regular briefings have been made.

The board is committed to the continued development of all employees and has established full induction, training and development programmes.

AUDITORS

Price Waterhouse were appointed as auditors during the period. They have indicated their willingness to continue as auditors of the Group and a resolution proposing their reappointment will be put to the annual general meeting.

By order of the Board


Mrs J Bradley
Secretary

30 September 1993

Registered office: Wherstead Park, Wherstead, Ipswich, Suffolk, IP9 2AQ

Registered number: 2670582

E&S RETAIL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Group at the end of the financial period and of the profit or loss for the period. They are also responsible for maintaining adequate accounting records, for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

The Directors confirm that appropriate accounting policies and applicable accounting standards have been used in the preparation of the financial statements and that they have been consistently applied and are supported by reasonable and prudent judgements and estimates.

AUDITORS' RESPONSIBILITY IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The auditors are responsible for forming an independent opinion on the financial statements presented by the Directors, based on their audit, and to report their opinion to shareholders. They also have responsibility under the Companies Act 1985 to report to shareholders if particular requirements are not met. These requirements are:


- that the Company has maintained proper accounting records
- that the financial statements are in agreement with the accounting records
- that Directors' emoluments and other transactions with Directors are properly disclosed in the financial statements and
- that they have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the Directors' Report. However, the Companies Act 1985 requires the auditors to report to shareholders if the matters contained in the Directors' Report are inconsistent with the financial statements.

AUDITORS' REPORT TO THE MEMBERS OF E&S RETAIL LIMITED

We have audited the financial statements on pages 6 to 21 in accordance with Auditing Standards.

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 1993 and of the loss and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

30 September 1993

E&S RETAIL LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 1993**

| | Notes | £'000 |
|---|-------|------------------|
| Turnover | 2 | 170,285 |
| Cost of sales | | <u>(103,214)</u> |
| Gross profit | | 67,071 |
| Selling expenses | | (46,212) |
| Administrative expenses | | (35,944) |
| Other operating income | | <u>354</u> |
| Operating loss | 3 | (14,731) |
| Net interest payable | 5 | <u>(3,023)</u> |
| Loss on ordinary activities before taxation | | (17,754) |
| Taxation on loss on ordinary activities | 6 | <u>3,131</u> |
| Loss on ordinary activities after taxation | 17 | <u>(14,623)</u> |

There are no recognised gains or losses, in respect of the Group or the Company, other than the loss for the period reflected above.

There is no significant difference between the reported loss and the historical cost loss on ordinary activities before taxation.

E&S RETAIL LIMITED

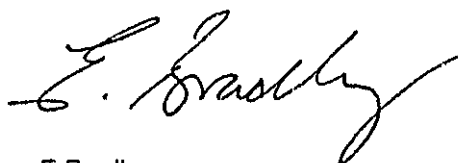
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 1993

| | Notes | £'000 | £'000 |
|--|-------|-----------------|-----------------|
| FIXED ASSETS | 8 | 14,638 | |
| Tangible assets | 9 | <u>20</u> | |
| Investments | | | 14,658 |
| CURRENT ASSETS | 10 | 30,052 | |
| Stocks | 11 | 60,894 | |
| Debtors | 12 | 2,267 | |
| Investments | | <u>5,565</u> | |
| Cash at bank and in hand | | | 98,778 |
| | 13 | <u>(50,420)</u> | |
| CREDITORS - falling due within one year | | | <u>48,358</u> |
| NET CURRENT ASSETS | | | 63,016 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | (55,169) |
| CREDITORS - falling due after more than one year | 14 | | <u>7,847</u> |
| CAPITAL AND RESERVES | 16 | | 8 |
| Called up share capital | 17 | | 22,462 |
| Share premium | 17 | | <u>(14,623)</u> |
| Profit and loss account | | | <u>7,847</u> |

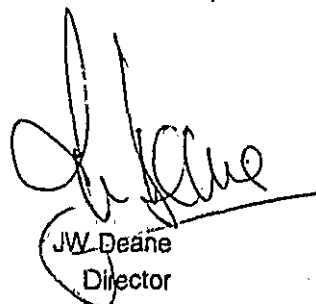
E&S RETAIL LIMITED**COMPANY BALANCE SHEET AS AT 31 MARCH 1993**

| | Notes | £'000 | £'000 |
|---|-------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 14,638 | |
| Investments | 9 | <u>23,240</u> | |
| | | | 37,878 |
| CURRENT ASSETS | | | |
| Stocks | 10 | 30,052 | |
| Debtors | 11 | 59,745 | |
| Cash at bank and in hand | | <u>2,056</u> | |
| | | | 91,853 |
| CREDITORS: falling due within one year | 13 | <u>(66,828)</u> | |
| NET CURRENT ASSETS | | | <u>25,025</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 62,903 |
| CREDITORS: falling due after more than one year | 14 | | (55,169) |
| | | | <u>7,734</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | | 8 |
| Share premium | 17 | | 22,462 |
| Profit and loss account | 17 | | <u>(14,736)</u> |
| | | | <u>7,734</u> |

The financial statements were approved by the Board of Directors on 30 September 1993 and were signed on its behalf by:



E Bradley
Chief Executive



JW Deane
Director

E&S RETAIL LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 1993**

| | £'000 | £'000 |
|--|----------------|----------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES (Note 20) | | (41,185) |
| RETURNS ON INVESTMENT AND SERVICING OF FINANCE | | |
| Interest received | 571 | |
| Interest paid | <u>(2,053)</u> | |
| NET RETURNS ON INVESTMENT AND SERVICING OF FINANCE | | (1,482) |
| INVESTING ACTIVITIES | | |
| Purchase of tangible fixed assets | (5,501) | |
| Purchase of fixed asset investment | (20) | |
| Purchase of current asset investments | <u>(2,267)</u> | |
| | | <u>(7,788)</u> |
| NET CASH OUTFLOW BEFORE FINANCING | | (50,455) |
| FINANCING | | |
| Unsecured loans due in less than one year | 14,000 | |
| Unsecured loans due in more than one year | <u>42,020</u> | |
| | | <u>56,020</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | | <u>5,565</u> |

E&S RETAIL LIMITED

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED
31 MARCH 1993**

| | £'000 |
|---|---------------|
| Loss for the financial period | (14,623) |
| Issue of share capital | 8 |
| Share premium arising on issue of share capital | <u>22,462</u> |
| Net increase in shareholders' funds | 7,847 |
| Opening shareholders' funds | <u>—</u> |
| Closing shareholders' funds | <u>7,847</u> |

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards. The Group's principal accounting policies are set out below.

(a) Accounting convention and basis of consolidation

The financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the parent undertaking and all its subsidiary undertakings to 31 March.

(b) Turnover

Turnover comprises the sale of goods and services excluding VAT.

Credit sales charges are apportioned over the period of related sales agreements on a sum of digits basis.

(c) Tangible fixed assets

The cost of tangible fixed assets is depreciated over the estimated useful lives of the assets on a straight line basis as set out below:

| | |
|----------------------------------|-------------------------------|
| Short leasehold buildings | Remaining period of the lease |
| Fixtures, fittings and equipment | 3 to 7 years |

Software costs are charged to the profit and loss account in the financial period in which they are incurred.

(d) Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value. Current asset investments are stated at the lower of cost or market value.

(e) Stocks

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

(f) Deferred taxation

Deferred taxation is provided on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability will crystallise in the future.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

(g) Operating leases

Rentals on operating leases are charged to the profit and loss account in the financial period to which they relate.

(h) Pension costs

Contributions in respect of the defined benefit scheme are charged to the profit and loss account to spread the cost of the scheme over the employees' estimated remaining working lives. Contributions in respect of the defined contribution scheme are charged to the profit and loss account as payments are made.

(i) Insurance

Premium income is recognised on an accruals basis reflecting expected claims. Full provision is made for liabilities for reported claims and claims incurred but not reported.

2 SEGMENTAL INFORMATION

The Group is only involved in retailing activities, all of which are carried out in the UK.

3 OPERATING LOSS

The operating loss is stated after charging the following:

| | £'000 |
|-------------------------------------|--------|
| Depreciation | 2,220 |
| Auditors' remuneration | |
| - audit fees | 95 |
| - non-audit fees | 617 |
| Rentals paid under operating leases | |
| - land and buildings | 10,085 |
| - other | 3,447 |
| | <hr/> |

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

4 EMPLOYEES AND DIRECTORS

Employees' remuneration and related costs during the period amounted to: £'000

| | |
|-----------------------|---------------|
| Wages and salaries | 26,185 |
| Social security costs | 1,953 |
| Other pension costs | <u>1,966</u> |
| | <u>30,104</u> |

The average number of employees during the period was: Number

| | |
|----------------|--------------|
| Shops | 1,628 |
| Distribution | 558 |
| Administration | <u>174</u> |
| | <u>2,360</u> |

Directors' emoluments and related costs during the period amounted to: £'000

| | |
|-----------------------|------------|
| Emoluments | 469 |
| Pension contributions | <u>32</u> |
| | <u>501</u> |

Remuneration of the Chairman Nil

Remuneration of the highest paid director (excluding pension contributions) 184

Remuneration of other directors fell within the following ranges:

| | <u>Number</u> |
|--------------------|---------------|
| £0 - £5,000 | 5 |
| £10,001 - £15,000 | 1 |
| £40,001 - £45,000 | 1 |
| £55,001 - £60,000 | 1 |
| £65,001 - £70,000 | 1 |
| £95,001 - £100,000 | 1 |

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993
(Continued)

5 NET INTEREST PAYABLE

£'000

| | |
|--|--------------|
| Bank interest receivable | (571) |
| Interest payable on bank loans, overdrafts and other loans repayable within 5 years | 8 |
| Interest payable to Parent Undertakings | <u>3,586</u> |
| | <u>3,023</u> |

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

£'000

| | |
|--|--------------|
| Consideration receivable for surrender of losses under consortium relief at 26.4% | <u>3,131</u> |
|--|--------------|

The Group has not recognised a deferred tax asset of £1,851,000 which has arisen as a result of unrelieved tax losses and other timing differences.

7 PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The Company's loss for the period after taxation amounted to £14,736,000.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

8 TANGIBLE FIXED ASSETS

| | <u>Group & Company</u> | | |
|--|---|--|----------------|
| | Short leasehold land and buildings £'000 | Fixtures fittings and equipment £'000 | Total £'000 |
| COST | | | |
| Contributed by the Parent Undertakings | - | 11,915 | 11,915 |
| Additions during the period | 552 | 4,949 | 5,501 |
| Write offs during the period | - | (558) | (558) |
| At 31 March 1993 | <u>552</u> | <u>16,306</u> | <u>16,858</u> |
| DEPRECIATION | | | |
| Charge for the period and at 31 March 1993 | <u>7</u> | <u>2,213</u> | <u>2,220</u> |
| NET BOOK AMOUNT | | | |
| At 31 March 1993 | <u>545</u> | <u>14,093</u> | <u>14,638</u> |

9 FIXED ASSET INVESTMENTS

| | <u>Group</u> £'000 | <u>Company</u> £'000 |
|-----------------------------------|-----------------------|-------------------------|
| Shares in subsidiary undertakings | - | 23,220 |
| Other investment | <u>20</u> | <u>20</u> |
| | <u>20</u> | <u>23,240</u> |

The Company's principal subsidiary undertaking, which is wholly owned and consolidated in the Group financial statements, is E&S Insurance Limited, whose activity is insurance and which is registered and incorporated in the Isle of Man. Two further subsidiaries, Eastern Electricity Retail Limited and Southern Electric Retail Services Limited, both registered in England, were dormant at the period end.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

10 STOCKS

| | <u>Group & Company</u> £'000 |
|------------------|---|
| Goods for resale | <u>30,062</u> |

11 DEBTORS

| | <u>Group</u> £'000 | <u>Company</u> £'000 |
|-------------------------------------|-----------------------|-------------------------|
| Trade debtors | 41,223 | 41,223 |
| Amounts owed by Parent Undertakings | 9,965 | 9,965 |
| Other debtors | 6,891 | 6,217 |
| Accrued income and prepayments | <u>2,815</u> | <u>2,340</u> |
| | <u>60,894</u> | <u>59,745</u> |

Trade debtors in respect of amounts owed under credit agreements which are due after more than one year total £16,352,000.

12 CURRENT ASSET INVESTMENTS

| | <u>Group</u> £'000 |
|---------------------------|-----------------------|
| Fixed interest securities | <u>2,267</u> |

The market value of the fixed interest securities as at 31 March 1993 was £2,288,000.

E&S RETAIL, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

13 CREDITORS - falling due within one year

| | <u>Group</u> £'000 | <u>Company</u> £'000 |
|--|-----------------------|-------------------------|
| Trade creditors | 7,992 | 7,451 |
| Other creditors | 8,104 | 2,686 |
| Accruals | 6,032 | 5,929 |
| Deferred income | 185 | 185 |
| Secured loans due to Parent Undertakings (note 14) | 3,400 | 3,400 |
| Unsecured loans due to Parent Undertakings (note 14) | 14,000 | 14,000 |
| Other amounts due to Parent Undertakings | 10,707 | 10,707 |
| Amounts due to Subsidiary Undertakings | ----- | <u>22,470</u> |
| | <u>50,420</u> | <u>66,828</u> |

14 CREDITORS - falling due after more than one year

| | <u>Group & Company</u> £'000 |
|--|---|
| Secured loans due to Parent Undertakings | 13,149 |
| Unsecured loans due to Parent Undertakings | 42,000 |
| Other loans | <u>20</u> |
| | <u>55,169</u> |

A maximum secured loan facility of £17 million has been granted by the Parent Undertakings to the Company under a floating charge. Subject to certain conditions, the Parent Undertakings can redeem up to £3.4 million of the total secured loans on or after 31 March 1994. The Company itself can redeem some or all of the secured loans on 30 September 1995. All outstanding amounts are to be repaid in full no later than 31 March 1996.

Interest is payable half yearly at 0.5% above LIBOR for six month sterling deposits.

A maximum unsecured loan facility of £70 million has been granted to the Company. Subject to certain conditions, the Parent Undertakings can redeem up to £14 million (plus accrued interest) of the unsecured loans on 31 March 1994 or at six monthly intervals thereafter. The Company itself can redeem some or all of the unsecured loans on 30 September 1995. All outstanding amounts are to be repaid in full no later than 31 March 1996.

Interest is payable half yearly at 1% above LIBOR for six month sterling deposits.

The aggregate unsecured loan facility was increased to £100 million pursuant to Midlands Electricity plc participation from 1 April 1993.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 **(Continued)**

15 DEFERRED TAXATION

The amounts of deferred taxation provided and unprovided in the financial statements are as follows:

| | <u>Group & Company</u> | |
|--|----------------------------|----------------|
| | Provided | Unprovided |
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | 391 | - |
| Other timing differences | (391) | (1,851) |
| | <u>-</u> | <u>(1,851)</u> |

16 CALLED UP SHARE CAPITAL

| | £ |
|---|--------------|
| 3,840 authorised, allotted and fully paid 'E' ordinary shares of £1 | 3,840 |
| 3,840 authorised, allotted and fully paid 'S' ordinary shares of £1 | <u>3,840</u> |
| | <u>7,680</u> |

The consideration received for the E&S shares allotted during the period was £6,050,000 and £16,420,000 respectively.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

17 RESERVES

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|-----------------|----------------|-----------------|
| | <u>Share</u> | <u>Profit</u> | <u>Share</u> | <u>Profit</u> |
| | <u>premium</u> | <u>and loss</u> | <u>premium</u> | <u>and loss</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Arising on shares issued to Parent Undertakings | <u>22,462</u> | | <u>22,462</u> | |
| Retained loss for the period | | (14,623) | | (14,736) |

18 PENSIONS

There are two pension schemes in operation.

The majority of employees contribute to the E&S Retail Services Pension Scheme ("the Scheme") which is a member of, and administered by, the Electricity Supply Pension Scheme.

The Scheme, a defined benefit scheme, was formed effective 1 June 1992. Employees of Eastern Electricity plc and Southern Electric plc, who transferred to the Company when the retailing activities of the Parent Undertakings were transferred, have transferred into this Scheme.

An assessment of the value of assets and liabilities to be transferred into the Scheme as at 1 June 1992 was carried out by Bacon and Woodrow, the actuaries responsible for the valuation of the Electricity Supply Pension Scheme. The Scheme was fully funded at that date. A full actuarial valuation of the Scheme itself will be carried out effective 31 March 1993.

Employees who joined the Company after 27 April 1992 are eligible to participate in the Sun Life Group Personal Pension Plan. This is a defined contribution plan established 1 January 1993.

19 COMMITMENTS

Annual commitments under operating leases:

| | <u>Group & Company</u> | |
|-------------------------------------|----------------------------|--------------|
| | <u>Land and</u> | <u>Other</u> |
| | <u>buildings</u> | |
| | £'000 | £'000 |
| Expiring within one year | 496 | 363 |
| Expiring between two and five years | 2,312 | 1,969 |
| Expiring in five years or more | 10,124 | 29 |
| | <u>12,932</u> | <u>2,361</u> |

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993 (Continued)

19 COMMITMENTS (continued)

| | <u>Group & Company</u> £'000 |
|--|---|
| Capital commitments as at 31 March 1993: | |
| Contracted | - |
| Authorised but not contracted | <u>3,313</u> |
| | <u>3,313</u> |

20 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | £'000 |
|---|-----------------|
| Operating loss | (14,731) |
| Depreciation | 2,220 |
| Loss on disposal of fixed assets | 558 |
| Stocks | (5,734) |
| Debtors | (54,759) |
| Creditors | <u>31,261</u> |
| Net cash outflow from ordinary activities | <u>(41,185)</u> |

Material non cash transactions in respect of the transfer of assets and liabilities by the Parent Undertakings into the Group on 27 April 1992, in exchange for shares, have been excluded from the cash flow statement.

Assets and liabilities transferred comprise fixed assets of £11,915,000 stocks of £24,318,000 debtors of £3,003,000 and creditors of £16,766,000. Equity issued amounted to £22,470,000.

21 POST BALANCE SHEET EVENT

On 1 April 1993 Midlands Electricity plc exercised its option to take an interest in the Company, for a total consideration of £17,600,000. The consideration for the additional shares issued to Eastern Electricity plc and Southern Electric plc on the same date amounted to £13,750,000.

As at that date, additional share capital totalling £6,034 was issued to all three Parent Undertakings. The share capital of the Company is now held by Eastern Electricity plc, Southern Electric plc and Midlands Electricity plc in the ratio of 36%, 36% and 28% respectively.

E&S RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 1993
(Continued)

21 POST BALANCE SHEET EVENT (Continued)

Under the terms of the merger agreement, Eastern Electricity plc and Southern Electric plc have agreed to contribute additional capital if the net assets of the company, before tax credits, are less than, an agreed level. The contribution is agreed to be in proportion to the holdings of share capital by Eastern Electricity plc, Southern Electric plc and Midlands Electricity plc on 1 April 1993.