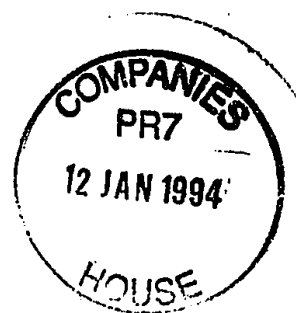


MIDLANDS ELECTRICITY RETAIL LIMITED

Annual Report

for the 7 months ended 31 March 1993

Registered no: 2746641



MIDLANDS ELECTRICITY RETAIL LIMITED

Annual Report for the 7 months ended 31 March 1993

	Pages
Directors' Report	1
Report of the Auditors	2
Balance Sheet	3
Notes to the Financial Statements	4-5

**Directors' Report
for the 7 months ended 31 March 1993**

The directors present their report and the financial statements for the 7 months ended 31 March 1993.

Review of Business

The company was incorporated 11 September 1992 under the name Freeselect Limited. Its name was changed to Midlands Electricity Retail Limited on 16 October 1992.

During the 7 months the company entered into a single transaction, being the granting of a £17.6m loan to E&S Retail Limited on 31 March 1992. No income or expenses were incurred during the period.

Directors and their interests

The directors who served during the period were:

B Clayton	appointed 24 September 1992
R K Young	appointed 21 September 1992 resigned 2 April 1993
R H Browne	appointed 21 September 1992 resigned 1 April 1993
E J Marsden	appointed 11 September 1992 resigned 21 September 1992
D N Maunders	appointed 11 September 1992 resigned 21 September 1992

No director had any beneficial interest in the share capital of the company during the 7 months ended 31 March 1993.

Directors' interests in the parent company are disclosed in the accounts of Midlands Electricity plc, with the exception of Mr R H Browne whose options within Midlands Electricity Executive Share Option Scheme at 31 March 1993 were 25,018 at an option price of 258 pence per share. The normal date of exercise will be between 1994 and 2001. In addition Mr R H Browne held 4885 shares in the Save As You Earn Scheme at an option price of 175 pence per share, normal date of exercise being 1996 and owns 1861 shares.

On 1 April 1993 Mr H C Hamilton resigned as Secretary of the company and Mrs J Bradley was appointed. Mr P L Chapman and Mr E Bradley were appointed directors on 23 July 1993.

Auditors

A resolution to appoint Price Waterhouse as the company's auditors will be put to the Annual General Meeting.

By order of the board**MRS J BRADLEY**

Secretary
6 July 1993



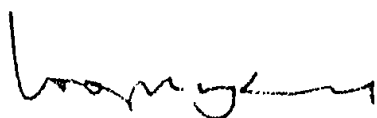
MIDLANDS ELECTRICITY RETAIL LIMITED

2

Report of the auditors to the members of MIDLANDS ELECTRICITY RETAIL LIMITED

We have audited the financial statements on pages 3 to 5 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1993 and have been properly prepared in accordance with the Companies Act 1985.

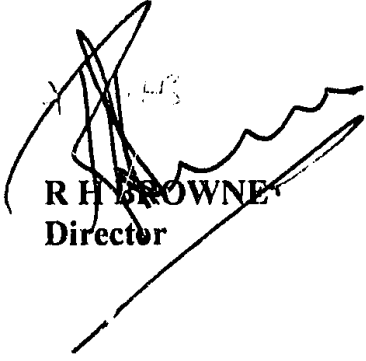


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
6 July 1993

MIDLANDS ELECTRICITY RETAIL LIMITED**3****Balance Sheet
at 31 March 1993**

	Notes	1993 £
Current assets		
Debtors	3	<u>17,600,000</u>
Net Assets		<u>17,600,000</u>
 Capital and reserves		
Called -up share capital	4	100
Share premium account	5	<u>17,599,900</u>
	6	<u>17,600,000</u>

The financial statements on pages 3 to 5 were approved by the board of directors on 6 July 1993 and were signed on its behalf by:



R H BROWNE
Director

**Notes to the financial statements
for the 7 months ended 31 March 1993****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The financial statements have been prepared under the historical cost convention.

2 Turnover and profit on ordinary activities before taxation

During the period the company has not incurred any income or expenses and consequently no profit and loss account or statement of total recognised gains and losses is presented.

None of the directors received any remuneration in respect of their services to the company during the period. The company has no other employees.

3 Debtors

1993

Amounts falling due within one year:

£17,600,000**4 Share Capital**

1993

Authorised

1000 ordinary shares of £1 each

£1000

Allotted, called up and fully paid

100 ordinary shares of £1 each

£100

Upon incorporation 100 £1 shares were allotted at £175,999 per share. The purpose of the allotment was to fund the loan to E&S Retail Ltd.

5 Share premium account

1993

£

At 11 September 1992

Nil

Arising from share issue during period

17,599,900

Balance at 31 March 1993

17,599,900

**Notes to the financial statements
for the 7 months ended 31 March 1993****6 Reconciliation of movement in shareholders' funds**

	1993 £
Opening shareholders' funds	-
Share capital issued	100
Share premium arising on issue of shares	<u>17,599,900</u>
Closing shareholders funds	<u>17,600,000</u>

7 Post balance sheet event

On 2 April 1993 Midlands Electricity plc transferred its Appliance Retailing and Appliance Servicing business along with certain of the assets and liabilities of that business to Midlands Electricity Retail Ltd (the company). Immediately following this transfer the company was sold to E & S Retail Ltd (a joint venture set up last year by Eastern Electricity plc and Southern Electricity plc) in exchange for 28% of the equity in E&S Retail Ltd. On completion of the valuation of the assets and liabilities transferred by Midlands Electricity plc to the company, E&S Retail Ltd will repay the £17.6m loan to the company who will then pay Midlands Electricity plc for the assets and liabilities transferred to it on 2 April 1993.

8 Ultimate holding company

At 31 March 1993 the company's ultimate holding company was Midlands Electricity plc, which is registered in England. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, Midlands Electricity plc, Mucklow Hill, Halesowen, West Midlands.