

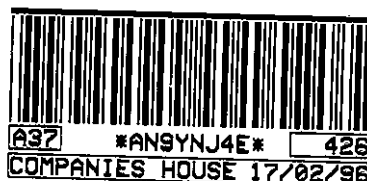
ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Homepower Retail Limited

Accounts 30 September 1995
together with directors' and auditors' reports

Registered number: 2806999



Directors' report

For the eighteen month period ended 30 September 1995

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the eighteen month period ended 30 September 1995.

Principal activities and business review

Up to 7 May 1995, the principal activity of the company was the sale and repair of domestic appliances and the provision of bill payment facilities (collectively the "retail business") for its shareholder companies.

During the period, the shareholders completed their review of the strategic options for the retail business. As a result of this review, a purchaser was sought for this aspect of the company's business. The directors are pleased to confirm that on 7 May 1995, the trade and certain assets relating to this part of the business were sold. This sale has necessitated certain adjustments to reduce assets to their recoverable amounts and to provide for additional liabilities.

Prior to the disposal of the retail business, the company established a leasing trade.

Results and dividends

The results for the period are presented in the profit and loss account set out on page 4. The loss for the period has been transferred to reserves.

No dividend is proposed.

Directors and their interests

The directors who served during the period were:

N.B.M. Askew	(Resigned 28 April 1995)
A. N. Halford	
R.N. Gunn	(Resigned 28 April 1995)
J.M. Chatwin	(Resigned 28 April 1995)
E.T. McGregor	(Resigned 21 July 1995)
J.N. Hardman (Chairman)	(Resigned 28 April 1995)
M.S. Watts	(Resigned 28 April 1995)
C.J. Boon (Alternate)	
C.H.G. Thompson	(Resigned 28 April 1995)
G.J. Hall (Alternate)	(Resigned 28 April 1995)
P.A. Brown (Alternate)	(Resigned 28 April 1995)
C.A. Sawyer	(Appointed 21 July 1995)
R. Dickinson (Alternate)	(Appointed 23 August 1995)

The directors who held office at 30 September 1995 had no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

For the eighteen month period ended 30 September 1995

Fixed assets

Information relating to changes in fixed assets is given in notes 9 and 10 to the accounts.

Directors' responsibilities

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 and of the profit or loss of the company for that period. 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 accounts; 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 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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company through formal and informal meetings.

Wetherby Road
Scarcroft
Leeds
LS14 3HS

By order of the Board



J. M. Deebank
Secretary

9 February 1996

ARTHUR ANDERSEN

Auditors' report

Leeds

To the Shareholders of Homepower Retail Limited:

We have audited the accounts on pages 4 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

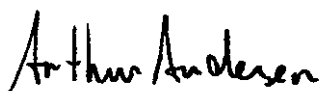
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 September 1995 and of its loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

St Paul's House

Park Square

Leeds

LS1 2PJ

9 February 1996

Profit and loss account

For the eighteen month period ended 30 September 1995

	Note	Period ended 30 September 1995 £'000	Period ended 3 April 1994 (Note 22) £'000
Turnover	2	115,290	99,535
Cost of sales		(64,280)	(58,100)
Gross profit		51,010	41,435
Other operating expenses	3	(59,261)	(47,020)
Operating loss		(8,251)	(5,585)
Provision for loss on disposal of the retail business	4	(32,463)	-
Loss on disposal of fixed assets on disposal of the retail business		(15,524)	-
Interest receivable		1,144	10
Interest payable and similar charges	5	-	(229)
Loss on ordinary activities before taxation	6	(55,094)	(5,804)
Tax on loss on ordinary activities	8	(1,429)	1,429
Loss for the financial period		(56,523)	(4,375)
Accumulated deficit, brought forward		(4,375)	-
Accumulated deficit, carried forward		(60,898)	(4,375)

There were no recognised gains or losses other than the loss for the financial periods ended 30 September 1995 and 3 April 1994.

There is no difference between the loss on ordinary activities before tax and the retained loss for the period stated above, and their historical cost equivalents.

The results above all relate to discontinued activities, with the exception of the leasing trade which was commenced during the period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 September 1995

	Note	30 September 1995 £'000	3 April 1994 £'000
Fixed assets			
Tangible assets	9	-	14,898
Investments	10	20	20
		<u>20</u>	<u>14,918</u>
Current assets			
Stocks	11	-	16,015
Debtors	12	3,032	19,057
Cash at bank and in hand		18,285	173
		<u>21,317</u>	<u>35,245</u>
Creditors: Amounts falling due within one year	13	(42,529)	(21,053)
Net current (liabilities) assets		<u>(21,212)</u>	<u>14,192</u>
Total assets less current liabilities		<u>(21,192)</u>	<u>29,110</u>
Provisions for liabilities and charges	14	(8,706)	(2,485)
Net (liabilities) assets		<u>(29,898)</u>	<u>26,625</u>
Capital and reserves			
Called-up share capital	15	31,000	31,000
Profit and loss account		(60,898)	(4,375)
Equity shareholders' funds	16	<u>(29,898)</u>	<u>26,625</u>

C. A. Sawyer
C. A. Sawyer

Director

9 February 1996

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the eighteen month period ended 30 September 1995

	Note	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Net cash outflow from operating activities	17	<u>(19,185)</u>	<u>(4,541)</u>
Returns on investments and servicing of finance			
Interest received		1,144	10
Investing activities			
Sale of retail business	20	8,400	-
Purchase of retail and repair trade and assets		-	(31,000)
Purchase of tangible fixed assets		(4,447)	(3,276)
Receipt on sale of tangible fixed assets		200	-
Purchase of fixed asset investments		-	(20)
Net cash inflow (outflow) from investing activities		<u>4,153</u>	<u>(34,296)</u>
Net cash outflow before financing		<u>(13,888)</u>	<u>(38,827)</u>
Financing			
Loans from parent undertakings	19	40,000	8,000
Repayment of loans from parent undertakings	19	(8,000)	-
Issue of share capital		-	31,000
Net cash inflow from financing		<u>32,000</u>	<u>39,000</u>
Increase in cash and cash equivalents	18	<u>18,112</u>	<u>173</u>

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts

30 September 1995

1 Accounting policies

The principal accounting policies, all of which have been applied consistently are set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The going concern basis has not been applied as the shareholders have decided to withdraw from the retail business. This decision has necessitated certain adjustments to the accounts to reduce assets to their recoverable amounts and to provide for additional liabilities.

In view of the deficiency in the company's net assets the parent undertakings have undertaken to provide sufficient financial support to enable the company to meet its debts as they fall due.

b) Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation. Provision is made for permanent diminution in value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Long leasehold land and buildings	10 years
Plant and machinery	10 years
Fixtures and fittings	7 years
Computers	3 years

c) Stocks

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

Cost incurred in bringing each product to its present location and condition is based on the purchase cost on a first in, first out basis, including transport.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

d) Fixed asset investments

Fixed asset investments are stated at cost less any write downs for permanent diminutions in value.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Taxation (continued)*

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

f) *Pension costs*

The company provides pensions to all eligible employees through two pension schemes. The majority of employees are members of the Electricity Supply Pension Scheme (ESPS) which provides retirement and death benefits to employees throughout the Electricity Supply Industry. The company's section of the ESPS is now closed to new entrants. The company also operates the Homepower Pension Plan (HPP), a personal pension scheme for employees who are not members of the ESPS.

The assets of the schemes are held in independently administered funds.

The ESPS scheme is a defined benefit scheme providing pensions and related benefits based on final salary. The HPP scheme is a defined contribution scheme where the level of pensions and related benefits are based upon the value within each individual plan at the relevant date.

The amount charged to the profit and loss account for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost and for the defined contribution scheme is the contributions payable in the period. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in Note 21.

g) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-divisional transactions) of goods and services in the normal course of business.

h) *Leases*

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

Finance leases granted to customers are reported as debtors and are stated at the value of the minimum rentals receivable less the finance charges allocated to future periods. Finance income is allocated to accounting periods over the lives of the individual leases to produce a constant rate of return on the outstanding balance.

Notes to accounts (continued)

2 Segmental information

The directors consider that the company's principal activity up to 7 May 1995, the sale and repair of domestic appliances and the provision of bill payment facilities for its parent undertakings (collectively the "retail business"), comprises one class of business. All of the company's assets are employed in carrying out this business, with the exception of the assets used in the leasing trade, which comprise finance lease debtors of £60,000.

3 Other operating expenses

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Distribution costs	31,697	22,856
Selling and marketing costs	7,125	6,379
Administrative expenses	20,439	17,785
	<u>59,261</u>	<u>47,020</u>

A number of services are provided to the company by the parent undertakings.

4 Provision for loss on disposal of the retail business

The parent undertakings decided, after a review of the strategic options, to streamline and subsequently dispose of the retail business. As a result of this decision, provision has been made for the costs of streamlining, and the estimated losses consequent upon, the disposal of the retail business.

5 Interest payable and similar charges

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
On loans from parent undertakings	<u>-</u>	<u>229</u>

Notes to accounts (continued)

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Depreciation	3,402	2,107
Hire of plant and machinery - operating leases	1,400	1,300
Hire of other assets - operating leases	6,500	4,200
Auditors' remuneration		
- audit services	65	50
- non-audit services	92	30
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7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
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Employee costs during the period amounted to:

Wages and salaries	24,361	15,263
Social security costs	1,857	1,587
Other pension costs	1,354	1,831
	<hr/>	<hr/>
	27,572	18,681

During the period, the services of certain staff were provided by the shareholders of the company on a secondment basis. The costs of the personnel charged to the company in this respect totalled £10,911,000, (1994 - £7,347,000) which is included in the above analysis.

In addition to the above, certain staff who did not take up employment with the undertaking which acquired the retail business were seconded on a short term basis to that undertaking. These costs, which amounted to £1,189,000, have been recovered in full.

The average weekly number of persons employed by and seconded to the company during the period was 1,389 (1994 - 1,861).

Notes to accounts (continued)

7 Staff costs (continued)

Directors' remuneration:

Directors' remuneration was paid in respect of directors of the company as follows:

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Emoluments (including pension contributions)	<u>550</u>	<u>131</u>

Emoluments includes an aggregate amount of £180,000 in respect of compensation payments paid to directors in respect of loss of office.

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>399</u>	<u>73</u>

Directors received emoluments (excluding pensions, pension contributions and compensation payments in respect of loss of office) in the following ranges:

	Period ended 30 September 1995 Number	Period ended 3 April 1994 Number
Up to £5,000	11	12
£45,001 - £50,000	-	1
£70,001 - £75,000	-	1
£135,001 - £140,000	1	-
£215,001 - £220,000	<u>1</u>	<u>-</u>

A number of the directors are also employees of the shareholders and are remunerated by them. None of the remuneration for these directors relates specifically to the provision of services to the company and consequently their emoluments are included above as £Nil.

Notes to accounts (continued)

8 Tax on loss on ordinary activities

The tax charge (credit) is based on the loss for the period and comprises:

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Consortium relief	<u>1,429</u>	<u>(1,429)</u>

The tax credit in 1994 represents the amount to be paid by parent undertakings to the company for the surrender of consortium relief. The charge in 1995 represents the reversal of this credit for consortium relief.

9 Tangible fixed assets

The movement in the period was as follows:

	Long leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
Beginning of period	247	2,574	14,184	17,005
Additions	140	-	4,307	4,447
Disposals	-	(10)	(535)	(545)
Fixed asset write off	(387)	(2,564)	(17,956)	(20,907)
End of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation				
Beginning of period	-	(243)	(1,864)	(2,107)
Charge	(25)	(346)	(3,031)	(3,402)
Disposals	-	-	326	326
Fixed asset write off	25	589	4,569	5,183
End of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In view of the disposal of the retail business, fixed assets were written down to their recoverable amounts.

Notes to accounts (continued)

10 Fixed asset investments

	30 September 1995 £'000	3 April 1994 £'000
Cost		
Beginning of period	20	-
Additions	-	20
End of period	<u>20</u>	<u>20</u>

The investment comprises 20,000 £1 ordinary shares in Electricity Pension Trustees Limited.

11 Stocks

The following are included in the net book value of stocks:

	30 September 1995 £'000	3 April 1994 £'000
Finished goods and goods for resale	<u>-</u>	<u>16,015</u>

12 Debtors

The following are included in the net book value of debtors:

	30 September 1995 £'000	3 April 1994 £'000
Amounts falling due within one year:		
Trade debtors	236	8,594
Amounts due from parent undertakings	630	7,021
VAT	748	1,413
Other debtors	1,251	-
Finance lease debtors	60	-
Prepayments and accrued income	107	2,029
	<u>3,032</u>	<u>19,057</u>

Notes to accounts (continued)

13 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	30 September 1995 £'000	3 April 1994 £'000
Trade creditors	209	10,127
Amounts due to parent undertakings	40,000	8,000
Other creditors	725	308
Accruals and deferred income	1,595	2,618
	<u>42,529</u>	<u>21,053</u>

14 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	30 September 1995 £'000	3 April 1994 £'000
Start-up provisions	-	1,385
Warranty and cancellation provision	713	1,100
Provision for loss on disposal of the retail business	7,993	-
	<u>8,706</u>	<u>2,485</u>

Notes to accounts (continued)

14 Provisions for liabilities and charges (continued)

a) Start-up provisions

The movement on start-up provisions was as follows:

	30 September 1995 £'000	3 April 1994 £'000
Beginning of period	1,385	-
Amounts transferred from shareholders	-	10,273
Amounts utilised in the period	(1,385)	(8,888)
End of period	-	1,385

Start-up provisions were transferred to the company by the parent undertakings in 1994 to cover the cost of rationalising the retail trades acquired.

b) Warranty and cancellation provision

The movement on the warranty and cancellation provision was as follows:

	30 September 1995 £'000	3 April 1994 £'000
Beginning of period	1,100	-
Amounts transferred from shareholders	-	1,100
Amounts charged in the period	1,206	1,836
Amounts utilised in the period	(1,593)	(1,836)
End of period	713	1,100

Notes to accounts (continued)

14 Provisions for liabilities and charges (continued)

c) Provision for loss on disposal of the retail business

The movement on the provision for loss on disposal of the retail business was as follows:

	30 September 1995 £'000	3 April 1994 £'000
Beginning of period	-	-
Amounts charged in the period	32,463	-
Amounts utilised in the period	(24,470)	-
End of period	<u>7,993</u>	<u>-</u>

This provision has been established for the reasons specified in note 4.

15 Called-up share capital

	30 September 1995 £'000	3 April 1994 £'000
<i>Authorised:</i>		
50,000,000 ordinary E shares of £1 each	50,000	50,000
50,000,000 ordinary Y shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called-up and fully-paid:</i>		
15,500,000 ordinary E shares of £1 each	15,500	15,500
15,500,000 ordinary Y shares of £1 each	15,500	15,500
	<u>31,000</u>	<u>31,000</u>

16 Reconciliation of movements in shareholders' funds

	30 September 1995 £'000	3 April 1994 £'000
Loss for the financial period	(56,523)	(4,375)
Shares issued for cash	-	31,000
	<u>(56,523)</u>	<u>26,625</u>
Opening shareholders' funds	26,625	-
Closing shareholders' funds	<u>(29,898)</u>	<u>26,625</u>

Notes to accounts (continued)

17 Reconciliation of operating loss to net cash outflow from operating activities

	Period ended 30 September 1995 £'000	Period ended 3 April 1994 £'000
Operating loss	(8,251)	(5,585)
Depreciation charge	3,402	2,107
Loss on disposal of fixed assets	219	-
Decrease (increase) in stocks	6,680	(157)
Decrease (increase) in debtors (excluding amounts due from parent undertakings)	8,965	(12,036)
Decrease (increase) in amounts due from shareholders	4,962	(3,023)
Increase (decrease) in creditors	(8,920)	13,053
Increase in provisions	1,206	1,100
Utilisation of provisions	(27,448)	-
Net cash outflow from operating activities	(19,185)	(4,541)

18 Analysis of changes in cash and cash equivalents during the period

	Cash at bank and in hand 1995 £'000	Cash at bank and in hand 1994 £'000
Beginning of period	173	-
Net cash inflow	18,112	173
End of period	18,285	173

Notes to accounts (continued)

19 Analysis of changes in financing

1995

	Share capital £'000	Loans £'000
Beginning of period	31,000	8,000
Loans from parent undertakings	-	40,000
Repayment of loans from parent undertakings	-	(8,000)
End of period	<u>31,000</u>	<u>40,000</u>

1994

	Share capital £'000	Loans £'000
Beginning of period	-	-
Loans from parent undertakings	-	8,000
Shares issued for cash	31,000	-
End of period	<u>31,000</u>	<u>8,000</u>

20 Sale of business

<i>Net assets disposed of</i>	£'000
Stocks	9,335
Current assets	669
Current liabilities	(1,604)
Consideration - satisfied by cash	<u>8,400</u>

All material cash flows during the period arose from the operation of the disposed retail business.

Notes to accounts (continued)

21 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments were:

	30 September 1995 £'000	3 April 1994 £'000
Contracted for but not provided for	-	2,095
Authorised but not contracted for	-	3,872

b) Lease commitments

The company has entered into non-cancellable operating leases in respect of fixtures and fittings and motor vehicles, the payments for which extend over a period of up to 5 years. The total rental (including interest) for the period ended 30 September 1995 was approximately £1.4 million (period ended 3 April 1994 - £1.3 million). The lease agreements provide that the company will pay all insurance, maintenance and repairs.

In addition, the company leases certain land and buildings. The rental on these leases was approximately £6.5 million in the period (1994 - £4.2 million). The rentals payable under these leases are subject to re-negotiation at specified intervals in the leases. The company pays substantially all insurance, maintenance and repairs on these properties.

b) Lease commitments

On termination of the operations of the company, arrangements have been made to settle all remaining lease liabilities. Accordingly, the minimum annual rentals under the above mentioned leases have been extinguished.

	1995		1994	
	Motor vehicles £'000	Fixtures and fittings £'000	Motor vehicles £'000	Fixtures and fittings £'000
Operating leases which expire				
- within 1 year	-	-	134	-
- within 2-5 years	-	-	1,622	331
	-	-	1,756	331

Notes to accounts (continued)

21 Guarantees and other financial commitments (continued)

c) Pension arrangements

The company operates two separate types of pension arrangement. The majority of the employees of the company were members of the Electricity Supply Pension Scheme ("ESPS"). The Homepower Pension Plan ("HPP") was available to all those employees who were not members of ESPS.

All of the company's employees who were members of ESPS were previously employees within the Yorkshire Electricity Group Plc or East Midlands Electricity Plc groups of companies. During the prior period, a Homepower Retail Limited ("HRL") Group within ESPS was created. During the period, those assets within the two parent Group's of ESPS that relate to Homepower employees who so consented were transferred to the HRL Group of ESPS.

The latest actuarial valuation of the two parent groups' sections of ESPS was carried out as at 31 March 1992 by Bacon and Woodrow, consulting actuaries. The attained age method was used for this assessment and the principal actuarial assumptions adopted were that the investment return would on average exceed the rate of increase in members' earnings by 2% per annum and that present and future pensions would increase at a rate of 5.5% per annum.

The valuation showed that the actuarial value of the assets of the two groups' sections of ESPS as at 31 March 1992 represented at least 104% of the actuarial value of accrued benefits. The value of the transfer from the two parent groups sections to the new HRL section totalled £23.7 million. However, the disposal of the retail business will result in the transfer of these assets and liabilities back to the Parent Groups. After discussion with the actuaries, provision has been made in the accounts for the additional payment which will be required in addition to the transfer noted above in order to ensure that the accrued benefits of the HRL Group members are fully funded within the Parent Groups.

The pension cost for the defined benefit scheme in the period was £1,335,000 (1994 - £1,831,000).

The HPP scheme is a defined contribution scheme where the level of pensions and related benefits are based upon the value within each individual plan at the relevant time. Contributions by the company to the HPP scheme are at rates of between 3% and 8% and the pension cost for the period was £19,000.

22 Comparative period

The company was incorporated on 31 March 1993, and commenced to trade on 5 July 1993 on the establishment of a joint venture agreement between Yorkshire Electricity Group Plc and East Midlands Electricity Plc. Accordingly, the comparative period covers the period since incorporation which includes nine months of trading activity.