

Homepower Retail Limited

Accounts 30 September 1998
together with directors' and auditors' reports

Registered number: 2806999



'Directors' report

For the year ended 30 September 1998

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 September 1998.

Principal activities and business review

During the year, the rundown of the business continued. There were no trading activities.

Results and dividends

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

No dividend is proposed (1997: £nil).

Directors and their interests

The directors who served during the year were:

A. N. Halford
C.J. Boon (Alternate)
C.A. Sawyer
R. Dickinson (Alternate)

On 22 December 1998 both A.N. Halford and C.J. Boon resigned and D.J. Jackson was appointed as a director of Homepower Retail Limited. R.G. Barber was appointed as a director on 2 March 1999.

The directors who held office at 30 September 1998 had no interests required to be disclosed under Section 324 of the Companies Act 1985.

Year 2000

The directors have considered the trading status of the company and the possible risks arising from the Year 2000 date change. They have concluded that the Year 2000 date change is unlikely to have a significant impact on the business or these accounts.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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

Directors' report (continued)

Directors' responsibilities (continued)

- 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 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.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Wetherby Road
Scarcroft
Leeds
LS14 3HS

16 July 1999

By order of the Board



S.M.D. Christie
Secretary

'Auditors' report

Leeds

To the Shareholders of Homepower Retail Limited:

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

16 July 1999

Profit and loss account

For the year ended 30 September 1998

	Note	1998 £'000	1997 £'000
Movement on provision for loss on disposal of the retail business	2	3,073	50
Interest receivable		413	342
Profit on ordinary activities before taxation	3	<u>3,486</u>	<u>392</u>
Tax on profit on ordinary activities	5	(85)	(110)
Profit for the financial year		<u>3,401</u>	<u>282</u>
Accumulated deficit, brought forward		<u>(58,937)</u>	<u>(59,219)</u>
Accumulated deficit, carried forward		<u>(55,536)</u>	<u>(58,937)</u>

There were no recognised gains or losses other than the profit for the financial years shown above.

The results above all relate to discontinued activities.

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

Balance Sheet

30 September 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Investments	6	<u>20</u>	<u>20</u>
Current assets			
Debtors	7	42	104
Cash at bank and in hand		<u>5,993</u>	<u>5,746</u>
		6,035	5,850
Creditors: Amounts falling due within one year	8	<u>(29,267)</u>	<u>(29,130)</u>
Net current liabilities		<u>(23,232)</u>	<u>(23,280)</u>
Total assets less current liabilities		<u>(23,212)</u>	<u>(23,260)</u>
Provisions for liabilities and charges	9	<u>(1,324)</u>	<u>(4,677)</u>
Net liabilities		<u>(24,536)</u>	<u>(27,937)</u>
Capital and reserves			
Called-up share capital	10	31,000	31,000
Profit and loss account		<u>(55,536)</u>	<u>(58,937)</u>
Equity shareholders' funds	11	<u>(24,536)</u>	<u>(27,937)</u>

The accounts were approved by the Board on 16 July 1999 and signed on its behalf by:

C. A. Sawyer

C. A. Sawyer

Director

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

Notes to accounts

30 September 1998

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year 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.

b) Fixed asset investments

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

c) Cash flow statement

The company is exempt from the requirement of FRS1 (Revised) "Cash flow statements" to include a cash flow statement as part of its accounts, because it falls into the category of a small company.

2 Movement on provision for loss on disposal of the retail business

Provision was made in prior years for costs incurred in disposing of the retail business. Adjustments to the provisions have been made in the current year based on revised estimates made by the directors.

	1998 £'000	1997 £'000
Provisions for loss on disposal of the retail business	-	(200)
Release of unutilised provisions		
- Disposal of retail business	3,036	-
- Warranties and cancellations	37	250
	<u>3,073</u>	<u>50</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration - audit services	<u>5</u>	<u>5</u>

Notes to accounts (continued)

4 Staff costs

Directors' remuneration

No amounts were paid in respect of directors' remuneration for either the current or previous years.

All 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 as £nil.

There were no other employees.

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1998 £'000	1997 £'000
Corporation tax	132	110
Overprovision in prior year	(47)	-
Charge for the year	<u>85</u>	<u>110</u>

The effective tax rate for the year is less than the current rate of UK Corporation tax because the profit for the year is attributable to the release of provisions on which no tax deduction has been claimed previously.

6 Fixed asset investments

	1998 £'000	1997 £'000
Cost		
Beginning and end of year	<u>20</u>	<u>20</u>

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

7 Debtors

Amounts falling due within one year:

	1998 £'000	1997 £'000
VAT	3	20
Other debtors	-	51
Prepayments and accrued income	39	33
	<u>42</u>	<u>104</u>

Notes to accounts (continued)

8 Creditors: Amounts falling due within one year

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

	1998 £'000	1997 £'000
Amounts due to parent undertakings	29,000	29,000
Other creditors	20	20
Taxation	242	110
Accruals	5	-
	<u>29,267</u>	<u>29,130</u>

9 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	1998 £'000	1997 £'000
Warranty and cancellation provision	-	60
Provision for loss on disposal of the retail business	1,324	4,617
	<u>1,324</u>	<u>4,677</u>

a) Warranty and cancellation provision

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

	1998 £'000	1997 £'000
Beginning of year	60	351
Amounts released in the year	(37)	(250)
Amounts utilised in the year	(23)	(41)
End of year	<u>-</u>	<u>60</u>

Notes to accounts (continued)

9 Provisions for liabilities and charges (continued)

b) 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:

	1998 £'000	1997 £'000
Beginning of year	4,617	4,444
Amounts charged (released) in the year	(3,036)	200
Amounts utilised in the year	(257)	(27)
End of year	<u>1,324</u>	<u>4,617</u>

This provision has been established for the reasons specified in note 2.

10 Called-up share capital

	1998 £'000	1997 £'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>

11 Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial period	3,401	282
	<u>3,401</u>	<u>282</u>
Opening equity shareholders' funds	(27,937)	(28,219)
Closing equity shareholders' funds	<u>(24,536)</u>	<u>(27,937)</u>

Notes to accounts (continued)

12 Contingent liabilities

The company may be impacted by the National Grid Pensions case and has been subject to claims in respect of employment and other matters in respect of the disposal of the retail business. The directors have taken advice and provided for their best estimate of the probable loss in respect of these matters. It is however possible that on the determination of the National Grid pensions case an additional liability of up to £2.5m may arise.