

TXU Europe (AET) Limited
(formerly Aquila Energy Trading Limited)

Report and financial statements
31 December 2001

Registered number: 02850031



Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activity and business review

During 2001 the principal activity of the company was to provide, as agent, natural gas transportation services exclusively for subsidiary undertakings of Aquila Energy UK Holdings Limited, the company's parent undertaking up to 31 December 2001.

On 31 December 2001, 100% of the issued share capital was acquired by TXU UK Limited (see note 10). On 21 December 2001 the company's name, formerly Aquila Energy Trading Limited, was changed to TXU Europe (AET) Limited.

On 21 October 2002, 100% of the issued share capital was acquired by Powergen Retail Supply Limited (see note 10).

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 5 to 8. The company commenced to trade on an agency basis on 1 March 1996, and since that date has not recorded any profit or loss on its own account. The directors do not recommend the payment of a dividend (2000 – £nil).

Directors

The directors who served during the year were as follows:

K G Stamm	(resigned 11 December 2001)
J Michnowski	(resigned 31 December 2001)
K P Farry	(resigned 31 December 2001)
S D Gebbie	(resigned 13 March 2001)
P Waine	(resigned 26 March 2001)
C A Colley	(appointed 19 December 2001, resigned 31 December 2001)

The directors who were appointed following the sale to TXU UK Limited were as follows:

P C Marsh	(appointed on 31 December 2001)
M S W Stanley	(appointed on 31 December 2001)
R E Partington	(appointed on 31 December 2001).

Additional changes to directorships following the year end and immediately prior to and following the sale to Powergen Retail Supply Limited are as follows:

P C Marsh	(resigned 21 October 2002)
M S W Stanley	(resigned 21 October 2002)
R E Partington	(resigned 7 October 2002)
B Dickie	(appointed 15 October 2002, resigned 21 October 2002)

Directors' report

For the year ended 31 December 2001

Directors Continued

M J McNally (appointed 15 October 2002, resigned 21 October 2002)
R A Wooldridge (appointed 15 October 2002, resigned 21 October 2002)
P Golby (appointed 21 October 2002)
F S Stark (appointed 21 October 2002)
G Bartlett (appointed 21 October 2002)
Powergen Directors Limited (appointed 21 October 2002)

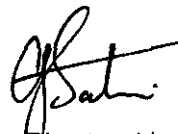
None of the directors had any interests in the shares of the company or other group companies which are required to be disclosed under the provisions of the Companies Act 1985.

Auditors

On 31 December 2001 Arthur Andersen resigned as Auditors of the Company and Deloitte & Touche were appointed. Following the sale to Powergen Retail Supply Ltd on 21 October 2002, Deloitte & Touche resigned as Auditors but were reappointed on 18 December 2002 in respect of the statutory accounts of the company for the year ended 31 December 2001.

Wherstead Park
Wherstead
Ipswich
IP9 2AQ

By order of the Board,



C J Salame, for Powergen Directors Limited,

Director

30 January 2003

Directors' responsibilities

United Kingdom 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, subject to any material departures disclosed and explained in the financial statements; 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 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.

Independent auditors' report

Independent auditors' report to the members of TXU Europe (AET) Limited (formerly Aquila Energy Trading Limited)

We have audited the financial statements of TXU Europe (AET) (formerly Aquila Energy Trading Limited) for the year ended 31 December 2001 which comprise the balance sheet and the related notes 1 to 10. These financial statements have been prepared under 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 United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

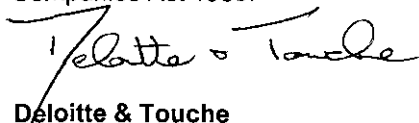
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Deloitte & Touche', is written over the printed name of the firm.

Deloitte & Touche

Chartered Accountants and Registered Auditors

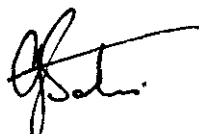
180 Strand
London
WC2R 1BL

Balance sheet
31 December 2001

	Notes	31 December 2001 £	31 December 2000 £
Current assets			
Debtors	6	2	2
Investments	7	-	1,000,000
		<u>2</u>	<u>1,000,002</u>
Creditors: amounts falling due within one year	8	-	(1,000,000)
		<u>-</u>	<u>(1,000,000)</u>
Net current assets		<u>2</u>	<u>2</u>
Total assets less current liabilities, being net assets		<u>2</u>	<u>2</u>
Capital and reserves			
Called-up share capital	9	<u>2</u>	<u>2</u>
Equity shareholder's funds		<u>2</u>	<u>2</u>

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

The financial statements on pages 6 to 9 were approved by the board of directors on ³⁰January 2003 and signed on its behalf by:



C J Salame, for Powergen Directors Limited
Director

30 January 2003

Notes to financial statements

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently during the year and the preceding year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced. Deferred tax assets are not recognised.

Cash flow statement

The company has not prepared a cash flow statement as, in accordance with Financial Reporting Standard No. 1 (Revised) (FRS 1), the ultimate parent company, (see note 10) prepares publicly available statements which include the results of the company.

Related party transactions

Under the provisions of Financial Reporting Standard No. 8 (FRS 8), the company has not disclosed details of related party transactions as its ultimate parent undertaking prepares consolidated financial statements which include the results of the company and those of the related parties with which transactions were undertaken during the year and these financial statements are made available to the public on an annual basis

Notes to financial statements (continued)

2 Staff costs

The company had no employees during the year or the preceding year.

3 Directors' remuneration

The directors did not receive any remuneration in respect of their services as directors of TXU Europe (AET) Limited during the year or the preceding year.

4 Profit on ordinary activities before taxation

Audit fees in respect of the preceding financial year have been borne by Aquila Energy UK Holdings Limited, the company's parent undertaking up to 31 December 2001, and for the current financial year by Powergen Retail Supply Limited, the current parent undertaking (see Note 10). Such fees are not recharged to the company.

The company did not trade during the current or preceding financial year, accordingly no Profit & Loss Account is presented.

5 Tax on profit on ordinary activities

There were no amounts of unprovided deferred taxation at 31 December 2001 (2000 – £nil).

6 Debtors

	31 December 2001	31 December 2000
	£	£
Amounts owed by group undertakings	-	2
Other debtors	2	-
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

7 Investment

The company held £1 million in escrow as at 31 December 2000 in respect of certain agency obligations with a third party. During 2001, this amount was returned to the company. No further amounts were placed in escrow during 2001. Interest on this escrow account did not accrue to the company but to a fellow group company.

Notes to financial statements (continued)

8 Creditors: Amounts falling due within one year

	31 December 2001 £	31 December 2000 £
Bank loans and overdrafts	-	36,082
Amounts owed to group undertakings	-	963,918
	<u>-</u>	<u>1,000,000</u>

Interest on the bank overdraft was borne by a fellow group company. The amounts owed to group undertakings had no fixed repayment date and no interest was payable thereon.

9 Called-up share capital

	2001		2000	
<i>Authorised</i>	Number	£	Number	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully paid</i>	Number	£	Number	£
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

10 Ultimate parent company

Up until 31 December 2001 TXU Europe (AET) Ltd was a wholly owned subsidiary of Aquila Energy UK Holdings Ltd, which is registered in England and Wales. At the year end TXU Europe (AET) Limited became a wholly owned subsidiary undertaking of TXU UK Limited, which is registered in England and Wales.

Since the year end, on 21 October 2002 it became a wholly owned subsidiary of Powergen Retail Supply Limited, also registered in England and Wales.

The ultimate parent company, controlling party and parent undertaking at the year end, of the largest group for which accounts are prepared and of which the Company was a member was TXU Corp. (incorporated in the State of Texas, USA). The smallest group for which group accounts are prepared of which the Company was a member at the year end is TXU Europe Group plc. These accounts can be obtained from Companies House, Crown Way, Cardiff CF4 3UZ