



DYNEGY

Dynergy Storage Limited
(previously BG Storage Limited)
Directors' Report and Financial Statements

For the Year Ended 31 December 2001



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Dynegy Storage Limited (Previously BG Storage Limited)

**Directors' Report and Financial Statements
For the year ended 31 December 2001**

	Page
Directors' Report	2
Directors' Responsibilities Statement	4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8

Dynegy Storage Limited (Previously BG Storage Limited)

Directors' Report

For the year ended 31 December 2001

The Directors submit their report and the audited financial statements for the year ended 31 December 2001.

Principal Activities and Business Review

The principal activity of the Company is the storage of gas in the United Kingdom which for the purposes of the Companies Act 1985, constitutes one class of business.

Dynegy Storage Limited operates the Rough offshore facility, which is a partially depleted gas field, and the salt cavity facilities at Hornsea, both in the United Kingdom.

During the year, ownership of the Company transferred from BG Group plc to Dynegy Europe Limited. The transaction associated with this transfer was completed on the 28 November 2001. At this point the name of the Company was changed from BG Storage Limited to Dynegy Storage Limited.

The ultimate holding company is currently considering a number of options with respect to its ownership of Dynegy Storage Limited, which may include a partial sale or joint venture arrangement. However, no binding decisions have yet been taken.

Directors

Directors in post during the period and up to the date of this report were as follows:

	Appointed	Resigned
W M Friedrich	-	28 November 2001
A G S Geddes	-	9 July 2002
H C Higgins	-	1 February 2001
M C F Kinoulty	-	28 November 2001
L M Pitchford	-	23 March 2001
J G Ward	-	9 March 2001
N R Shaw	1 February 2001	27 July 2001
G T Cardone	28 November 2001	21 March 2002
N Wakefield	28 November 2001	-
R D Doty Jr	28 November 2001	-
D R Roth	28 November 2001	8 July 2002
M G Scrimshaw	10 July 2002	-
M Flinn	21 March 2002	-
D N Keane	21 March 2002	-
J M Boardman	21 March 2002	-
J R Oliver	21 March 2002	-
Y Cohen	26 June 2002	-
L Dorey	26 June 2002	-
S Bergstrom	26 June 2002	-

Directors' Interests in Shares

None of the above directors have any beneficial interests in the shares of the Company or any other Dynegy Inc. group undertaking that require disclosure under the provisions of the Companies Act 1985.

Dynegy Storage Limited (Previously BG Storage Limited)

Review of Results

The results for the period are set out in the profit and loss account on page 6. The retained profit for the period of £13,454,000 has been transferred to reserves.

The directors do not recommend the payment of a dividend (2000 - £nil).

Employees

The Company had 222 employees at 31 December 2001, all of whom were based in the UK. For employees of the Company there are well established and effective arrangements through electronic mail and the Company's intranet and in-house publications, as well as videos and briefing meetings at each business location, for communication of the Company's results and significant business issues. When necessary, consultation with employee and Trade Union representatives also takes place.

The Company takes a positive approach to equality and diversity. By tapping into the talent and skills available in all groups and communities in which it operates, the Company underpins the lasting success of the business. The Company achieves this by using appropriate recruitment and selection techniques, ensuring equality of employment opportunity and equal access to development opportunities.

The Company is also committed to providing a work environment free from harassment and discrimination and remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job due to disability.

Policy on the Payment of Creditors

The Company aims to pay all of its creditors promptly. For trade creditors, it is the Company's policy to:

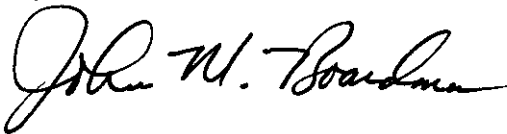
- i) agree the terms of the payment at the start of business with that supplier;
- ii) ensure that suppliers are aware of the terms of payment; and
- iii) pay in accordance with contractual and other legal obligations.

The Company had 8 days' purchases outstanding as at 31 December 2001 based on the average daily amount invoiced by suppliers during the period.

Auditors

During the year 2001, PricewaterhouseCoopers resigned as Auditors of Dynegy Storage Limited. Arthur Andersen was appointed in January 2002.

By order of the Board



23rd July 2002

41 Vine Street, London EC3N 2AA

Dynegy Storage Limited (Previously BG Storage Limited)

Directors' Responsibilities Statement

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.

Dynegy Storage Limited (Previously BG Storage Limited)

Independent Auditors' Report

To the Shareholder of Dynegy Storage Limited

We have audited the financial statements of Dynegy Storage Limited (previously BG Storage Limited) for the year ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, and the related notes numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company, 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.

Opinion

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



23rd July 2002

Arthur Andersen

Chartered Accountants and Registered Auditors

180 Strand, London, WC2R 1BL.

Dynegy Storage Limited (Previously BG Storage Limited)

Profit and Loss Account

For the year ended 31 December 2001

	Notes	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
Turnover	3	84,603	88,949
Fixed asset impairment	6	-	(200,000)
Other operating costs	6	(64,399)	(78,934)
Operating profit/(loss)	4	20,204	(189,985)
Loss on disposal of fixed assets		-	(58)
Profit/(loss) on ordinary activities before interest charges		20,204	(190,043)
Net interest payable	7	(3,187)	(17,533)
Profit/(loss) on ordinary activities before taxation		17,017	(207,576)
Taxation	8	(3,563)	74,368
Profit/(loss) on ordinary activities after taxation		13,454	(133,208)
Retained profit/(loss) for the year	17	13,454	(133,208)

The results for the year and the preceding period are derived solely from continuing operations.

There are no recognised gains and losses other than those reported in the profit and loss account.
There is no difference between the historical cost profits and losses and the results presented.

The notes on pages 8 to 19 form an integral part of this profit and loss account.

Dynegy Storage Limited (Previously BG Storage Limited)

Balance Sheet

31 December 2001

	Notes	2001	2000
		£000	£000
Fixed Assets			
Tangible assets	9	450,911	453,247
Investment in subsidiary	10	4,500	-
		<u>455,411</u>	<u>453,247</u>
Current Assets			
Stocks	11	8,008	6,592
Debtors	12	29,048	28,124
Cash at Bank and in Hand		9,700	-
		<u>46,756</u>	<u>34,716</u>
Creditors (amounts falling due within one year)	13	<u>(19,577)</u>	<u>(24,894)</u>
Net current assets		<u>27,179</u>	<u>9,822</u>
Total assets less current liabilities		<u>482,590</u>	<u>463,069</u>
Provisions for liabilities and charges	14	<u>(139,087)</u>	<u>(133,020)</u>
Net assets		<u><u>343,503</u></u>	<u><u>330,049</u></u>
Capital and reserves			
Called up share capital	16	463,257	463,257
Profit and loss account	17	(119,754)	(133,208)
Equity shareholder's funds	18	<u><u>343,503</u></u>	<u><u>330,049</u></u>

The financial statements on pages 6 to 19 were approved by the Board of Directors on 23rd July 2002 and were signed on its behalf by:



J M Boardman
Director

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

Dynegy Storage Limited (Previously BG Storage Limited)

Notes to the Financial Statements

1 Ultimate Parent Company

Dynegy Inc, a company registered in the United States of America is the ultimate holding company and ultimate controlling party. Dynegy Inc has 100% interest in the equity share capital of Dynegy Holdings Limited who in turn owns 100% of Dynegy Europe Limited. Dynegy Europe Limited has 100% interest in the equity share capital of Dynegy Storage Limited.

Dynegy Inc. and Dynegy Holdings Limited are the parent companies of the largest and smallest groups, respectively, for which consolidated financial statements are drawn up. Copies of the ultimate parent company's consolidated financial statements can be obtained from Dynegy Inc, 1000 Louisiana Street, Suite 5800, Houston, Texas 77002-5050, USA. Copies of the consolidated financial statements of Dynegy Holdings Limited can be obtained from 28 The Quadrant, Richmond, Surrey TW91DN.

Prior to the acquisition of the Company by Dynegy Europe Limited, the Company was a 100% subsidiary of BG Group plc.

2 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards in the UK. The principal accounting policies are summarised below. These have been applied consistently throughout the year and the preceding period.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Exemptions

The Company has taken advantage of the Exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No.1 (Revised) "Cashflow Statements", and accordingly has not prepared a cashflow statement; and within Financial Reporting Standard No.8 "Related Party Disclosures" from disclosure of transactions with other group companies as it is a wholly owned subsidiary of a company whose financial statements are publicly available (see note 1) and which include the results of the Company.

The Company has taken advantage of the exemption available under S228 Companies Act 1985, and accordingly has not prepared consolidated financial statements for the year ended 31 December 2001.

Tangible Fixed Assets

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated so as to write-off the cost of tangible fixed assets, less their estimated residual values on a straight line basis, over the expected useful economic lives of the assets concerned. The depreciation periods for the principle categories of asset are as follows:

Dynegy Storage Limited (Previously BG Storage Limited)

Tangible Fixed Assets (continued)

Freehold Buildings	Up to 50 years
Gas Storage Facilities	Up to 50 years
Pipelines	Up to 30 years
Plant & Machinery	Up to 40 years
Other	Up to 40 years
Decommissioning Assets	Over the remaining life of the related field

Freehold land is not depreciated.

Impairment is calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment loss is recognised. Value in use represents the net present value of expected future cashflows discounted on a pre-tax basis. Impairment of fixed assets is recognised in the profit and loss account.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of weighted average historical cost and net realisable value, less provision for obsolescence and deterioration.

Revenue Recognition

Storage capacity revenues are recognised over the contract period, whilst commodity revenues are recognised at the point of gas flowing into or out of the Storage facilities.

Decommissioning Costs

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to remove installations to the extent considered acceptable to the Department of Trade and Industry.

Provision is made for the net present value of the estimated cost of decommissioning at the end of producing lives of fields. When this provision gives access to future economic benefits an asset is recognised; otherwise the provision is charged to the Profit and Loss Account. The unwinding of the discount to the net present value is reported in the profit and loss account as a financial item and is added to the net interest charge.

Current Taxation

Current taxation payable is provided on taxable profits at the taxation rates enacted or substantially enacted at the balance sheet date.

Deferred Taxation

Deferred taxation is calculated using the liability method. Deferred taxation is provided on timing differences which, in the opinion of the directors, will probably reverse, at the rates of taxation likely to be in force at the time of reversal.

Dynegy Storage Limited (Previously BG Storage Limited)

Royalties

Provision is made on a unit of production basis for royalties expected to arise in the foreseeable future. Changes in estimates are dealt with prospectively.

Leases

Rentals under operating leases are charged to the Profit and Loss Account as incurred.

Financial Instruments

Dynegy Storage Limited utilises gas futures executed on the International Petroleum Exchange and over the counter forward purchases and sales of gas. All forward contracts are for physical delivery of gas, with no net cash settlement, and are accounted for as normal purchases and sales.

Pensions

The cost of providing retirement pensions and related benefits is charged to the Profit and Loss account over the periods benefiting from the employees' services. The regular pension cost, variations from the regular pension cost and interest are all charged within employee costs. The difference between the charge or credit to the profit and loss account and the contributions paid to the pension schemes in which the Company participates, is shown as an increase or decrease in the provision.

3 Turnover

Turnover, which excludes value added tax and is stated gross of royalties and represents amounts receivable for sales of storage and gas is as follows:

	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
Storage	78,655	71,909
Other (including gas sales)	5,948	17,040
	<u>84,603</u>	<u>88,949</u>

Dynegy Storage Limited (Previously BG Storage Limited)

4 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging/(crediting):	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
Historic cost depreciation charge for the period:		
Tangible owned fixed assets - Owned	16,066	26,821
Lease rentals (other)	336	419
Auditors' remuneration for:		
Audit services	65	71
Non audit services	29	14

Employee costs are as follows:	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
Wages and salaries	9,696	10,280
Social Security costs	887	1,038
Pension costs	1,201	1,168
Long Term Incentive Scheme	83	726
Employee Profit Sharing Scheme	-	1,035
Share Save Scheme	-	425
Short Term Incentive Pay Scheme	858	-
	<u>12,725</u>	<u>14,672</u>

Average number of employees during the period:	Year ended 31 Dec 2001 Number	13 month period ended 31 Dec 2000 Number
Offshore	99	103
Onshore	105	66
Support	39	83
	<u>243</u>	<u>252</u>

Average employee numbers are based on an average monthly headcount.

Dynegy Storage Limited (Previously BG Storage Limited)

5 Directors' Emoluments

	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
Fees and salaries	369	551
Taxable benefits	58	57
Pension scheme contributions	-	16
Compensation for Loss of Office	252	-
	<hr/> 674	<hr/> 624

Taxable benefits include such items as company car and fuel.

7 (2000 – 7) of the Directors who served during the period were members of the BG Group Pension Scheme. This scheme is of the defined benefit final salary type.

The emoluments and pension contributions for the highest paid director during the year were £167,712 and £nil respectively. During 2000 the emoluments of W M Friedrich, the highest paid director, were disclosed in the accounts of British Gas plc, of which he was a director.

During the year one director exercised share options in Dynegy Inc, the ultimate parent company at the end of the year. No such share options were exercised by the highest paid director.

6 Exceptional Items

Restructuring Costs

During 2001, following the completion of the sale of the company to Dynegy Europe Ltd, a decision was taken to close the office in Solihull. The decision was communicated to employees and a provision of £1,228,000 in respect of these costs was made in the accounts within other operating costs.

Impairment

During 2000, a review of the carrying value of the UK storage assets resulted in a £200m exceptional charge to operating profit in respect of the impairment of the Rough offshore storage facility. The review was based upon estimated value in use, calculated from forecast pre-tax cash flows discounted at 8%. Forecast cash flows were based upon assumptions in respect of the UK and European gas markets, supported by external market studies. The net book value of Rough's fixed assets as at 31 December 2000, following impairment was £397m.

Dynegy Storage Limited (Previously BG Storage Limited)

7 Net Interest Payable/(Receivable)

	Year ended 31 Dec 2001 £000	13 month Period ended 31 Dec 2000 £000
Interest payable:		
On intercompany loan	-	15,703
Interest payable on customer deposits	60	76
Unwinding of discount	3,211	1,756
Interest receivable	(84)	(2)
	<u>3,187</u>	<u>17,533</u>

8 Taxation on Ordinary Activities

	Year ended 31 Dec 2001 £000	13 month period ended 31 Dec 2000 £000
The tax charge comprises:		
Current tax		
UK Corporation tax	2,413	(2,171)
Adjustments in respect of prior years	-	-
	<u>2,413</u>	<u>(2,171)</u>
Deferred tax		
Timing differences (note 14)	1,150	(72,197)
	<u>3,563</u>	<u>(74,368)</u>

Dynegy Storage Limited (Previously BG Storage Limited)

9 Tangible Fixed Assets

	Freehold Land & Buildings £000	Gas Storage Facilities £000	Pipelines £000	Plant & Machinery £000	Other £000	Total £000
Cost						
At 1 January 2001	12,464	946,319	32,110	124,232	4,361	1,119,486
Additions	2	13,491	-	4,690	47	18,230
Sale to subsidiary undertaking	-	(4,500)	-	-	-	(4,500)
At 31 December 2001	12,466	955,310	32,110	128,922	4,408	1,133,216
Accumulated Depreciation						
At 1 January 2001	(3,341)	(569,406)	(19,421)	(72,396)	(1,675)	(666,239)
Charges for the period	(191)	(12,970)	(432)	(1,789)	(684)	(16,066)
At 31 December 2001	(3,532)	(582,376)	(19,853)	(74,185)	(2,359)	(682,305)
Net Book Value At 31 December 2001	8,934	372,934	12,257	54,737	2,049	450,911
Net Book Value At 1 January 2001	9,123	376,913	12,689	51,836	2,686	453,247

During the year the useful economic life of certain assets was extended to 50 years based on engineer's reports. This reduced the depreciation charge for the year by £1.2 million.

10 Investment

	As at 31 Dec 2001 £000	As at 31 Dec 2000 £000
Dynegy Offshore Limited – acquisition in the year	4,500	-
	<u>4,500</u>	<u>-</u>

Dynegy Offshore UK Limited

This company was incorporated in the United Kingdom in July 2001 as BG SPL Limited. The company was renamed Dynegy Offshore Limited in November 2001.

Dynegy Storage Limited owns 100% of the share capital of Dynegy Offshore Limited, which comprises of 4.5 million shares of nominal value of £1.00. The purpose of this company is to hold the production licence for the Rough field.

Dynegy Storage Limited (Previously BG Storage Limited)

11 Stocks

	As at 31 Dec 2001 £000	As at 31 Dec 2000 £000
Gas stocks	3,543	1,949
Raw materials and consumables	4,465	4,643
	<u>8,008</u>	<u>6,592</u>

Gas stocks are held at weighted average price. The estimated value of replacement of these stocks at 31 December 2001 is £4.8 million (2000 - £3.7 million). There is no material difference between the carrying value of raw materials and consumables and their replacement cost.

12 Debtors

	As at 31 Dec 2001 £000	As at 31 Dec 2000 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	2,725	85
Amounts owed by fellow subsidiary undertakings	14,685	18,110
Corporation tax	-	2,171
Other debtors	372	1,680
Prepayment and accrued income	11,266	6,078
	<u>29,048</u>	<u>28,124</u>

13 Creditors (amounts falling due within one year)

	As at 31 Dec 2001 £000	As at 31 Dec 2000 £000
Bank overdraft	-	(618)
Trade creditors	(1,782)	(1,240)
Due to parent company and fellow subsidiary undertakings	-	(9,580)
Corporation tax	(2,413)	-
Other taxation and social security	(522)	(322)
VAT	(1,505)	(2,252)
Other creditors	(6,136)	(3,202)
Accruals and deferred income	(7,219)	(7,680)
	<u>(19,577)</u>	<u>(24,894)</u>

Dynegy Storage Limited (Previously BG Storage Limited)

14 Provisions for Liabilities and Charges

	Deferred Taxation £000	Decommissioning Costs £000	Other £000	Total £000
At 1 Jan 2001	(87,420)	(43,831)	(1,769)	(133,020)
Profit and loss account	(1,150)	25	(1,137)	(2,262)
Unwinding of discount	-	(3,211)	-	(3,211)
Other movements	-	-	(594)	(594)
As at 31 Dec 2001	<u>(88,570)</u>	<u>(47,017)</u>	<u>(3,500)</u>	<u>(139,087)</u>

Deferred Taxation

The deferred taxation provision comprises:

	As at 31 Dec 2001 £000	As at 31 Dec 2000 £000
Accelerated capital allowances	102,676	100,569
Other	(14,106)	(13,149)
	<u>88,570</u>	<u>87,420</u>

This represents the provision for taxation attributable to timing differences between profits and losses compiled for tax purposes and results as stated in the Financial Statements.

Decommissioning Costs

The estimated cost of decommissioning at the end of the life of the storage facilities is based on engineering estimates and reports from independent experts. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs is uncertain, but are currently anticipated being between 2030 and 2050.

Other Provisions

The provision as at 31 December 2001, represents amounts payable in future periods for redundancy (see note 6), gas replacement and royalties.

The provision at 1 January 2001 represented amounts payable in future periods for royalties.

Dynegy Storage Limited (Previously BG Storage Limited)

15 Related Party Disclosures

The Company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 – “Related Party Disclosures” – not to disclose related party transactions with its parent undertakings or fellow subsidiary undertakings at the date of the transactions on the grounds that it is a 100% owned subsidiary and the consolidated financial statements in which the company is included are publicly available. Details of the Company’s immediate and ultimate parent undertakings are disclosed in note 1.

During the period subsequent to its acquisition by Dynegy Europe Limited, 28 November 2001 to 31 December 2001, the Company sold storage to BG Gas Services Limited under normal terms and conditions for £473,186. During the pre acquisition period, 1 January 2001 to 28 November 2001, the Company sold storage to Dynegy UK Limited, a subsidiary of Dynegy Europe Limited, under normal terms and conditions for £11,031,611.

At year end the balance owed by BG Gas Services Limited to the Company was £677,256, which is included in trade debtors and accrued income as appropriate.

16 Called Up Share Capital

	Number of Shares ‘000	As at 31 Dec 2001 £000	As at 3 Dec 2000 £000
Ordinary shares of £1 each Authorised	500,000	500,000	500,000
Allotted, called up and fully paid	463,257	463,257	463,257

17 Reserves

	Profit & Loss Account £000
Balance at 1 Jan 2001	(133,208)
Transfer from profit and loss account for the period	13,454
Balance at 31 Dec 2001	<u>(119,754)</u>

Dynegy Storage Limited (Previously BG Storage Limited)

18	Reconciliation of movements in Shareholder Funds	£'000
	Profit for the financial period	13,454
	Net movement in shareholder funds for the financial period	<u>13,454</u>
	Shareholder funds as at 1 Jan 2001	<u>330,049</u>
	Shareholder funds as at 31 Dec 2001	<u><u>343,503</u></u>

19 Capital Commitments and Contingencies

	31 Dec 2001 £000	31 Dec 2000 £000
(a) Capital expenditure		
In respect of contracts placed	-	335
	<u>-</u>	<u>335</u>

(b) Lease commitments

Commitments for the following year under operating leases are as follows:

	Land & Buildings £000	Other £000	31 Dec 2001 Total £000
Expiring:			
Less than one year	72	21	93
Between two and five years	-	111	111
More than five years	<u>25</u>	<u>-</u>	<u>25</u>
	<u>97</u>	<u>132</u>	<u>229</u>

	Land & Buildings £000	Other £000	31 Dec 2000 Total £000
Expiring:			
Less than one year	72	44	116
Between two and five years	-	48	48
More than five years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>72</u>	<u>92</u>	<u>164</u>

20 Pensions and Post-Retirement Benefits

The accounting for pensions and other post-retirement benefits is undertaken by BG Group plc. BG Group plc charges Dynegy Storage Limited with an allocation of its total pension cost which is assessed in accordance with actuarial advice.

The majority of employees of Dynegy Storage Limited participate in the BG Group

Dynegy Storage Limited (Previously BG Storage Limited)

20 Pensions and Post-Retirement Benefits (Continued)

Pension Scheme (the 'Scheme'), which was formed as a result of the separation, on 4 July 2001, of the BG Group Scheme from the Lattice Group Pension Scheme in which these employees previously participated. The Scheme is self-administered by its Trustees and funded to cover future pension liabilities in respect of service up to the balance sheet date.

It is subject to independent valuation at least every three years, on the basis of which the qualified actuary certifies the rate of employers' contributions which, together with the specified contributions payable by the employees and proceeds from the Scheme's assets, are expected to be sufficient to fund the benefits payable under the Scheme.

Dynegy Storage Limited will continue to participate in the Scheme for a maximum of one year after the completion of the sale of the company to Dynegy Europe Limited, and employees of Dynegy Storage Limited will continue their membership of the Scheme without interruption to the transfer date. Dynegy Storage Limited will then set up a new pension scheme, under which equivalent benefits will be provided for members.

The Trustees have agreed that the accrued rights of the active members employed by Dynegy Storage Limited, will only be transferred to Dynegy Storage Limited's new pension scheme if the individual concerned has consented in writing to the transfer.

Participating employees in Dynegy Storage Limited will (subject to review) continue to pay contributions to the Scheme at the rate of 3% of pensionable pay until they cease to participate in the Scheme. After that, a suitable contribution rate for Dynegy Storage Limited's new pension scheme will be determined.

Dynegy Storage Limited will not fund any deficits in, or participate in any surplus of the Scheme. Accordingly, under FRS 17 "Retirement Benefits", it would account for its contributions under the Scheme using defined contribution principles and is therefore not required to provide the transitional defined benefit scheme disclosures required under this standard. The Company will provide the necessary transitional FRS 17 disclosures in respect of Dynegy Storage Limited's new pension scheme in the 2002 financial statements.

21 Subsequent events

The ultimate holding company is currently considering a number of options with respect to its ownership of Dynegy Storage Limited, which may include a partial sale or joint venture agreement. However, no binding decisions have been entered into as yet and therefore it is currently not possible to estimate the pre-tax effect of the proposed transactions.

In addition, on 28th June 2002, Dynegy Finance Limited, which subsequent to year end became the Company's immediate parent undertaking, secured US\$250 million in interim financing which represents an advance on a portion of the proceeds from the expected sale of certain assets owned by Dynegy Storage Limited. The interim financing arrangement has been secured on the entire share capital of Dynegy Storage Limited and has a repayment period of 12 months, subject to extension.

The company has also, subsequent to year end, announced a discretionary voluntary redundancy programme at its operational centres at Easington and Rough which is expected to result in a pre tax cost of approximately £6.4 million.