

POWERGEN RETAIL GAS LIMITED

REPORT AND ACCOUNTS
for the year ended 31 December 2000



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Registered No: 3407430

POWERGEN RETAIL GAS LIMITED

Report of the directors for the year ended 31 December 2000

The directors present their report and the audited financial statements of the Company for the financial year ended 31 December 2000.

Principal activities, review of business and future developments

The Company's principal activity during the year was the supply and shipping of natural gas.

Both the level of business and the financial position of the Company at the year end were satisfactory and the directors believe that the present level of activity will be sustained in the current year.

Results and dividends

The Company's profit for the financial year is £16,955,000 (period ended 2 January 2000: £9,940,000). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who held office during the year are given below:

Powergen Directors Limited
Powergen Secretaries Limited

During the year, no director had an interest in the shares of the Company, nor did they have an interest in the shares of any other member of the group, other than as a nominee on behalf of Powergen plc.

Introduction of the Euro

The Powergen group recognises the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. Appropriate preparation is being made in those of its entities resident in Euro-land countries, based on the EU timetable for transition towards the introduction of hard currency in January 2002. Within the UK, the Group's preparations recognise the uncertain position regarding possible UK entry to the single currency, and the situation is monitored closely.

Creditor Payment Policy

Where appropriate in relation to specific contracts, the Company's practice is to:

- settle the terms of payment with the supplier when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of other relevant terms in the contracts; and
- pay in accordance with its contractual and other legal obligations.

For all other cases the Company supports the Better Payments Practice Code and has in place well developed arrangements with a view to ensuring that this is observed. The average number of days taken to pay the Company's trade suppliers calculated in accordance with the requirement in the Companies Act is 49 days (2 January 2000: 47 days).

POWERGEN RETAIL GAS LIMITED

Report of the directors for the year ended 31 December 2000 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. In preparing those financial statements, the directors are required to:

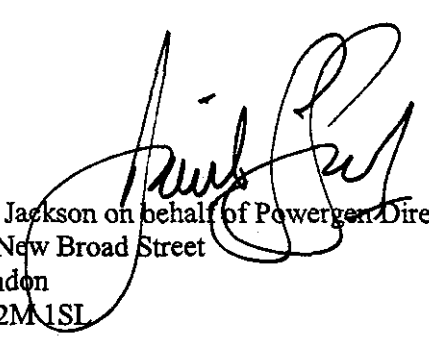
- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- d) 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 that 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.

Auditors

On 6th November 1999 the Company passed an elective resolution dispensing with the requirement to appoint auditors annually. Therefore, PricewaterhouseCoopers will continue in office.

BY ORDER OF THE BOARD



D J Jackson on behalf of Powergen Directors Limited as director
53 New Broad Street
London
EC2M 1SL

1 March 2001

POWERGEN RETAIL GAS LIMITED

Report of the Auditors to the members of Powergen Retail Gas Limited

We have audited the financial statements on pages 4 to 10, which have been prepared in accordance with the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

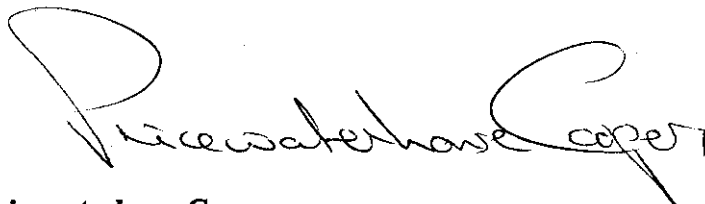
Basis of audit opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers', is written over the signature line.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
1 March 2001

POWERGEN RETAIL GAS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

		Year ended 31 December 2000	Year ended 2 January 2000
	Note	£000	£000
Turnover	2	149,082	86,464
Cost of sales		(123,672)	(71,040)
Gross profit		<u>25,410</u>	<u>15,424</u>
Net operating expenses	3	(1,273)	(1,148)
Operating profit	4	24,137	14,276
Net interest payable	6	(82)	(36)
Profit on ordinary activities before taxation		<u>24,055</u>	<u>14,240</u>
Tax on profit on ordinary activities	7	(7,100)	(4,300)
Retained profit for the financial year	12	<u>16,955</u>	<u>9,940</u>

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All of the above amounts relate to continuing operations.

The accounting policies and the notes on pages 6 to 10 form part of these financial statements.

POWERGEN RETAIL GAS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

		31 December 2000 £000	2 January 2000 £000
	Note		
Fixed assets			
Tangible assets	8	50	71
Current assets			
Debtors falling due within one year		89,146	35,285
Less: securitisation of trade debtors		(8,436)	-
Net debtors falling due within one year	9	80,710	35,285
		<u>80,710</u>	<u>35,285</u>
Creditors: amounts falling due within one year	10	(52,121)	(23,672)
Net current assets		28,589	11,613
Net assets		<u>28,639</u>	<u>11,684</u>
Capital and reserves			
Called-up share capital	11	3,000	3,000
Profit and loss account	12	25,639	8,684
Equity shareholders' funds	13	<u>28,639</u>	<u>11,684</u>

The financial statements on pages 4 to 10 were approved by the Board on 1 March 2001 and were signed on its behalf by:


D J Jackson on behalf of Powergen Directors Limited, Director
1 March 2001

The accounting policies and the notes on pages 6 to 10 form part of these financial statements.

POWERGEN RETAIL GAS LIMITED

Notes to the financial statements for the year ended 31 December 2000

1 Accounting policies

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable United Kingdom accounting standards all of which have been consistently applied. The Company is exempt from the requirement to produce consolidated financial statements as it is included in the consolidated financial statements of Powergen plc, a company registered in England and Wales.

(a) Tangible fixed assets

Tangible fixed assets are stated at their purchase cost less provision for depreciation. Provision for depreciation is calculated so as to write off the cost of tangible fixed assets less estimated residual value on a straight line basis over their useful economic lives. The estimated useful economic life used is five years.

(b) Cash flow statement

The Company is a wholly-owned subsidiary undertaking of Powergen plc and is included in the consolidated financial statements of Powergen plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(c) Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Powergen plc group or investees of the Powergen plc group.

2 Turnover

Turnover, which excludes Value Added Tax, represents the value of Natural Gas supplied. The majority of the Company's turnover, all of which arises in the course of the Company's principal activity, arises in the United Kingdom.

POWERGEN RETAIL GAS LIMITED

Notes to the financial statements for the year ended 31 December 2000 (continued)

3 Net operating expenses

	Year ended 31 December 2000 £000	Year ended 2 January 2000 £000
Administrative expenses	<u>1,273</u>	<u>1,148</u>

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2000 £000	Year ended 2 January 2000 £000
Depreciation of tangible fixed assets	21	27
Software development costs written-off	<u>-</u>	<u>211</u>

Auditors' remuneration is borne by the parent undertaking and not recharged.

5 Directors' emoluments and employee information

The directors received no emoluments from the Company during the year (year ended 2 January 2000: £nil).

There were no employees during the year (year ended 2 January 2000: nil).

6 Net interest payable

	Year ended 31 December 2000 £000	Year ended 2 January 2000 £000
Interest payable on bank loans and overdrafts	82	-
Net interest payable to group undertakings	<u>-</u>	<u>36</u>
Net interest payable	<u>82</u>	<u>36</u>

POWERGEN RETAIL GAS LIMITED

Notes to the financial statements for the year ended 31 December 2000 (continued)

7 Tax on profit on ordinary activities

	Year ended 31 December 2000 £000	Year ended 2 January 2000 £000
UK Corporation Tax at 30% (Year ended 2 January 2000: 30.25%)	7,100	4,300
	<hr/> 7,100 <hr/>	<hr/> 4,300 <hr/>

The current year Corporation Tax charge represents an amount payable to group undertakings in respect of the receipt of tax losses at a rate of 30% under group relief.

8 Tangible fixed assets

	Fixtures fittings and computer equipment £000
Cost:	
At 3 January 2000 and 31 December 2000	<hr/> 115 <hr/>
Depreciation:	
At 3 January 2000	44
Charge for the year	21
At 31 December 2000	<hr/> 65 <hr/>
Net book value:	
At 31 December 2000	<hr/> 50 <hr/>
At 3 January 2000	<hr/> 71 <hr/>

POWERGEN RETAIL GAS LIMITED

Notes to the financial statements for the year ended 31 December 2000 (continued)

9 Debtors: amounts falling due within one year

	31 December 2000 £000	2 January 2000 £000
Trade debtors	39,913	25,871
Less: securitisation	(8,436)	-
Net trade debtors	31,477	25,871
Amounts owed by group undertakings	47,996	8,759
Other debtors	1,237	655
	<u>80,710</u>	<u>35,285</u>

On 15 December 2000, Powergen launched a revolving-period £300 million securitisation programme to sell all of its rights, title and interest in certain billed and unbilled trade debtors (for electricity and gas retail customers) to Kittyhawk Funding Corporation, a trust established for the purpose of purchasing these trade debtors from Powergen. The trust then sells the trade debtors to outside investors. Interest is charged on the amounts borrowed under the securitisation programme at a margin above LIBOR, and is payable monthly. Powergen is not obliged to support any loss suffered by the trust or the related investors as a result of the securitisation programme, and does not intend to do so. The trust has no right of recourse against any other assets, apart from the identified billed and unbilled trade debtors. Powergen has an option, but no obligation, to repurchase defaulted debt from the trust for a nominal sum.

At 31 December 2000, the amount advanced by the trust to the Powergen Group was £300 million. Amounts advanced by the trust to the Company totalled £22,079,000, of which £8,436,000 was backed by billed and unbilled trade debtor balances. Powergen retains the responsibility for servicing these trade debtors. The remaining £13,643,000 advanced by the trust is included in bank loans and overdrafts within creditors due within one year (note 10).

Amounts owed by group undertakings are unsecured and interest free with no fixed repayment terms.

10 Creditors: amount falling due within one year

	31 December 2000 £000	2 January 2000 £000
Bank loans and overdrafts (note 9)	13,643	-
Trade creditors	16,765	10,512
Amounts owed to group undertakings	21,713	13,160
	<u>52,121</u>	<u>23,672</u>

Amounts owed to group undertakings are unsecured and interest free with no fixed repayment terms.

POWERGEN RETAIL GAS LIMITED

Notes to the financial statements for the year ended 31 December 2000 (continued)

11 Share capital

	31 December 2000 £000	2 January 2000 £000
Authorised		
3,000,000 (2 January 2000: 3,000,000) ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
Allotted, called-up and fully paid		
3,000,000 (2 January 2000: 3,000,000) ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>

12 Reserves

	Profit and Loss Account £000
At 2 January 2000	8,684
Retained profit for the financial year	16,955
At 31 December 2000	<u>25,639</u>

13 Reconciliation of movements in shareholders' funds

	31 December 2000 £000	2 January 2000 £000
Profit for the financial year	<u>16,955</u>	<u>9,940</u>
Net addition to shareholders' funds	16,955	9,940
Opening shareholders' funds	<u>11,684</u>	<u>1,744</u>
Closing shareholders' funds	<u>28,639</u>	<u>11,684</u>

14 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Powergen Energy plc. The ultimate parent undertaking and controlling party is Powergen plc, which is the parent company of the largest group to consolidate these financial statements. The smallest group to consolidate these financial statements is that of which Powergen (East Midlands) Investments is the parent undertaking. Copies of Powergen plc's accounts are available from the Company Secretary at the following address:

D J Jackson
Company Secretary
Powergen plc
53 New Broad Street
London
EC2M 1SL