Npower Limited

Directors' report and financial statements

Registered number: 3653277

31 March 2002

Contents

Directors' report

The directors present their report on the affairs of Npower Limited (Npower or the Company), together with the financial statements and independent auditors' report for the year ended 31 March 2002.

Principal activities

The principal activities of the Company and its subsidiaries are the marketing and supply of electricity and natural gas and related services to domestic, commercial and industrial consumers.

Activities and results

Npower Limited forms part of the Innogy Holdings plc retail business, which is a national energy supply business selling electricity, gas and other services. Following the purchase of Yorkshire Electricity and asset swap of Northern Electric's supply business for the Yorkshire distribution business in April and September 2001 respectively, Npower member companies now meet the needs of more than seven million homes and businesses.

The Company's profit on ordinary activities before taxation for the year was £34,300,000 *(2001: loss £146,400,000)*. The Company has taken advantage of Section 228 of the Companies Act 1985 and consequently consolidated financial statements are not presented.

On 27 May 2002 the RWE Group's offer to purchase the parent undertaking was accepted by its shareholders. With effect from 17 July 2002, the ordinary shares of Innogy Holdings plc were no longer listed on the official list in the UK.

Dividend

The directors do not recommend the payment of a dividend.

Charitable contributions

The Company made no political contributions during the year. Donations to charities registered in the United Kingdom amounted to £260,875 *(2001: £185,730)*.

Directors and their interests

The directors who served during the year and subsequently are as follows:

Dr BM Count
SP Fletcher

No director is beneficially interested in the loan capital of Innogy Holdings plc.

No director has any beneficial interest in the share or loan capital of any subsidiary of Innogy Holdings plc or any beneficial interest in any contracts of the Company.

The beneficial interest of the directors who held office at the end of the financial year and their families, and the options to subscribe for the share capital of the ultimate holding company, Innogy Holdings plc, are disclosed in the financial statements of the ultimate holding company.

Health and safety

The Company regards the health and safety of its employees as an essential integrated feature of our operations. We have published an overall policy and guidelines and procedures appropriate to each of our workplaces have been issued to managers.

Directors' report *(continued)*

Employees

The Company is committed to the development of all staff in the organisation. Innogy Holdings plc holds "Investor in People" (IiP) accreditation at all of the Group's UK sites and strives to maintain the good practices that this demands. Staff are encouraged to maintain personal development plans and the company provides financial support to employees to pursue training opportunities.

Corporate publications and other media, including a staff newspaper, distribution of key development messages and team briefings, are used to promote communications and an understanding of developing policies and strategy. We also seek to utilise the latest technology to aid rapid communication with staff.

The Company is committed to equal opportunities because of a sense of social responsibility and also because it makes sound business sense to tap into the wide-ranging knowledge and experience of individuals in all sectors of society. This commitment to equal opportunities means that decisions to appoint, reward, train, develop and promote are taken on the basis of skills and abilities, or on demonstrated potential, merit and the requirements of the job. The Company values its reputation as a caring employer and seeks to attract and retain high calibre employees with wide-ranging experience and abilities, able to add value to the business and respond positively and flexibly to change. Through its commitment to equality in employment the Company aims to provide opportunities for its employees to participate fully in training, career development and promotion. Employment decisions affecting both job applicants and employees with disabilities are to be made following any reasonable adjustment necessary to ensure fair treatment. The Group is a member of the Employers' Forum on Disability, Opportunity Now and the Employers' Forum on Age and is committed to the aims of these organisations.

Creditor payment policy

Npower Limited recognises the need to observe the highest standards of business practice in its role as buyer and seller. Its parent company, Innogy Holdings plc, subscribes to the CBI's Prompt Payment Code and has formally adopted British Standard 7890 Methods for Achieving Good Payment Performance in Commercial Transactions and this is an achievement and a standard that Npower Limited and its subsidiary companies are seeking to emulate. Npower Limited's average number of days outstanding in respect of trade creditors calculated in accordance with the Companies Act, at 31 March 2002 was 41 days *(2001: 42 days).*

The Euro

The Innogy Holdings plc group continues to assess the business impact of the introduction of the Euro, and is actively involved in providing input to industry wide groups, discussing the impact and issues of implementation. Current system developments are being scoped reflecting Euro related considerations.

Directors' report *(continued)*

Auditors

An elective resolution has been passed in accordance with Section 386 of the Companies Act 1985 dispensing with the requirement to appoint auditors annually. The directors have been authorised to fix the remuneration of the auditors.

By order of the board

B. Count

Dr BM Count
Director

Windmill Hill Business Park
Whitehill Way
Swindon
SN5 6PB

19 July 2002

Statement of directors' responsibilities

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 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Npower Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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.

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 as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

19 July 2002

Profit and loss account
for the year ended 31 March 2002

	Note	**2002 £m**	2001 £m
Turnover	*1*	**1,413.1**	1,366.7
Cost of sales before exceptional costs of sales		**(1,157.9)**	(1,167.5)
Exceptional costs of sales	*5*	-	(206.2)
Cost of sales after exceptional operating costs		**(1,157.9)**	(1,373.7)
Gross profit/(loss)		**255.2**	(7.0)
Operating costs before exceptional operating costs		**(216.8)**	(128.4)
Exceptional operating costs	*5*	**(4.2)**	-
Operating costs		**(221.0)**	(128.4)
Operating profit/(loss)		**34.2**	(135.4)
Net interest receivable/(payable)	*2*	**0.1**	(11.0)
Profit/(loss) on ordinary activities before taxation	*3*	**34.3**	(146.4)
Tax on profit/(loss) on ordinary activities	*6*	**5.0**	1.4
Retained profit/(loss) for the financial year	*15*	**39.3**	(145.0)

All amounts are derived from continuing operations.

There were no recognised gains or losses in the current or preceding financial year other than the profit or loss for those financial years.

There is no difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis in either the current and preceeding financial year.

Movements on reserves are set out in note 14 to the financial statements.

Balance sheet
at 31 March 2002

	Note	**2002** **£m**	2001 £m
Fixed assets			
Intangible assets	*7*	**489.6**	526.1
Tangible assets	*8*	**79.7**	42.0
Investments	*9*	**27.6**	27.6
		596.9	595.7
Current assets			
Debtors	*10*	**622.6**	545.2
Cash at bank and in hand		**6.0**	14.9
		628.6	560.1
Creditors: amounts falling due within one year	*11*	**(1,304.2)**	(1,274.4)
Net current liabilities			
Due within one year		**(680.6)**	(714.3)
Due after more than one year		**5.0**	-
		(675.6)	(714.3)
Total assets less current liabilities		**(78.7)**	(118.6)
Provisions for liabilities and charges	*12*	**(2.3)**	(1.7)
Net liabilities		**(81.0)**	(120.3)
Capital and reserves			
Called up equity share capital	*13*	**1.0**	1.0
Merger reserve	*14*	**30.4**	30.4
Profit and loss account	*14*	**(112.4)**	(151.7)
Total equity shareholders' funds	*15*	**(81.0)**	(120.3)

These financial statements were approved by the Board of directors on 19 July 2002 and were signed on its behalf by:

B. Count

Dr BM Count
Director

Notes
(forming part of the financial statements)

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

Basis of preparation

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

The Company has adopted FRS19, Deferred Tax during the year. There is no effect on the prior year by adopting the standard, due to there being a deferred tax asset which is not recognised in full because of the uncertainty in its recoverability.

The transitional arrangements of FRS17, Accounting for Post Retirement Benefits, has been adopted in these financial statements.

Notwithstanding that the Company has net liabilities, the financial statements have been prepared on a going concern basis. The ultimate parent company has provided assurances that it will provide such funding as required to enable the Company to trade and meet its financial obligations as they fall due for at least the next twelve months.

Group accounts

The Company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and to deliver them to the Registrar of companies. The financial statements therefore present information about the Company as an individual undertaking and not about its group. The Company is included within the consolidated financial statements of Innogy Holdings plc, the Company's ultimate parent undertaking, which is incorporated in Great Britain.

Turnover

Turnover comprises the value of sales of goods and services, excluding VAT and other indirect taxes in the normal course of business. The Company operates in one class of business, the marketing and supply of electricity and related services, and in one geographical segment, the United Kingdom.

Cash flow statement

Under Financial Reporting Standard No. 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Innogy Holdings plc, the Company's ultimate parent undertaking, includes the Company's cash flows in its own published consolidated cash flow statement.

Goodwill

In accordance with Financial Reporting Standard No. 10: Goodwill and Intangible Assets, goodwill arising on acquisitions, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets/liabilities of an acquired business, is capitalised and amortised in equal annual instalments over its useful economic life, normally a period not exceeding 20 years.

Impairment reviews are undertaken in accordance with the requirements of FRS 11: Impairment of fixed assets and goodwill.

Investments

Unlisted investments are stated at cost less provisions for impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. In the case of assets constructed by the Company, related works and commissioning costs are included in cost. Assets in the course of construction are included in tangible fixed assets on the basis of expenditure at the balance sheet date.

Depreciation is calculated so as to write down the cost of tangible fixed assets to their residual value evenly over their estimated useful lives. Estimated useful lives are reviewed periodically, taking into account commercial and technological obsolescence as well as normal wear and tear, provision being made for any permanent diminution in value.

The depreciation charge is based on the following estimates of useful lives:

Freehold buildings	40 years straight line
Short leasehold land and buildings	period of lease
Office equipment and furniture	5 years
Computer software costs	5 years

Depreciation of computer software costs commences when the related software becomes operational.

Hedging policy

Npower Limited seeks to manage its exposure to electricity price volatility by entering into arms length trading contracts with the Innogy plc (its immediate parent company) and through external contracts in accordance with the terms of Supply Licence granted by OFGEM. The contracts in place at the year end are in accordance with requirements established under the New Electricity Trading Arrangements ("NETA") which commenced on 27 March 2001.

The external contracts include the purchase of output from renewable sources and also from generation embedded within the distribution networks of the former Public Electricity Suppliers.

Pension costs

Pension contributions into defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Any differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. Details of the schemes are disclosed within the notes to these accounts.

Contributions payable under money-purchase schemes are charged to the profit and loss account as they fall due.

Leases

Rentals payable under operating leases are charged to the profit and loss account evenly over the term of the lease.

Taxation

The charge for taxation is based on the profit for the period and takes into account any taxation deferred.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Accounting estimations

In accounting for revenues and direct costs, the company employs a robust forecasting process using forecast models to calculate the accruals required at the accounting period end. The models are continuously updated with historical actual data downloaded from the financial ledgers which in turn will improve the accuracy of the forecast data. The accuracy of the forecast data is reviewed each period end to identify any significant movements to actual results and adjustments made. At the year end, the accounting entries will comprise eleven months actuals plus one month forecast.

Notes *(continued)*

2 Net interest receivable/(payable)

	2002 £m	2001 £m
Interest arising on unwinding of provision	-	(3.3)
Interest on settlement of PPA	-	(7.1)
Other – net	0.1	(0.6)
	0.1	(11.0)

In the prior year, interest arising on unwinding of provision represented the interest charge required to adjust the discounted value of the fair value provisions raised in accordance with FRS7 on the acquisition of the retail supply business to represent the correct net present value at the balance sheet date. These fair value provisions were utilised during the previous financial year as described in note 5.

Interest on settlement of PPA represented interest payable on settlement of long term power purchase contracts paid in the prior period.

3 Profit/(loss) on ordinary activities before taxation

	2002 £m	2001 £m
Profit/(loss) on ordinary activities before taxation is stated		
after charging		
Amortisation of capitalised goodwill	28.4	28.8
Depreciation	4.1	1.7
Auditors' remuneration (audit fees)	0.1	0.1
Operating lease rentals:		
Land and buildings	1.5	0.2
Plant and machinery	0.1	-
Loss on disposal of fixed assets	-	0.1

Fees paid to KPMG Audit Plc and its associates for non audit services amounted to £613,126 *(2001: £270,000).*

Notes *(continued)*

4 Staff costs

The average monthly number of employees (including executive directors) was:

	2002 Number	2001 Number
Selling, customer service and administrative staff	**1,121**	1,047

The number of employees at 31 March 2002 was 1,167 *(2001: 1,135).*

The aggregate remuneration comprised:

	2002 £m	2001 £m
Wages and salaries	**23.6**	21.1
Social security costs	**2.3**	1.9
Other pension costs	**1.3**	1.1
	27.2	24.1

	£000	£000
The remuneration of the highest paid director was as follows:		
Emoluments	**269**	211

No director was a member of the Company's defined contribution scheme in the year.

5 Exceptional items

Exceptional items comprise the following:

	2002 £m	2001 £m
Restructuring of long term power purchase contracts – cost of sales	**-**	206.2
Redundancy costs and costs associated with rationalisation of sales agency services - operating costs	**4.2**	-

The Power Purchase Agreement with Teeside was bought out in the period to 31 March 2001 at a cash cost of £517 million. This was charged against the existing provision with the balance of £206.2 million treated as exceptional in that period.

Notes *(continued)*

6 Tax on profit/(loss) on ordinary activities

	2002 £m	2001 £m
United Kingdom taxation at 30%:	-	-
Deferred tax credit (see note 12)	**5.0**	1.4
	5.0	1.4

There is no corporation tax charge for the period due to the availability of tax losses brought forward.

7 Intangible assets

	Goodwill £m
Cost	
At 1 April 2001	576.5
Goodwill adjustment	(8.1)
At 31 March 2002	568.4
Amortisation	
At 1 April 2001	50.4
Provision for the year	28.4
At 31 March 2002	78.8
Net book value	
At 31 March 2002	**489.6**
At 31 March 2001	526.1

The final settlement for the purchase of the supply business of MEB has been made during the period. The goodwill adjustment represents a revision to the estimated settlement of the purchase consideration.

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £m	Leasehold property alterations £m	Computer software £m	Office equipment and furniture £m	Assets in the course of construction £m	Total £m
Cost or valuation						
At 1 April 2001	2.9	-	7.5	6.1	28.4	44.9
Additions	-	-	0.3	2.3	41.6	44.2
Reclassification	-	1.6	9.0	4.0	(14.6)	-
Transfers	-	-	-	-	(2.4)	(2.4)
At 31 March 2002	2.9	1.6	16.8	12.4	53.0	86.7
Depreciation						
At 1 April 2001	0.1	-	1.4	1.4	-	2.9
Charge for the year	0.1	-	2.3	1.7	-	4.1
At 31 March 2002	0.2	-	3.7	3.1	-	7.0
Net book value						
At 31 March 2002	**2.7**	**1.6**	**13.1**	**9.3**	**53.0**	**79.7**
At 31 March 2001	2.8	-	6.1	4.7	28.4	42.0

Capital commitments

Included with fixed assets is capital work in progress of £53m, within which is a significant amount of system development cost. The company is committed to the continuation of this ongoing work that will require the continued use of a number of external contractors with whom the company has entered into individual agreements. These agreements require the company to give each of such contractors a period of notice, although beyond that period the company has no contractual commitment.

In order to achieve the next anticipated level of functionality that is expected to be delivered by the new systems it was planned at the year end that some £1.7m (2001 - £14.0m) was to be spent.

In the period since the year end to the date of approval of these accounts the company has continued to perform development work and expects the majority of work to be completed in the financial year to 31 March 2003.

9 Fixed asset investments

	Shares in subsidiary undertakings £m
Cost and net book value	
At 1 April 2001 and 31 March 2002	**27.6**

Notes *(continued)*

9 Fixed asset investments *(continued)*

The Company's trading subsidiary undertakings at 31 March 2002 are detailed below. All of the subsidiary undertakings are incorporated in Great Britain.

Name of subsidiary undertaking	Identity of shares held	Proportion of nominal value of issued shares of that class	Nature of business
Npower Gas Limited	3,862,500 'A' ordinary shares	100%	Energy supply
	3,862,500 'B' ordinary shares	100%	
Npower Commercial Gas Limited	2 ordinary shares	100%	Energy supply
Npower Energy Sales Limited	2 ordinary shares	100%	Sales and marketing
Npower Financial Services Limited	1 ordinary share	100%	Financial services
Npower Communications Limited	1 ordinary share	100%	Telecommunications

10 Debtors

	2002 £m	2001 £m
Trade debtors	**180.2**	115.9
Amounts due from group companies	**273.8**	269.9
Prepayments and accrued income	**163.6**	148.6
Other tax and social security	-	10.8
Total amounts recoverable within one year	**617.6**	545.2
Deferred tax asset (note 12)	**5.0**	-
Total amounts recoverable after more than one year	**5.0**	-
Total debtors	**622.6**	545.2

11 Creditors: amounts falling due within one year

	2002 £m	2001 £m
Trade creditors	**96.8**	108.0
Customer payments in advance	**54.5**	57.0
Loans due to group companies	**876.6**	1,031.0
Other amounts due to group companies	**219.1**	43.8
Other tax and social security	**17.6**	0.3
Accruals and deferred income	**39.6**	34.3
	1,304.2	1,274.4

The loans due to group companies are subject to annual renewal by agreement with the ultimate holding company. Such loans have therefore been included within current liabilities. As at the date of approval of these financial statements the Directors are not aware of any intention of the ultimate holding company to require repayment of such funding, other than by way of transfer of surplus funds arising within the company's operations.

Notes *(continued)*

12 Provisions for liabilities and charges

	Reorganisation provision £m
At 1 April 2001	1.7
Created in the year	3.2
Released in the year	(0.8)
Utilised in the year	(1.8)
At 31 March 2002	**2.3**

The reorganisation provision represents the balance of the provision for redundancy and related costs in respect of a business re-organisation.

Deferred taxation

Deferred taxation accounted for in the balance sheet at 30% *(2001: 30%)* are:

	2002 £m	2001 £m
Decelerated/(accelerated) capital allowances	**1.6**	(1.7)
Tax losses	**-**	1.7
Other timing differences	**3.4**	-
Net deferred tax asset recognised (see note 10)	**5.0**	-

The movement on deferred taxation is as follows:

	2002 £m
At 1 April 2001	**-**
Credit to profit and loss account	**5.0**
At 31 March 2002	**5.0**

Tax losses carried forward, which were previously included within unrecognised potential deferred tax assets, are now regarded as permanent differences under FRS19.

13 Share capital

	2002 £m	2001 £m
Authorised:		
1,500,000 ordinary shares of £1 each	**1.5**	1.5
Allotted, called up and fully paid:		
1,000,001 ordinary shares of £1 each	**1.0**	1.0

Notes *(continued)*

14 Reserves

	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2001	30.4	(151.7)	(121.3)
Retained profit for the financial year	-	39.3	39.3
At 31 March 2002	**30.4**	**(112.4)**	**(82.0)**

15 Reconciliation of movements in equity shareholders' funds

	2002 £m	2001 £m
Retained profit/(loss) for the year and net addition to/(reduction in) equity shareholders' funds	**39.3**	(145.0)
Opening equity shareholders' funds	**(120.3)**	24.7
Closing equity shareholders' funds	**(81.0)**	(120.3)

16 Capital and financial commitments

Capital commitments at 31 March 2002 for which no provision has been made in these financial statements were as follows:

	2002 £m	2001 £m
Contracted but not provided	**1.7**	14.0

Annual commitments under non-cancellable operating leases are as follows:

	2002 Land and buildings £m	2001 Land and buildings £m	2002 Other £m	2001 Other £m
Expiry date:				
Over one year but less than five years	**0.1**	0.1	**0.1**	-
More than five years	**1.7**	0.6	**-**	-
	1.8	0.7	**0.1**	-

17 Related party transactions

As a wholly owned subsidiary of Innogy Holdings plc the Company has taken advantage of the exemption under Financial Reporting Standard 8 Related party disclosures, not to provide information on related party transactions with other undertakings within the Innogy Holdings plc group. Note 19 gives details of how to obtain a copy of the financial statements of Innogy Holdings plc.

Notes *(continued)*

18 Pensions

The majority of employees' pensions are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS) which is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections one of which is the Innogy Holdings section.

During the year ended 31 March 2002, Innogy Holdings plc contributed to the ESPS at the rate of 6% of members pensionable earnings. The Innogy Defined Contribution Scheme (IGDCS) was set up on 1 June 2000. For new employees the Company pays 4% contributions, matching those of the member.

The Innogy Group Pension Scheme (IGPS) was set up on 30 September 1999 primarily for employees within the Retail business. Since its inception, membership has been opened to employees outside the Retail business who did not previously have the opportunity to join a defined benefit scheme. Company contributions to this scheme, during the year ended 31 March 2002, were at the rate of 6% of members' pensionable earnings with an additional 16.5% of members' pensionable earnings in respect of Executive Directors.

The pension charge for the year amounted to £1,304,000 being £1,273,000 for the defined benefit schemes and £31,000 in respect of the money purchase based scheme *(2001: £1,071,000, £1,020,000 in respect of the defined benefit schemes and £51,000 in respect of the money purchase based scheme)*. There were no prepaid or accrued contributions at 31 March 2002 or 2001.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for pension costs", under Financial Reporting Standard 17 "Retirement benefits", the following transitional disclosures are required:

The company participates in the group defined benefit pension schemes based upon final pensionable pay. The assets of the schemes are held separately from those of the group.

Whilst the company's contributions are affected by any surplus or deficit in the schemes, the company is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis. Therefore, as permitted by FRS 17, the schemes will be accounted for as a defined contribution schemes by the company when the accounting standard is fully adopted.

The latest actuarial valuation was conducted on 31 March 2001, but updated to 31 March 2002 by a qualified independent actuary.

The actuarial valuation of the group schemes at 31 March 2002 for FRS 17 purposes indicated that the schemes had assets of £3,496 million and liabilities of £3,143 million, which after making provision for deferred tax, results in a post-tax surplus of £247 million. At the current time, the group has no plans to change its pension contribution policy.

Details of the latest actuarial valuations, which were performed by qualified actuaries, of the defined benefit schemes are given in the group's consolidated financial statements. Note 19 gives details of how to obtain a copy of the financial statements of Innogy Holdings plc.

19 Controlling and parent Company

The company's immediate parent company is Innogy plc, a company incorporated in Great Britain and registered in England and Wales. Up to 26 May 2002, the company's ultimate parent company was Innogy Holdings plc. Copies of the financial statements of Innogy Holdings plc are available from the company secretary at Windmill Hill Business Park, Whitehill Way, Swindon SN5 6PB. On 27 May 2002, the company's ultimate parent company became RWE AG, a company incorporated in Germany. Copies of the group financial statements are available from RWE AG, Operuplatz 1, D-45128, Essen, Germany.