National Power (Energy Co.) Limited

(formerly Hackremco (No.1418) Limited)

Directors' report and financial statements

Registered number: 3653277

31 March 2000

Contents

Directors' report

The directors present their report on the affairs of National Power (Energy Co.) Limited (National Power (Energy Co.) or the Company), together with the financial statements and auditors' report for the period ended 31 March 2000.

Incorporation

The Company was incorporated on 21 October 1998 as Hackremco (No.1418) Limited with the issue of one ordinary share of £1 at par. On 20 November 1998, the name of the Company was changed to National Power (Energy Co.) Limited.

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.

Business review

National Power (Energy Co.) Limited forms part of Npower's retail business, which is a national energy supply business selling gas and electricity to more than 2.6 million homes and businesses.

On 30 June 1999, the Company acquired the trade and certain assets and liabilities of the electricity Retail Supply Business of Midlands Electricity plc, which traded under the MEB brand name ("MEB").

Immediately prior to the acquisition of MEB on 25 June 1999, National Power PLC transferred ownership of Calortex Limited, the Retail Gas Supply Business it acquired in March 1999 to National Power (Energy Co.) Limited.

National Power Energy Sales Limited was created as a subsidiary of National Power (Energy Co.) Limited to undertake some of the ongoing selling activities transferred as part of the Midlands Electricity Retail Supply Business, on 8 June 1999.

National Power Gas Direct Limited was made a subsidiary of National Power (Energy Co.) Limited on 25 June 1999, prior to commencing its trading activity as a gas supplier to the Commercial and Industrial market in October 1999.

On 16 March 2000, the trade and certain assets and liabilities of Energy Direct, a division of the Company's ultimate parent company National Power PLC, was transferred to the Company at net book value taking advantage of Merger Relief under Section 132 of the Companies Act 1985. In consideration of this transfer the Company issued one million ordinary shares of £1 each at a premium of £30.362 per share.

Review of results

The Company's loss on ordinary activities before taxation for the period was £5,300,000. The Company has taken advantage of Section 228 of the Companies Act 1985 and consequently consolidated financial statements are not presented.

Dividend

The directors do not recommend payment of a dividend.

Charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £31,347.

Directors' report *(continued)*

Directors and their interests

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

Hackwood Directors Limited	(appointed 21 October 1998, resigned 20 November 1998)
GA Brown	(appointed 20 November 1998, resigned 8 June 1999)
Dr BM Count	(appointed 8 June 1999)
SP Fletcher	(appointed 8 June 1999)

The directors who held office at the period end and their families, other than those whose interests are disclosed in the financial statements of the ultimate holding company, had the following interests in, and options to subscribe for, ordinary shares of 50p each in National Power PLC:

	At 31 March 2000		At date of appointment			
	Shares Number	Share options Number	Shares Number	Share options Number	Exercise Price	Date Exercisable
SP Fletcher						
Ordinary shares	1,146	-	1,146	-	-	-
Executive share options	-	43,710	-	43,710	448p-565p	1998-2008
Sharesave options	-	2,491	-	2,491	360p-450p	2000-2001

No share options were granted, exercised or lapsed during the period.

No director is beneficially interested in the loan capital of National Power PLC.

No director has any beneficial interest in the share or loan capital of any subsidiary of National Power PLC or any beneficial interest in any contracts of the Company.

Proposed demerger

The Company's ultimate holding company, National Power PLC, has announced its intention to demerge its activities into separately listed UK and international businesses. Asset allocation to the two businesses has been completed, operational separation has been achieved, new management teams have been appointed and the businesses are refining their intended strategies and operational plans.

National Power (Energy Co.) Limited will form part of the UK business. A brief description of the UK business - Npower - is provided below:

- a generation and trading business with a flexible, cost-efficient portfolio of around 8,000 MW of UK gas, coal and oil fired generating plant, a leading energy trading capability and a competitive supply of fuels;
- npower™, the national, 2.6 million customer, electricity and gas retail business which has been built from the combination of the MEB, Energy Direct and Calortex supply businesses; and
- one of the UK's leading co-generation and renewables businesses.

Employees

Training and development of staff is essential to our future success. All managers are required to discuss personal development plans with their staff and to implement them. Staff are encouraged to broaden their knowledge and skills for their own and the Company's benefit. Operational training is constantly reviewed to ensure that our work in serving our customers is achieved as effectively as possible.

The period of major change currently underway within the National Power group means that effective communications with staff are vital. 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.

Directors' report *(continued)*

Employees *(continued)*

It is also our policy to treat all employees and potential employees equally and to give full consideration to suitable applications for employment from disabled persons where they have the necessary abilities and skills for the position and, wherever possible, to retrain employees who become disabled so that they can continue their employment. 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.

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.

Regulatory accounts

National Power (Energy Co.) Limited is required by the terms of its licence conditions to produce Regulatory Accounts in respect of the activity which it undertakes under its own Second Tier Licence and as agent of Midlands Electricity plc under the terms of its Public Electricity Supply ("PES") licence.

Copies of these Regulatory Accounts are available upon application to the Regulation Manager, National Power (Energy Co.) Limited, PO Box 130, Blackpole Road, Worcester WR4 9ZX.

Creditor payment policy

National Power (Energy Co.) Limited recognises the need to observe the highest standards of business practice in its role as buyer and seller. Its parent company National Power PLC has subscribed to the CBI's Prompt Payment Code since 1992 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 National Power (Energy Co.) Limited and its subsidiary companies are seeking to emulate. National Power (Energy Co.) Limited's average number of days outstanding in respect of trade creditors calculated in accordance with the Companies Act, at 31 March 2000 was 37 days.

Year 2000

During 1999, National Power PLC undertook a significant programme of work in preparation for the impact of the Millennium on computer systems, which included the continuation of work commenced by Midlands Electricity plc. This programme, which encompassed the rigorous testing and where appropriate the replacement of software, together with the preparation of business continuity plans, was instrumental in restricting the number of problems encountered to single figures - none of which had any material impact on the business.

The Euro

The Company 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 at implementation. Current system developments are being scoped reflecting Euro related considerations.

Notes *(continued)*

Auditor

During the year, KPMG Audit Plc was appointed as first auditor of the Company. 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

S P Fletcher

SP Fletcher
Director

Windmill Hill Business Park
Whitehill Way
Swindon
SN5 6PB

15 May 2000

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
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the auditor to the members of National Power (Energy Co.) Limited

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, 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. 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 2000 and of its loss for the period of seventeen months and 10 days then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 May 2000

Profit and loss account

for the period ended 31 March 2000

	Note	2000 £m
Turnover	*1*	**788.7**
Cost of sales		**(687.9)**
Gross profit		**100.8**
Administrative expenses	*5*	**(90.0)**
(Exceptional operating item included above of £4.1 million)		
Operating profit		**10.8**
Interest payable and similar charges	*2*	**(16.1)**
Loss on ordinary activities before taxation	*3*	**(5.3)**
Tax on loss on ordinary activities	*6*	**(1.4)**
Retained loss for the financial period		**(6.7)**

All amounts are derived from continuing businesses acquired during the period. Whilst the financial statements cover the period from incorporation on 21 October 1998 the Company only commenced trading on 30 June 1999.

There were no recognised gains or losses in the period other than the loss for the period.

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

Balance sheet
at 31 March 2000

	Note	2000 £m
Fixed assets		
Goodwill	7	555.1
Tangible assets	8	7.5
Investments	9	25.0
		587.6
Current assets		
Debtors	10	245.0
Cash at bank and in hand		11.1
		256.1
Creditors: amounts falling due within one year	11	(423.6)
Net current liabilities		(167.5)
Total assets less current liabilities		420.1
Provisions for liabilities and charges	12	(395.4)
Net assets		24.7
Capital and reserves		
Called up equity share capital	13	1.0
Merger reserve	14	30.4
Profit and loss account	14	(6.7)
Total equity shareholders' funds	15	24.7

These financial statements were approved by the Board of directors on 15 May 2000 and were signed on its behalf by:

S. P Fletcher

SP Fletcher
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.

Notwithstanding that the Company has net current liabilities, the financial statements have been prepared on a going concern basis. The immediate parent company has undertaken to endeavour to procure such funding as required to enable the Company to meet its financial obligations as they fall due for at least the next 12 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 National Power 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, 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. All operations were acquired during the period.

Cash flow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that National Power 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 FRS10: 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 service life, normally a period not exceeding 20 years.

Impairment reviews are undertaken in accordance with the requirements of FRS 11.

Investments

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets (continued)

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

Freehold buildings	20 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

National Power (Energy Co.) Limited seeks to manage its exposure to electricity Pool Price volatility by entering into arms length contracts with the Trading Division of National Power PLC (its ultimate parent company) and through external contracts. The external contracts include cover provided under long term Power Purchase Agreements ("PPA") which National Power (Energy Co.) Limited assumed responsibility for under the terms of the acquisition of the retail supply business of Midlands Electricity plc.

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.

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 loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax, using the liability method, only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

2 Interest payable and similar charges

	2000 £m
Sundry interest payable	16.1

Sundry interest payable represents 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.

Notes *(continued)*

3 Loss on ordinary activities before taxation

	2000 £m
Loss on ordinary activities before taxation is stated	
after charging	
Amortisation of capitalised goodwill	21.6
Depreciation	0.2
Auditors' remuneration (audit fees)	0.1
Operating lease rentals - land and buildings	0.3

Fees paid to KPMG Audit Plc and its associates for non audit services amounted to £13,000.

4 Staff costs

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

	2000 Number
Selling, customer service and administrative staff	861

The number of employees at 31 March 2000 was 901.

The aggregate remuneration comprised:

	2000 £m
Wages and salaries	13.6
Social security costs	1.1
Other pension costs	0.9
	15.6

	£000
The remuneration of the directors was as follows:	
Emoluments	162

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

5 Exceptional items

The exceptional operating item of £4.1 million comprises redundancy and associated costs to be incurred as a result of the decision to outsource certain activities of the Company.

Notes *(continued)*

6 Taxation

	2000 £m
UK taxation:	
Deferred tax	1.4
	1.4

7 Intangible assets

	Goodwill £m
Cost	
Acquired during the period	576.7
At 31 March 2000	576.7
Amortisation	
Provision for the period	21.6
At 31 March 2000	21.6
Net book value	
At 31 March 2000	**555.1**

8 Tangible fixed assets

	Freehold land and buildings £m	Computer software £m	Office equipment and furniture £m	Assets in the course of construction £m	Total £m
Cost					
Additions	1.6	-	1.4	0.8	3.8
Group transfers	-	3.7	-	1.3	5.0
At 31 March 2000	1.6	3.7	1.4	2.1	8.8
Depreciation					
Group transfers	-	1.1	-	-	1.1
Charge for the period	0.1	-	0.1	-	0.2
At 31 March 2000	0.1	1.1	0.1	-	1.3
Net book value					
At 31 March 2000	**1.5**	**2.6**	**1.3**	**2.1**	**7.5**

Notes *(continued)*

9 Fixed asset investments

	Shares in subsidiary undertakings £m
Cost and net book value	
Additions	**25.0**
At 31 March 2000	**25.0**

The Company's subsidiary undertakings at 31 March 2000 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**
Calortex Limited	3,862,500 'A' ordinary shares	100%	Energy supply
	3,862,500 'B' ordinary shares	100%	
National Power Gas Direct Limited	2 ordinary shares	100%	Energy supply
National Power Energy Sales Limited	2 ordinary shares	100%	Sales and marketing

10 Debtors

	2000 £m
Trade debtors	207.9
Amounts owed by group companies	28.4
Prepayments and accrued income	8.7
	245.0

All amounts fall due within one year.

11 Creditors: amounts falling due within one year

	2000 £m
Trade creditors	103.4
Customer payments in advance	54.8
Loans from group companies	219.5
Other amounts owed to group companies	27.8
Other tax and social security	0.7
Accruals and deferred income	17.4
	423.6

Notes *(continued)*

12 Provisions for liabilities and charges

	Deferred taxation	Provision for onerous contracts	Reorganisation provision	Total
	£m	£m	£m	£m
Created on acquisition of trade	-	390.7	-	390.7
Created in the period	1.4	15.4	4.1	20.9
Utilised in the period	-	(16.2)	-	(16.2)
At 31 March 2000	1.4	389.9	4.1	395.4

The provision for onerous contracts represents a provision raised in respect of PPA contracts which were viewed as onerous at the date of the acquisition. The provision is raised on a discounted basis in accordance with Financial Reporting Standard 7, and thus additions have been made to the provision during the course of the year to reflect the un-winding of the discounting effects. Utilisation represents release of the provision to match electricity purchases made under this agreement during the current financial period. Note 17 provides details of the maturity of the provision.

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

Deferred taxation

Deferred taxation accounted for in the balance sheet and the potential amounts of deferred taxation are:

	2000
	£m
Full potential deferred tax liabilities	
Other timing differences	110.7
Total deferred tax liabilities provided	110.7
Full potential deferred tax assets	
Tax losses	109.3
Total deferred tax asset recognised	109.3
Net deferred tax liability recognised	1.4

Notes *(continued)*

12 Provisions for liabilities and charges *(continued)*

Deferred tax provided

The movement on deferred taxation is as follows:

	2000 £m
Charge to profit and loss account	1.4
At 31 March 2000	**1.4**

13 Share capital

	2000 £m
Authorised:	
1,500,000 ordinary shares of £1 each	1.5
Allotted, called up and fully paid:	
1,000,001 ordinary shares of £1 each	1.0

One ordinary share was issued on incorporation of the Company on 21 October 1998. On 16 March 2000 one million ordinary shares were issued at a premium of £30.362 per share as consideration for transfer of the trade and certain assets and liabilities of Energy Direct, the electricity Retail division of the Company's ultimate parent company, National Power PLC.

14 Reserves

	Merger reserve £m	Profit and loss account £m	Total £m
Retained loss for the financial period	-	(6.7)	(6.7)
Premium on issue of ordinary shares (nominal value £1 million)	30.4	-	30.4
At 31 March 2000	**30.4**	**(6.7)**	**23.7**

15 Reconciliation of movements in equity shareholders' funds

	2000 £m
Retained loss for the period	(6.7)
New share capital subscribed	31.4
Net addition to equity shareholders' funds and closing equity shareholders' funds	**24.7**

Notes *(continued)*

16 Acquisition of businesses

MEB retail supply business

On 30 June 1999, the Company acquired the trade and certain assets and liabilities of the MEB retail supply business from Midlands Electricity plc. This transaction has been accounted for as an acquisition. The fair value of the consideration paid (including expenses) and the assets and liabilities acquired, together with the goodwill arising is as follows:

	Book value	Fair value adjustment	Fair value
	£m	£m	£m
Tangible fixed assets (see note 1 below)	9.5	(7.9)	1.6
Debtors (see note 2 below)	69.3	(0.8)	68.5
Creditors: amounts falling due within one year	(76.3)	-	(76.3)
Provisions for liabilities and charges (see note 3 below)	-	(390.7)	(390.7)
	2.5	(399.4)	(396.9)
Cash consideration (including expenses)			179.8
Goodwill			576.7

The goodwill is to be amortised over a period of 20 years.

Note

1 The fair value adjustment comprises the revaluation of fixed assets to reflect open market value for existing use.
2 The fair value adjustment reflects the writing down of the debtor value to that supported by available documentation.
3 The fair value adjustment reflects the raising of a provision in respect of PPA contracts which were viewed as onerous at the date of acquisition.
4 Consideration has or will be met by cash payment between the two parties. Discussions are still continuing in relation to the completion process and thus the data included here is provisional.

The MEB supply business was a division of Midlands Electricity plc and not a separate legal entity. Consequently, no suitable comparative data exists for the results of the business in the period prior to acquisition.

Notes *(continued)*

16 Acquisition of business *(continued)*

Energy Direct supply business

On 16 March 2000 the Company acquired the trade and certain assets and liabilities of the Energy Direct supply business of National Power PLC, the Company's ultimate parent company. The assets and liabilities were transferred at net book value taking advantage of Merger Relief under section 132 of the Companies Act 1985. Accordingly, no goodwill arose on this transaction.

	Net book value £m
Tangible fixed assets	3.9
Debtors	59.6
Creditors: amounts falling due within one year	(32.1)
	31.4
Consideration (satisfied by the issue of ordinary shares)	31.4
Goodwill	-

17 Capital and financial commitments

Capital commitments at 31 March 2000, for which no provision has been made in these financial statements were as follows:

	***2000* £m**
Contracted but not provided	0.9

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

	2000 Land and buildings £m
Expiry date:	
- within one year	0.2
- more than five years	0.2
	0.4

Other commitments

The Company has commitments to purchase electricity under Power Purchase Agreements, which extend to 2014. Total payments under these contracts are estimated to be £1.8 billion.

18 Post balance sheet event

In the financial year ending 31 March 2000 the Company is undertaking a restructuring of a major long term power purchase contract taken on as part of the acquisition of MEB's retail supply business which will rebase the contract to market prices. Since the acquisition in June 1999, electricity prices have declined substantially and the restructuring at a cash cost of approximately £510 million is expected to lead to an exceptional charge of approximately £200 million (net of existing provisions) in the financial year ending 31 March 2001.

Notes *(continued)*

19 Related party transactions

As a wholly owned subsidiary of National Power 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 National Power PLC group. Note 21 gives details of how to obtain a copy of the published financial statements of National Power PLC.

20 Pensions

A number of pension schemes have been put in place for employees, in which they may be eligible to participate based on a number of factors, mainly employment related.

There are two principal schemes which are defined benefit schemes. These are the National Power Group Pension Scheme (which was created in the current financial period) and the existing National Power section of the Electricity Supply Pension Scheme. The assets of both of the schemes are invested in separate trustee-administered funds.

Employees who transferred from the former Retail Supply Business of Midlands Electricity plc, who had formerly participated in the Midlands Electricity Group section of the Electricity Supply Pension Scheme, were able to elect which scheme they wished accrued benefits to be transferred into, with the transfer of assets/funds taking place in March 2000 (until the point of transfer contributions from both the employer and the employees had been made to the former scheme from the acquisition date). In respect of both schemes, actuarial assurance has been received that assets received from the Midlands Electricity section of the Electricity Supply Pension Scheme are sufficient to cover the earned benefits for past service and to allow a reduced contribution rate for the period of which members had already been advised.

Staff transferring into the Company from other parts of the National Power Group, who were already participants in the National Power Group section of the Electricity Supply Pension Scheme, have remained members of that scheme and no transfer of funds has thus taken place for those members.

An actuarial valuation of both defined benefit schemes will be undertaken every three years by a professionally qualified actuary, with the last valuation of the National Power Group section of the Electricity Supply Pension Scheme undertaken at 31 March 1998, using the projected unit credit method.

At 31 March 1998, the market value of the National Power ESPS assets was £2,595 million and the actuarial value covered 105% of the benefits that had accrued to members after allowing for the expected future increases in earnings and benefit improvements granted to members following the formal valuation of the National Power section of the ESPS as at 31 March 1998.

Employees who transferred from the former Retail Supply Business of Midlands Electricity plc may continue to participate in the Midlands Electricity Pension Scheme, which is a money purchase based scheme.

The pension charge for the period amounted to £900,000, £625,000 in respect of the defined benefit schemes and £275,000 in respect of the money purchase based scheme. There were no prepaid or accrued contributions at the 31 March 2000.

Full details in respect of the defined benefit pension schemes operated by the group are disclosed in the financial statements of National Power PLC. Details of how to obtain a copy of these financial statements are given in note 21.

21 Controlling and parent Company

The company's immediate parent company is npower, whilst its ultimate parent company is National Power plc both of which are incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of National Power PLC are available from the Company Secretary at Windmill Hill Business Park, Whitehill Way, Swindon SN5 6PB.