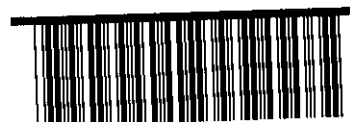


**LONDON POWER NETWORKS PLC**  
(formerly London Power Networks Ltd)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2001



LD4  
COMPANIES HOUSE

\*LANJCARE\*

0451  
13/05/02

**LONDON POWER NETWORKS PLC**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**

---

**Contents**

**Page:**

2-3	Report of the Directors
4	Statement of Directors' Responsibilities
5	Report of the Auditors
6	Profit and Loss Account
7	Balance Sheet
8-14	Notes to the Accounts

---

**Directors**

Vincent De Rivaz  
Paul Cuttill  
Gerald L Wingrove  
Kevin Morton

**Registered Number**

3929195

**Auditors**

Ernst & Young LLP  
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

**Registered Office**

Templar House  
81-87 High Holborn  
LONDON  
WC1V 6NU

# LONDON POWER NETWORKS PLC

## REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31 December 2001. The company was incorporated on the 15th February 2000 and was re-registered as a PLC on 18th September 2001. The company commenced trading on 1 October 2001 as described below.

## PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activities of the company were the operation of the public distribution networks for the distribution of electricity to commercial, residential and industrial customers. It will continue in this activity for the foreseeable future.

## REVIEW OF THE BUSINESS

On April 1 2000 all fixed assets and working capital balances were transferred to the distribution business unit within London Electricity Group plc. Borrowings and associated interest are secured against the assets of the distribution business and therefore have been allocated to the distribution business. As part of the provisions of the London Electricity Transfer Scheme under the Utilities Act 2000, London Power Networks plc began trading as a separate entity from 1st October 2001. The accounts have been prepared for the year ended 31 December 2001.

The company has had a satisfactory opening period of trading, the continued reduction in distribution income as a result of the regulatory Distribution Price Control Review, being offset by the cost savings achieved by the creation of 24Seven who operate and maintain the distribution network on our behalf, under the terms of the network services agreement. We are continuing to keep close control over costs in order to deliver the price reductions required of a regulated business.

## RESULTS AND DIVIDEND

The profit on ordinary activities of the company after taxation amounted to £17.7million. The directors do not recommend the payment of a dividend.

## DIRECTORS

The directors of the company who held office during the period ended 31 December 2001 or who are directors at the date of signing this report are as follows :

		Appointed	Resigned
Bruno Lescoeur (Chairman and Chief Executive)	(NE)	04-Jan-01	07-Feb-02
Vincent De Rivaz (Chairman and Chief Executive)	(NE)	07-Feb-02	
Paul Cuttill	(NE)		
Gerald L. Wingrove	(NE)	04-Jan-01	
Kevin Morton	(E)	04-Jan-01	
Robert Higson	(NE)		01-Jan-01

(E) - Executive director

(NE) - Non executive director

## DIRECTORS INTERESTS

The executive director is employed by London Power Networks plc, and has a service contract with that Company. The non-executive directors are all employed by London Electricity Group plc, and have service contracts with that Company.

There were no contracts of significance during or at the end of the financial period in which a Director of the Company was materially interested.

## DIRECTORS SHAREHOLDINGS

No Director or any connected person has an interest in the shares of the Company.

## RESEARCH AND DEVELOPMENT

The company undertakes a programme of research covering operational efficiency, customer service and environmental impact in conjunction with EA Technology Limited at Capenhurst. ERA Technology and the National Grid Research Laboratories, both at Leatherhead, also carry out research work for the group whilst product development work for specific London Electricity Group requirements is addressed in conjunction with a number of suppliers.

#### **CONTRIBUTIONS FOR POLITICAL AND CHARITABLE PURPOSES**

The company supports a number of community projects either in cash or in kind through its Electricity in Education Programme. The value of these contributions amounted to £53,978 in the period

The company made no political donations during the period.

#### **CREDIT PAYMENT POLICY**

The Company's current policy concerning the payment of the majority of its trade creditors and other suppliers is to:

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

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2001 the company had an average of 15 days purchases outstanding in its trade creditors.

#### **EMPLOYEES**

It is the policy of the company that there shall be equal opportunities in the area of employment without discrimination on grounds of ethnic or racial origin, nationality, religion, sex or marital status in accordance with the appropriate legislation and Government guidelines.

The Company gives full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for suitable positions.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company.

The Company's policies and procedures relating to Health and Safety at work continued to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

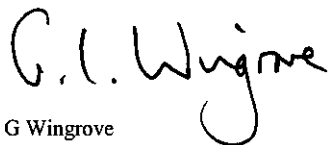
#### **GOING CONCERN**

The accounts have been prepared on the going concern basis. The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

#### **AUDITORS**

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

By Order of the Board



G Wingrove  
Director

## **LONDON POWER NETWORKS PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF LONDON POWER NETWORKS PLC**

We have audited the company's accounts for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

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



Ernst & Young LLP  
Registered Auditor  
London

10 May 2002

# LONDON POWER NETWORKS PLC

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

		12 months to 31 December 2001
	Note	£m
Turnover	2	69.5
Cost of sales		4.7
Gross profit		<hr/> 64.8
Distribution costs		27.2
Administration expenses		4.5
Operating profit	3	<hr/> 33.1
Net interest payable	6	7.92
Profit on ordinary activities before taxation		<hr/> 25.2
Tax on profit on ordinary activities	7	7.5
Retained profit for the year		<hr/> <hr/> 17.7

The results of the Company relate entirely to continuing operations from 1 October 2001. The company did not trade in 2000. There are no recognised gains or losses other than the profit for the financial year and therefore no separate statement of total recognised gains and losses has been presented.

# LONDON POWER NETWORKS PLC

## BALANCE SHEET

as at 31 December 2001

	Note	31 December 2001 £m	10 1/2 months December 2000 £m
<b>Fixed assets</b>			
Tangible assets	8	972.9	-
Investments	9	-	-
		<u>972.9</u>	<u>-</u>
Stocks	10	2.1	-
Debtors	11	58.8	-
Cash at bank and in hand		<u>32.1</u>	<u>-</u>
		93.0	-
<b>Creditors: amounts falling due within one year</b>			
Borrowings - external	12	(0.4)	-
Creditors	13	(90.3)	-
		<u>2.3</u>	<u>-</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<u>975.2</u>	<u>-</u>
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings - external	14	(199.9)	-
Borrowings - intra-group	15	(322.6)	-
		<u>(522.5)</u>	<u>-</u>
<b>Net assets</b>		<u>452.7</u>	<u>-</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	10.0	-
Profit and loss account	18	442.7	-
<b>Equity shareholders' fund</b>		<u>452.7</u>	<u>-</u>

The accounts were approved by the Board of Directors on  
and signed on its behalf by:

*G.L. Wingrove*  
G Wingrove  
Director  
10 May 2002



# LONDON POWER NETWORKS PLC

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2001

### 1. ACCOUNTING POLICIES

#### Basis of preparation

These accounts have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below. Policies have been consistently applied except where specifically stated. The accounts have been prepared for the company only and do not represent amounts of the group.

#### Business Transfer scheme and Business Restructuring

The Utilities Act 2000 implemented Government proposals to make electricity supply and distribution separate licensable activities. The act made provision for the Secretary of State to approve statutory transfer schemes under which existing public electricity suppliers such as London Electricity Group plc could divide their assets and liabilities between supply and distribution entities that would hold the relevant licences.

The transfer schemes were implemented on 1 October 2001 and on that date London Electricity Group plc transferred at net book value all relevant assets and liabilities to London Power Networks and London Electricity. This included the following transfers of share capital and reserves and long-term debt.

£10 million of share capital was issued in London Power Networks and £425 million of accumulated realised profits were transferred in accordance with paragraph 9(4) of Schedule 7 of the Utilities Act 2000. Eurobonds of £200 million due 2003 & 2005 formerly issued in the name of London Electricity Group plc were transferred to form part of London Power Networks' debt and the balance of debt will initially be funded by intra-group debt to be refinanced by London Power Networks in due course.

#### Cashflow Statement

In accordance with FRS1 the company has not prepared a statement of cashflows for the current year as it is a wholly owned subsidiary of a company whose accounts are publicly available.

#### Turnover

Turnover represents the value of electricity sales to public electricity suppliers during the year and the invoice value of other goods sold and services provided, exclusive of Value Added Tax.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less amounts provided to write off assets over their useful economic life.

Fixed assets are depreciated from the date of commissioning and are written off over their expected useful lives. No allowance is made for their residual values.

The lives of each major class of depreciable assets are as follows:

#### YEARS

Freehold land		Not depreciated
Operational Buildings - Freehold		40
Operational Buildings - Leasehold	shorter of the lease term or	40
Services		50
Overhead Mains		40
Underground Mains		50
Meters		10-40
Plant & Machinery		30

Consumers' contributions towards distribution network assets, which include capital grants, are credited to the profit and loss account over the life of the distribution network assets to which they relate. The unamortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 1985 requirements which require fixed assets to be included at their purchase price or production cost and hence the contribution would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the directors that the treatment adopted is necessary to give a true and fair view. The value of the contributions is shown in note 8.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of labour and materials. The cost elements of progress invoices are deducted in arriving at the amounts stated.

Profit is taken on contracts whilst the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable future losses.

# LONDON POWER NETWORKS PLC

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2001

### 1. ACCOUNTING POLICIES (cont)

#### Research and development

Research and development expenditure is written off to the profit and loss account as it is incurred.

#### Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. The company has applied the rules of SSAP 15 for the year ended 31 December 2001.

Provision is made for deferred taxation using the liability method only where it is anticipated to crystallise within the foreseeable future.

#### Operating leases

Rental costs under operating leases are charged to the profit and loss account in the period on a straight line basis over the lease term.

### 2 Turnover

Turnover arises entirely in the United Kingdom and is stated net of value added tax. Turnover is derived from the company's main activity, namely the operation of the public distribution networks for the distribution of electricity to commercial, residential and industrial customers.

### 3 Operating profit

	2001 £m
Operating profit is stated after charging:	
Auditors remuneration (Paid by London Electricity Group plc)	-
Staff costs (Note 5)	0.8
Depreciation (Note 8)	12.4

Auditors remuneration was paid by London Electricity Group plc and has not been allocated directly to London Power Networks plc, the costs having been included in management charges from group.

### 4 Directors' emoluments

	2001 £000
Total emoluments of all directors are as follows:-	
Aggregate emoluments	27.0
	<u>27.0</u>

The above also relates to amounts accruing to the highest paid director. Retirement benefits are accruing to one director under a defined benefit scheme.

### 5 Employee Information

	2001 Number
--	----------------

The average monthly number of employees during the year was as follows:-

Administration	<u>62</u>
----------------	-----------

	2001 £m
Staff costs for the above employees	
Wages and salaries	0.6
Social security costs	0.1
Other pension costs	0.1
	<u>0.8</u>

## LONDON POWER NETWORKS PLC

### NOTES TO THE ACCOUNTS for the year ended 31 December 2001

#### 6 Interest Payable

	2001 £m
Interest receivable	0.4
Interest payable on amounts owed to other group companies (note 15)	4.0
Interest payable on loans described in note 14	4.3
	8.3
Net interest payable	7.9

#### 7 Taxation on Profit on Ordinary Activities

	2001 £m
United Kingdom corporation tax at 30%	7.5

# LONDON POWER NETWORKS PLC

## NOTES TO THE ACCOUNTS for the year ended 31 December 2001

### 8 Tangible fixed assets

#### Company

	Services	Mains	Tools, Plant and Machinery	Meters	Land and Buildings	Computer Software	Deduct consumers' contributions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
As at 1 January 2001	-	-	-	-	-	-	-	-
Additions	4.9	7.6	10.1	3.9	3.8	-	(9.1)	21.2
Transfer scheme allocation	320.2	631.0	483.4	174.7	186.5	70.7	(315.5)	1,551.0
Intercompany transfers out	-	-	-	-	(3.1)	-	-	(3.1)
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2001	325.1	638.6	493.5	178.6	187.2	70.7	(324.6)	1,569.1
<b>Depreciation</b>								
As at 1 January 2001	-	-	-	-	-	-	-	-
Charge for the year	1.3	2.4	3.4	1.6	1.0	4.2	(1.5)	12.4
Transfer scheme allocation	113.3	237.3	161.4	45.3	66.7	44.8	(84.4)	584.4
Intercompany transfers out	-	-	-	-	(0.6)	-	-	(0.6)
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2001	114.6	239.7	164.8	46.9	67.1	49.0	(85.9)	596.2
<b>Net book amounts</b>								
As at 31 December 2001	210.5	398.9	328.7	131.7	120.1	21.7	(238.7)	972.9

#### Transfer scheme allocations are made up of :-

Allocation of the assets of London Electricity Group plc, in accordance with the Transfer scheme made under Schedule 7 of the Utilities Act 2000. The scheme came into operation on 1 October 2001. Disposal of operational property at net book value to London Power Networks plc under the terms of the Utilities Act 2000 and the Transfer scheme.

#### Net book amount of other land and buildings comprises:

	2001 £m
Freehold	103.1
Long leasehold (over 50 years)	7.8
Short leasehold (50 years or less)	9.2
	<u>120.1</u>

#### Net book amount of tangible fixed assets include the following:

	2001 £m
Assets in the course of construction	69.4
Land not depreciated	15.1
	<u>84.5</u>

There were no tangible fixed assets as at 31 December 2000.

	Subsidiary Undertakings	Total
	£	£
<b>Cost and Net Book value</b>		
As at 1 January 2001 and 31 December 2001	14	14

The market value of the investment is £14

The subsidiaries at 31 December 2001 are listed below:-

Name of Company	Holding	Proportion of nominal value of shares held
	Ordinary	
London Power Distribution Ltd	£2	100%
London Power Networks Powercom Ltd	£2	100%
London Power Networks Powerquest Ltd	£2	100%
LPN Powercom Ltd	£2	100%
LPN Powerquest Ltd	£2	100%
Powercom LPN Ltd	£2	100%
Powerquest LPN Ltd	£2	100%

# LONDON POWER NETWORKS PLC

## NOTES TO THE ACCOUNTS for the year ended 31 December 2001

### 10 Stocks

	2001 £m	2000 £m
Work in progress	2.1	-
	<u>2.1</u>	<u>0.0</u>

### 11 Debtors

	2001 £m	2000 £m
Trade debtors	12.7	-
Amounts owed by other group companies	33.7	-
Other debtors	5.1	-
Prepayments and accrued income	7.3	-
	<u>58.8</u>	<u>0.0</u>

### 12 Borrowings - external

	2001 £m	2000 £m
Amounts falling due within one year:		
Loan from 24Seven Utilities Ltd	0.4	-

### 13 Creditors

	2001 £m	2000 £m
Amounts falling due within one year:		
Trade creditors	61.0	-
Amounts owed to other group companies	3.9	-
Corporation Tax	7.5	-
Other creditors	5.9	-
Accruals and deferred income	12.0	-
	<u>90.3</u>	<u>-</u>

The company had a liability of £14 at 31 December 2000 regarding monies owed to the parent company, London Electricity Group plc, in respect of Investments in Subsidiary companies (see note 9)

### 14 Borrowings - external

	2001 £m	2000 £m
Amounts falling due after more than one year:		
8% Eurobonds repayable 28 March 2003	99.6	-
8 5/8 % Eurobonds repayable 26 October 2005	99.4	-
Loan from 24Seven Utilities Ltd	0.9	-
	<u>199.9</u>	<u>-</u>

The 8% Eurobonds may not be redeemed prior to 28 March 2003 except upon the occurrence of certain events (for example, a change in taxation law). In addition, the 8 5/8 % Eurobonds may be redeemed in full together with accrued interest by either the "Issuer" or "Bondholders" upon the occurrence of certain events.

	2001 £m	2000 £m
Analysis of amounts falling due after more than one year:		
In more than one year but not more than two years	100.0	-
In more than two years but not more than five years	99.9	-
	<u>199.9</u>	<u>-</u>

# LONDON POWER NETWORKS PLC

## NOTES TO THE ACCOUNTS for the year ended 31 December 2001

<b>15 Borrowings - intra group</b>	<b>2001</b>	<b>2000</b>
	<b>£m</b>	<b>£m</b>
Amounts falling due after more than one year:		
Amounts owed to other group companies	322.6	-
	<hr/>	<hr/>
Analysis of amounts falling due after more than one year:		
In more than one year but not more than two years	322.6	-
In more than two years but not more than five years	-	-
	<hr/>	<hr/>
	322.6	-

This item relates to an uncommitted revolving loan facility between the company and London Electricity Group plc, this being repayable two years after its granting on 1 October 2001 as part of the London Electricity Transfer scheme.

## 16 Deferred Taxation

The amount provided for deferred taxation and the amounts for which provision has not been made are as follows:

### Provided in accounts:

	<b>2001</b>	<b>2000</b>
	<b>£m</b>	<b>£m</b>
As at 1 January 2001 and 31 December 2001	-	-

### Potential liability not provided:

	<b>2001</b>	<b>2000</b>
	<b>£m</b>	<b>£m</b>
Accelerated capital allowances	218.8	-
Other timing differences	(0.6)	-
	<hr/>	<hr/>
	218.2	-

Total potential deferred taxation is computed at a corporation tax rate of 30%.

## 17 Share Capital

	<b>2001</b>	<b>2000</b>
	<b>£m</b>	<b>£m</b>
Authorised:-		
10,000,000 ordinary shares of £1 each	10.0	-
	<hr/>	<hr/>
Allotted, called up and fully paid		
10,000,000 ordinary shares of £1 each	10.0	-

The company was incorporated on the 15th February 2000 with the issuing of 2 shares of £1 each, held by London Electricity Group plc. On 29 June 2001, a further 50,012 shares of £1 each were issued and on 1 October 9,949,986 shares of £1 each were issued as part of the transfer scheme. The shares are all held by London Electricity Group plc.

<b>18 Profit and loss account</b>	<b>2001</b>	<b>2000</b>
	<b>£m</b>	<b>£m</b>
As at 1 January 2001	-	-
Transfer scheme allocation	425.0	-
Retained profit for the period	17.7	-
	<hr/>	<hr/>
Balance at 31 December 2001	442.7	-

The Intercompany transfer in is a figure based on the allocation of the London Electricity Group plc balance sheet to the distribution business under the terms of the London Electricity Transfer scheme made under Schedule 7 to the Utilities Act 2000. The scheme finally came into operation on 1 October 2001 when London Power Networks plc commenced trading, the retained reserves being transferred from London Electricity Group plc at this date.

## 19 Pensions

The principal pension scheme available to employees of London Power Networks is the Electricity Supply Pension scheme (ESPS) operated by London Electricity Group. The assets of the scheme are held in a separate trustee administered fund. The ESPS provides pensions and related benefits based on the final pensionable pay of employees.

The most recent formal actuarial valuation of the scheme was carried out at 31 March 1998 by Bacon and Woodrow, consulting actuaries. Details of the principal assumptions and the results of the valuation are included in the accounts of London Electricity Group plc.

Since April 1994 new employees have been offered membership of the London Electricity 1994 Retirement Plan, a defined contribution pension scheme. Details of the principal assumptions and the results of the valuation are included in the accounts of London Electricity Group plc. The company's contributions are charged against profits in the year in which contributions are made.

## LONDON POWER NETWORKS PLC

### NOTES TO THE ACCOUNTS

for the year ended 31 December 2001

	2001 £m	2000 £m
<b>20 Capital Commitments</b>		
Capital expenditure that has been contracted for but has not been provided for in the accounts	255.6	-

### 21 Financial Commitments

The company has no commitments under non-cancellable operating leases.

### 22 Contingent liabilities

Under Part II A of the Environmental Protection Act 1990 retroactive liability may be imposed on landowners for the clean up of land identified by local authorities as contaminated. Land can be identified as contaminated if significant harm is being caused, pollution of controlled waters is occurring and there is a significant possibility of controlled waters being contaminated. If London Electricity sites are contaminated, clean up costs may be incurred in the future. However, it is not currently possible to calculate a reliable estimate of clean up costs. Full provision has been made, however, where a problem has been identified and a quantifiable liability established.

### 23 Related Party Transactions

The company has taken advantage of the exemption in paragraph 3c FRS No 8 to not disclose related party transactions with other members of EDF Group, as it is a wholly owned subsidiary of a parent publishing consolidated accounts.

### 24 Parent Company

At 31 December 2001 'Electricité de France' (EdF), a french state owned company is regarded by the directors as the company's ultimate parent company. Copies of that company's consolidated accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris Cedex 08, France.

London Electricity Group plc holds a 100% interest in London Power Networks plc and is considered to be the immediate parent company.