

**EDF ENERGY (SERVICES) LIMITED**  
**(FORMERLY LONDON ELECTRICITY SERVICES LIMITED)**

**Registered Number 2228168**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2002**



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### **Directors**

Humphrey A E Cadoux-Hudson  
Vincent de Rivaz  
Andrew K MacAskill

### **Secretary**

Robert I Higson

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Registered Office**

40 Grosvenor Place  
Victoria  
London  
SW1X 7EN

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2002. The Company changed its name from London Electricity Services Limited to EDF Energy (Services) Limited on 30<sup>th</sup> June 2003.

### Principal activity and review of the business

The Company's principal activity during the year continued to be the management of electricity distribution systems.

Turnover has increased by 9% to £27,565,677 during the year and the directors believe that the trend will continue. The Company is in a good position to take advantage of any opportunities which may arise in the future.

### Results and dividends

The profit for the year, after taxation, amounted to £9,415,000 (2001 £3,463,000). The directors recommend that no dividend should be paid this year.

### Directors and their interests

Directors who held office during the year were as follow:

Kevin Morton	(Resigned 1 <sup>st</sup> April 2003)
Paul A Cuttill	(Resigned 1 <sup>st</sup> April 2003)
Gerald L Wingrove	(Resigned 30 <sup>th</sup> September 2002)
Andrew K MacAskill	
Humphrey A E Cadoux-Hudson	(Appointed 1 <sup>st</sup> April 2003)
Vincent de Rivaz	(Appointed 1 <sup>st</sup> April 2003)
Michael J Pavia	(Appointed 1 <sup>st</sup> April 2003, Resigned 31 <sup>st</sup> July 2003)

One of the directors has a service contract with the Company. The remaining directors are all employed by the parent company, EDF Energy plc (formerly 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 year in which a director of the Company was materially interested.

None of the directors who held office at the end of the financial year had an interest in the shares of the Company or any other Group company.

### Creditors payment policy

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

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

## **DIRECTORS' REPORT Continued**

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2002, the Company had an average of 5 days purchases outstanding in its trade creditors (2001: 8 days).

### **Employee involvement**

The Company keeps its employees informed on matters affecting them relating to the EDF Energy Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in a staff newspaper and newsletters and Company intranet on current activities and progress.

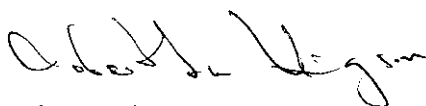
### **Equal opportunities**

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

### **Auditors**

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

By order of the Board



Robert I Higson

Secretary

Date 27 OCT 2003

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SERVICES) LIMITED (FORMERLY LONDON ELECTRICITY SERVICES LIMITED)**

We have audited the Company's financial statements for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

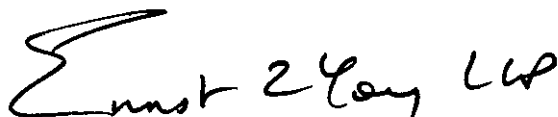
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SERVICES)  
LIMITED (FORMERLY LONDON ELECTRICITY SERVICES LIMITED) Continued**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", is written over the printed name of the auditor.

Ernst & Young LLP  
Registered Auditor  
London

Date 27 OCT 2003

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<i>Note</i>	<b>2002 £000</b>	<b>Restated 2001 £000</b>
<b>Turnover</b>	<b>2</b>	<b>27,566</b>	<b>25,342</b>
<b>Gross profit</b>		<b>27,566</b>	<b>25,342</b>
Distribution expenses		(4,212)	(2,423)
Administrative expenses		(5,040)	(11,161)
<b>Operating profit</b>		<b>18,314</b>	<b>11,758</b>
<b>Profit on ordinary activities before interest and taxation</b>		<b>18,314</b>	<b>11,758</b>
Interest receivable	7	-	9
Interest payable	8	(6,477)	(6,093)
<b>Profit on ordinary activities before taxation</b>		<b>11,837</b>	<b>5,674</b>
Tax on profit on ordinary activities	9	(2,422)	(2,211)
<b>Profit retained for the financial year</b>	<b>19</b>	<b>9,415</b>	<b>3,463</b>

Prior year figures have been restated to show the effects of adopting FRS 19 'Deferred tax'.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<i>Note</i>	<b>2002 £000</b>	<b>Restated 2001 £000</b>
<b>Profit for the financial year</b>		<b>9,415</b>	<b>3,463</b>
<b>Total recognised gains and losses relating to the year</b>		<b>9,415</b>	<b>-</b>
Prior year adjustment	24	(7,026)	-
<b>Total recognised gains and losses since last annual report</b>		<b>2,389</b>	<b>-</b>

Prior year figures have been restated to show the effects of adopting FRS 19 'Deferred tax'.



**BALANCE SHEET**  
**AS AT 31 DECEMBER 2002**

	<i>Note</i>	2002 £000	Restated 2001 £000
<b>Fixed assets</b>			
Intangible assets	10	1,008	1,073
Tangible assets	11	142,452	116,623
		<b>143,460</b>	<b>117,696</b>
<b>Current assets</b>			
Stock	12	2,138	2,307
Debtors falling due within one year	13	2,449	4,541
		<b>4,587</b>	<b>6,848</b>
<b>Creditors</b> (amounts falling due within one year)	14	<b>(64,185)</b>	<b>(44,278)</b>
<b>Net current liabilities</b>		<b>(59,598)</b>	<b>(37,430)</b>
<b>Total assets less current liabilities</b>		<b>83,862</b>	<b>80,266</b>
<b>Creditors</b> (amounts falling due after more than one year)	15	<b>(44,700)</b>	<b>(52,600)</b>
<b>Provision for liabilities and charges</b>	17	<b>(13,234)</b>	<b>(11,153)</b>
<b>Net assets</b>		<b>25,928</b>	<b>16,513</b>
<b>Capital and reserves</b>			
Called up share capital	18	10,100	10,100
Profit and loss account	19	15,828	6,413
<b>Equity shareholder's funds</b>		<b>25,928</b>	<b>16,513</b>

Prior year figures have been restated to show the effects of adopting FRS 19 'Deferred tax'.

The financial statements on pages 7 to 21 were approved by the Board of directors on 2003 and were signed on its behalf by:

Humphrey A E Cadoux-Hudson

Director

Date



27 OCT 2003

Andrew K MacAskill

Director

Date



27 OCT 2003

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

In preparing the financial statements for the current year, the Company has adopted FRS 19 'Deferred taxation'. The impact of the adoption of FRS 19 is shown in note 9. The Group is following the transitional arrangements of FRS 17 'Retirement benefits'. The required disclosures are shown in note 21.

#### Fundamental accounting concept

The financial statements have been prepared under the going concern concept. EDF Energy plc (formerly London Electricity Group plc), the parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

#### Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group which produces publicly available financial statements.

#### Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Cost includes staff costs where employees participate directly in the construction of assets.

#### Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

##### Operational assets:

Network assets excluding cable	—	over 30 years
Cable	—	over 50 years
Leasehold land and buildings	—	Shorter of lease term or 40 years

##### Non operational assets:

Fixtures and equipment	—	over 5 years
Vehicles	—	over 5 years
IT equipment	—	over 3 years

## NOTES TO THE FINANCIAL STATEMENTS continued

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as follows:

Work in progress	–	Cost of direct materials and labour plus attributable overheads based on a normal level of activity.
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Net realisable value is based on estimated contract value less any further costs expected to be incurred to completion and disposal.

Provisions are made for obsolete, slow moving or defective items where appropriate.

### Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Previously deferred tax was provided for in respect of timing differences to the extent that it was probable that a liability would crystallise in the foreseeable future. Comparative figures have been restated as required (note 24).

## NOTES TO THE FINANCIAL STATEMENTS continued

### Leasing and hire purchase commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### Pensions

The Company operates both a defined contribution pension scheme and defined benefit pension scheme. Contributions in respect of the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The cost of providing pensions in respect of a defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The pension cost is assessed in accordance with the advice of qualified actuaries.

## 2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of the management of various electricity distribution systems.

## 3. Operating profit

	2002 £000	2001 £000
This is stated after charging:		
Depreciation of owned fixed assets	2,655	3,242
Amortisation of goodwill	65	66
Auditors' remuneration	15	5
Operating lease rentals		
- land and buildings	258	184
- vehicles	212	179

## 4. Exceptional items

	2002 £000	2001 £000
Provision for debtors owed by LEC (London Electricity Contracting)	-	1,373
Provisions in relation to warranty and indemnity claims on sale of LEC	-	4,127

**NOTES TO THE FINANCIAL STATEMENTS continued**

**5. Directors' emoluments**

	2002 Number	2001 Number
Members of defined benefit pension scheme	1	1
<hr/>		
	2002 £000	2001 £000
Emoluments payable to the highest paid director were as follows:		
Aggregate emoluments	107	46

Other directors are employees of EDF Energy plc (formerly London Electricity Group plc) and did not receive any remuneration from the Company during the year.

**6. Staff costs**

	2002 £000	2001 £000
Wages and salaries	3,018	2,463
Social security costs	285	221
Other pension costs	240	185
Less capitalised expenditure	(1,493)	(1,213)
	2,050	1,656

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

	2002 Number	2001 Number
Administration	66	64
Production	18	9
	84	73

**7. Interest receivable**

	2002 £000	2001 £000
Interest receivable from EDF Energy plc (formerly London Electricity Group plc)	-	9
	-	9

**NOTES TO THE FINANCIAL STATEMENTS continued**

**8. Interest payable**

	2002 £000	2001 £000
Interest due on loan from EDF Energy plc (formerly London Electricity Group plc)	6,477	6,093
	6,477	6,093

**9. Tax on profit on ordinary activities**

(a) Analysis of tax charge in the year

**UK current tax**

	2002 £000	As restated 2001 £000
UK corporation tax charge on profits of the year	(1,987)	(2,673)
Adjustment in respect of previous years	1,761	-
Total current tax charge (Note 9(b))	(226)	(2,673)

**UK deferred tax**

Origination and reversal of timing differences	(3,726)	(171)
Increase in discount	1,530	633
Total deferred tax charge	(2,196)	462
Tax charge on profit on ordinary activities	(2,422)	(2,211)

**NOTES TO THE FINANCIAL STATEMENTS continued**

(b) Factors affecting tax charge for the year:

	2002 £000	2001 £000
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	11,837	5,674
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(3,551)	(1,702)
Effect of:		
Adjustment to prior year tax charge	1,761	-
Disallowed expenses and non-taxable income	(118)	(56)
Capital allowances in excess of depreciation	1,702	322
General provisions	-	(1,034)
Amortisation of goodwill	(20)	(20)
Other	-	(183)
Current tax charge for the period	(226)	(2,673)

**10. Intangible fixed assets**

	2002 £000	2001 £000
<b>Goodwill</b>		
<b>Cost</b>		
At 1 January and 31 December	1,314	1,314
<b>Amortisation</b>		
At 1 January	241	175
Charged to profit and loss account	65	66
<b>At 31 December</b>	306	241
<b>Net book amount</b>		
At 31 December	1,008	1,073

Goodwill is being amortised over a period of 20 years on a straight line basis.

The directors have reviewed the net book amount of goodwill at 31 December 2002 and in their opinion this amount is fully supported by their valuation of the Group's net assets.

**NOTES TO THE FINANCIAL STATEMENTS continued**

**11. Tangible fixed assets**

	Network assets	Assets in the course of construction	Non- Operational Land and buildings	Vehicles	Fixtures & equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 January 2002	80,521	51,405	-	6	551	132,483
Additions	10,592	17,544	247	-	101	28,484
<b>At 31 December 2002</b>	<b>91,113</b>	<b>68,949</b>	<b>247</b>	<b>6</b>	<b>652</b>	<b>160,967</b>
<b>Depreciation</b>						
At 1 January 2002	15,361	-	-	6	493	15,860
Charge for the year	2,576	-	47	-	32	2,655
<b>At 31 December 2002</b>	<b>17,937</b>	<b>-</b>	<b>47</b>	<b>6</b>	<b>525</b>	<b>18,515</b>
<b>Net book amount</b>						
<b>At 31 December 2002</b>	<b>73,176</b>	<b>68,949</b>	<b>200</b>	<b>-</b>	<b>127</b>	<b>142,452</b>
At 31 December 2001	65,160	51,405	-	-	58	116,623

**12. Stocks**

	2002	2001
	£000	£000
Work in progress	2,138	2,307
	<b>2,138</b>	<b>2,307</b>

**13. Debtors**

	2002	2001
	£000	£000
Trade debtors	376	2,560
Other debtors	725	540
Prepayments and accrued income	39	66
Amounts owed by EDF Energy plc (formerly London Electricity Group plc)	108	1,250
Amounts owed by other group companies	220	125
Other taxes and social security costs	981	-
	<b>2,449</b>	<b>4,541</b>



**NOTES TO THE FINANCIAL STATEMENTS continued**

**14. Creditors: amounts falling due within one year**

	2002	2001
	£000	£000
Borrowings (note 16)	13,528	11,828
Bank overdraft	44,436	23,679
Trade creditors	571	808
Amounts owed to other group companies	36	30
Corporation tax	-	1,326
Other taxes and social security costs	-	185
Amounts owed to EDF Energy plc (formerly London Electricity Group plc)	3,716	2,046
Accruals	1,898	4,376
	<hr/> 64,185	<hr/> 44,278

**15. Creditors: amounts falling due after one year**

	2002	2001
	£000	£000
Borrowings (note 16)	44,700	52,600
	<hr/> 44,700	<hr/> 52,600

NOTES TO THE FINANCIAL STATEMENTS continued

16. Borrowings

	2002 £000	2001 £000
Inter-company – loans from EDF Energy plc (formerly London Electricity Group plc)	58,228	64,428
	58,228	64,428
	2002 £000	2001 £000
Amounts repayable:		
In one year or less, or on demand	13,528	11,828
	13,528	11,828
In more than one year but not more than two years	9,600	7,900
In more than two years but not more than five years	35,100	38,100
In more than five years	-	6,600
	44,700	52,600
	58,228	64,428

**NOTES TO THE FINANCIAL STATEMENTS continued**

**17. Provisions for liabilities and charges**

	At 1 January 2002	Released in the period	Arising during the year	At 31 December 2002
	£000	£000	£000	£000
Provision re: Sale of LEC	4,127	(115)	-	4,012
Deferred tax	7,026	-	2,196	9,222
	11,153	(115)	2,196	13,234

The movements in deferred taxation during the current year are as follows:

	2002 £000
At 1 January 2002	-
Prior period adjustment on implementation of FRS 19 (note 24)	7,026
Charge for the year (note 9)	2,196
At 31 December 2002	9,222

Deferred taxation provided in the financial statements and the amounts are as follows:

	2002 £000	2001 £000 As restated
Accelerated capital allowances	16,613	12,886
Undiscounted provision for deferred tax	16,613	12,886
Discount	(7,391)	(5,860)
	9,222	7,026

**18. Share capital**

Authorised

	2002 £000	2001 £000
Ordinary shares of £1 each	15,000	15,000

Allotted, called up and fully paid

	2002 Number	2001 Number	2002 £000	2001 £000
Ordinary shares of £1 each	10,100	10,100	10,100	10,100

**NOTES TO THE FINANCIAL STATEMENTS continued**

**19. Reconciliation of shareholder's funds and movement on reserves**

	Share capital	Profit and loss account	Total share- holder's funds
	£000	£000	£000
At 1 January 2001	10,100	10,438	20,538
Prior year adjustment	-	(7,488)	(7,488)
At 1 January 2001 restated	10,100	2,950	13,050
Profit for the year	-	3,463	3,463
At 31 December 2001	10,100	6,413	16,513
Profit for the year	-	9,415	9,415
At 31 December 2002	10,100	15,828	25,928

**20. Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £106,413,000 (2001 - £75,820,000).

**21. Pension commitments**

Employees are members of the EDF Energy segment of the Electricity Supply Pension Scheme (ESPS). The ESPS provides pensions and related benefits based on the final pensionable pay of employees. The assets of the scheme are held in a separate trustee administered fund.

The most recent formal actuarial valuation of the scheme was carried out at 31 March 2001 by Hewitt, Bacon & Woodrow, consulting actuaries. Details of the principle assumptions and the results of the valuation are included in the financial statements of EDF Energy plc (formerly London Electricity Group plc).

In April 1994, EDF Energy set up a defined contribution pension scheme for new employees.

The pension charge for the period relating to the schemes was £240,232 (2001: £185,099).

## NOTES TO THE FINANCIAL STATEMENTS continued

### 22. Other financial commitments

At 31 December 2002, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2002 £000	Other 2002 £000	Land and buildings 2001 £000	Other 2001 £000
Operating leases which expire:				
Within one year	-	37	-	14
In two to five years	209	145	171	162
In over five years	40	-	46	4
	<b>249</b>	<b>182</b>	<b>217</b>	<b>180</b>

### 23. Related parties

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the group or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

### 24. Prior year adjustment

#### Deferred tax

The adoption of FRS 19 'Deferred tax' has resulted in a change in the method of accounting for deferred tax, from a partial to a full provision basis. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3.

The effect on the Company profit and loss account for the years ended 31 December 2002 and 31 December 2001 is shown below.

	2002 £000	2001 £000
Increase/(decrease) in tax charge	<b>2,196</b>	<b>(462)</b>
Total net profit (decrease)/increase	<b>(2,196)</b>	<b>462</b>
As previously reported	-	3,001
As restated	-	3,463

# NOTES TO THE FINANCIAL STATEMENTS continued

The effect on the Company balance sheet at 31 December 2002 and 31 December 2001 is shown below.

	Under previous policy	2002 FRS 19 adjustment	Per financial statements	As previously reported	2001 FRS 19 adjustment	Per financial statements (Restated)
	£000	£000	£000	£000	£000	£000
Provisions for liabilities and charges	4,012	9,222	13,234	4,127	7,026	11,153
Movement in equity shareholder's funds		9,222			7,026	

## 25. Parent undertaking and controlling party

EDF Energy plc (formerly London Electricity Group plc) holds a 100% interest in EDF Energy (Services) Ltd and is considered to be the immediate parent company. This is the smallest group for which consolidated financial statements are prepared.

At 31 December 2002, 'Electricité de France' (EDF), a French state owned company is regarded by the directors as the Company's ultimate parent company. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.