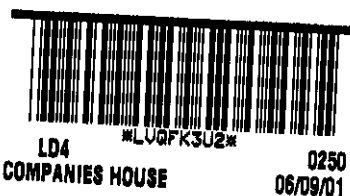


LONDON ELECTRICITY SERVICES LIMITED

Registered Number 2228168

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000



LONDON ELECTRICITY SERVICES LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

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Directors

Mr G L Wingrove
Mr I R Beament (Retired January 2001)
Mr A T Norman (Retired January 2001)
Mr K Morton (Appointed January 2001)
Mr P Cutill (Appointed January 2001)

Secretary

Mr R I Higson

Registered Number

2228168

Auditors

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

Registered Office

Templar House
81-87 High Holborn
LONDON
WC1V 6NU

LONDON ELECTRICITY SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000

The Directors present their report and the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The Company's principal activity is to manage electricity distribution systems. It will continue in this activity for the foreseeable future.

RESULTS AND DIVIDEND

The profit for the financial year was £12,557,358 (1999: £8,107,050). Further information is contained in the accounts appended to this report.

The Directors recommend that no dividend should be paid this year.

FIXED ASSETS

Details of the movements in fixed assets during the year are shown in Note 10 to the accounts.

DIRECTORS

Directors who held office during the year were as follows:

Mr Gerald Langdon Wingrove
Mr Ian Roger Beament (Resigned 1 January 2001)
Mr Angus Tindale Norman (Resigned 1 January 2001)
Mr Kevin Morton (Appointed 1 January 2001)
Mr Paul Cutill (Appointed 1 January 2001)

The articles do not provide for the rotational retirement of Directors.

DIRECTORS' INTERESTS

None of the Directors have a service contract with the Company. They are all employed by the parent Company, London Electricity 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.

There are no particulars or arrangements requiring disclosure pursuant to section 232 of the Companies Act 1985.

DIRECTORS' SHAREHOLDINGS

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

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; and
- (c) pay in accordance with its contractual and other legal obligations.

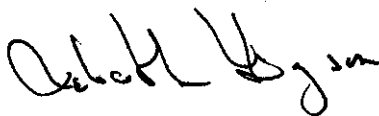
The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception.

AUDITORS

Ernst & Young were appointed as auditors on the 13th January 2000. In accordance with section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and Ernst & Young will continue in office.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnership Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By Order of the Board

A handwritten signature in black ink, appearing to read 'R I Higson'.

R I Higson
Secretary

1st May 2001

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
- prepare the accounts 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 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.

LONDON ELECTRICITY SERVICES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF LONDON ELECTRICITY SERVICES LIMITED

We have audited the accounts on pages 7 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

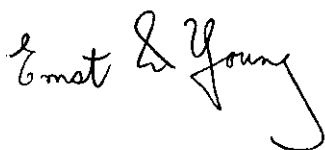
Basis of audit opinion

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 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 of the Company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditors
London

30 May, 2001.

LONDON ELECTRICITY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2	23,771,323	26,768,637
Cost of sales		(2,047,946)	(5,656,984)
Gross Profit		<u>21,723,377</u>	<u>21,111,653</u>
Operating expenses		(6,552,994)	(5,766,100)
Operating Profit	3	<u>15,170,383</u>	<u>15,345,553</u>
Income from Fixed Asset Investment		5,613,040	-
Interest receivable	6	262,367	550,174
Interest payable	7	(5,839,530)	(6,210,897)
Profit on ordinary activities before taxation		<u>15,206,260</u>	<u>9,684,830</u>
Tax on profit on ordinary activities	8	(2,648,902)	(1,577,780)
Retained profit for the year	19	<u><u>12,557,358</u></u>	<u><u>8,107,050</u></u>

The results of the Company relate entirely to continuing operations.

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 ELECTRICITY SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2000

	Notes	2000 £	1999 £
Fixed Assets			
Intangible Assets	9	1,139,197	1,204,921
Tangible assets	10	90,726,717	77,282,263
Investments	11	<u>1,250,002</u>	<u>1,450,004</u>
		93,115,916	79,937,188
Current Assets			
Stocks	12	1,758,282	452,656
Debtors	13	8,788,755	8,963,974
		<u>10,547,037</u>	<u>9,416,630</u>
Current Liabilities			
Amounts falling due within one year	14	(24,324,513)	(17,172,736)
Net Current Liabilities		<u>(13,777,476)</u>	<u>(7,756,106)</u>
Total assets less current liabilities		<u>79,338,440</u>	<u>72,181,082</u>
Creditors amounts falling due after more than one year	15	(58,800,000)	(64,200,000)
Net Assets		<u><u>20,538,440</u></u>	<u><u>7,981,082</u></u>
Capital and Reserves			
Share capital	17	10,100,000	10,100,000
Reserves			
Profit and loss account	18	10,438,440	(2,118,918)
Equity shareholders' funds	19	<u><u>20,538,440</u></u>	<u><u>7,981,082</u></u>

The accounts on pages 7 to 14 were approved by the Board of Directors on
and signed on its behalf by:

1st May 2001

G. L. Wingrove

G Wingrove
Director

LONDON ELECTRICITY SERVICES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

Accounting conventions

The accounts have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

The Company is exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 as it is a member of a group which produces publicly available accounts.

The company has not prepared group accounts as it is a wholly owned subsidiary of a parent which publishes publicly available consolidated accounts.

Turnover

Turnover arises entirely in the United Kingdom from the management of various electricity distribution systems and is stated exclusive of value added tax.

Pensions

Pension costs are charged to the profit and loss account so that they are spread over employees' working lives. Pension costs are assessed in accordance with the advice of qualified actuaries.

Tangible fixed assets

Following the adoption of FRS15, the major components of network assets have been treated separately for depreciation purposes. Each class has been depreciated over its particular useful economic life rather than over the life of the network as a whole.

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Where employees participate directly in the construction of assets staff costs are capitalised. Depreciation is calculated so as to write off the cost of tangible fixed assets over their expected useful economic life. The straight line method is used. Assets are depreciated from the date of commission.

Lives of depreciable assets are as follows:

Operational assets:	
Network Assets excluding Cable	30 years
Cable	50 years
Non operational assets:	
Fixtures and equipment	5 years
Vehicles	5 years
IT Equipment	3 years

Stocks

Stocks are stated at the lower of cost or net realisable value. The valuation of work in progress is based on the cost of labour and materials.

Goodwill

Goodwill represents the excess of purchase price over the fair value of separable net assets acquired. Goodwill has been capitalised on the balance sheet and amortised over 20 years. This period of amortisation has been chosen as it is management's best estimate of the useful life of goodwill.

Deferred tax

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

Leases

Rental costs under operating leases are charged to the profit and loss account in the year in which they are incurred.

2. TURNOVER

Turnover arises entirely in the United Kingdom.

3. OPERATING PROFIT

	2000	1999
	£	£
Operating profit is stated after charging the following:		
Depreciation	2,054,365	1,834,121
Amortisation of goodwill	65,724	65,724
Profit on disposal of tangible fixed assets	663,000	-
Auditors' remuneration	5,000	8,000
Lease payments for Land & Buildings	198,209	196,577
Lease payments for vehicles	136,788	93,596

4. DIRECTORS' EMOLUMENTS

All the Directors are employees of London Electricity plc and did not receive any remuneration from the Company during the year.

5. EMPLOYEE INFORMATION

The average weekly number of persons (including executive directors) employed by the Company during the year was:

	2000	1999
	Number	Number
Production	72	67
Administration	9	9
Total	81	76

	2000	1999
	£	£
Staff costs (for the above persons)		
Wages and salaries	2,704,790	2,117,782
Social security costs	410,409	181,668
Other pension costs (see note 20)	58,743	28,194
	3,173,942	2,327,644

6. INTEREST RECEIVABLE

	2000	1999
	£	£
Other interest receivable from London Electricity plc	<u>262,367</u>	<u>550,174</u>

7. INTEREST PAYABLE

	2000	1999
	£	£
Interest due on loan from London Electricity plc	<u>5,839,530</u>	<u>6,210,897</u>

8. TAXATION ON PROFITS ON ORDINARY ACTIVITIES

	2000	1999
	£	£
United Kingdom corporation tax at 30% (1999: 30.25%)	<u>2,648,902</u>	<u>1,577,780</u>

Provision for deferred taxation is not required.

9. INTANGIBLE ASSETS

Goodwill

	£
Cost	
At 1 January 2000	1,314,461
Additions	-
At 31 December 2000	<u>1,314,461</u>

Amortisation

At 1 January 2000	109,540
Charge for the year	65,724
At 31 December 2000	<u>175,264</u>

Net Book Amounts

At 31 December 2000	<u>1,139,197</u>
At 31 December 1999	<u>1,204,921</u>

10. TANGIBLE ASSETS

	Network Assets £	Assets in the course of construction £	Vehicles £	Fixtures and equipment £	Total £
Cost					
As at 1 January 2000	76,177,130	10,638,344	6,275	1,024,019	87,845,768
Additions	1,002,525	14,460,375	-	35,919	15,498,819
Disposals	-	-	-	-	-
At 31 December 2000	<u>77,179,655</u>	<u>25,098,719</u>	<u>6,275</u>	<u>1,059,938</u>	<u>103,344,587</u>
Depreciation					
As at 1 January 2000	9,676,352	-	5,542	881,611	10,563,505
Charge for the period	1,999,845	-	275	54,245	2,054,365
Disposals	-	-	-	-	-
At 31 December 2000	<u>11,676,197</u>	<u>-</u>	<u>5,817</u>	<u>935,856</u>	<u>12,617,870</u>
At 31 December 2000	<u>65,503,458</u>	<u>25,098,719</u>	<u>458</u>	<u>124,082</u>	<u>90,726,717</u>
At 31 December 1999	<u>66,500,778</u>	<u>10,638,344</u>	<u>733</u>	<u>142,408</u>	<u>77,282,263</u>

11. INVESTMENTS

	2000	1999
	£	£
Investments in subsidiary companies at cost	<u>1,250,002</u>	<u>1,450,004</u>

Interest in subsidiaries

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares	Principal Activities
London Electricity Transport Services Ltd	England & Wales	Ordinary £1 shares	100%	Transport Services

On 22 May 2000, London Electricity Contracting Ltd was sold to Eastern Contracting (Holdings) Limited for £1,519,000.

12. STOCKS

	2000	1999
	£	£
Work in progress	<u>1,758,282</u>	<u>452,656</u>

13. DEBTORS

	2000	1999
	£	£
Amounts falling due within one year		
Trade debtors	969,033	407,006
Amount owed by London Electricity plc	621,772	7,380,058
Dividend retentions	713,043	-
Amounts owed by other group companies	2,074,750	39,954
Other taxation and social security	273,060	-
Other debtors	3,718,052	8,929
Prepayments and accrued income	419,045	1,128,027
	<u>8,788,755</u>	<u>8,963,974</u>

14. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2000	1999
	£	£
Trade creditors	717,988	390,428
Corporation Tax	4,335,714	2,965,373
Bank overdraft	4,255,978	551,169
Other taxation and social security	-	313,267
Amounts owed to Le Plc	-	-
Amounts owed to subsidiary companies	730,076	205,447
Accruals and deferred income	3,257,043	2,419,338
On demand loan from London Electricity plc (see note 16)	5,627,714	5,627,714
Current instalments due on long term loans from London Electricity plc (see note 16)	5,400,000	4,700,000
	<u>24,324,513</u>	<u>17,172,736</u>

15. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000	1999
	£	£
Loans from London Electricity plc (see note 16)	<u>58,800,000</u>	<u>64,200,000</u>

16. LOANS FROM LONDON ELECTRICITY PLC

The loans from London Electricity plc are to be repaid as follows:

	2000 £	1999 £
Repayable in less than one year	11,027,714	10,327,714
Repayable between two and five years	42,300,000	29,100,000
Repayable in over five years	16,500,000	35,100,000
	<u>69,827,714</u>	<u>74,527,714</u>

Details of loans not wholly repayable within five years are as follows:

8.25% loan repayable in varying annual instalments by March 2008	<u>64,200,000</u>	<u>68,900,000</u>
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17. SHARE CAPITAL

	2000 £	1999 £
Authorised		
15,000,000 Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>
Allotted, called up and fully paid		
10,100,000 Ordinary shares of £1 each	<u>10,100,000</u>	<u>10,100,000</u>

18. RESERVES

	Profit and Loss Account 2000 £	Profit and Loss Account 1999 £
Balance at 1 January 2000	(2,118,918)	(10,225,968)
Retained profit for the year	12,557,358	8,107,050
Balance at 31 December 2000	<u>10,438,440</u>	<u>(2,118,918)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Opening shareholders' funds	7,981,082	(125,968)
Profit for the year	12,557,358	8,107,050
Closing shareholders' funds	<u>20,538,440</u>	<u>7,981,082</u>

20. PENSIONS

Employees are members of the London Electricity Group 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 1998 by Bacon and Woodrow, consulting actuaries. Details of the principal assumptions and the results of the valuation are included in the financial statements of London Electricity plc.

The pension charged for the period was as follows:

	£
Normal charge for the period	108,605
Less pension surplus credit	<u>(108,605)</u>
	<u>-</u>

In April 1994 the London Electricity Group set up a defined contribution pension scheme for new employees.

The pension charge for the period relating to that scheme was £58,743 (31 December 1999: £28,194).

21. CAPITAL COMMITMENTS

	2000	1999
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>48,607,588</u>	<u>17,291,970</u>

22. FINANCIAL COMMITMENTS

At 31 December 2000 the Company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring within one year	-	64,732	-	48,351
Expiring between two and five years inclusive	-	86,028	-	71,816
Expiring over five years	201,409	-	196,048	-
	<u>201,409</u>	<u>150,760</u>	<u>196,048</u>	<u>120,167</u>

23. RELATED PARTIES

In accordance with FRS 8 (Related Parties) 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 accounts.

24. PARENT COMPANY

At 31 December 2000 '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, 2 Rue Louis Murat, 75384, Paris Cedex, France.

London Electricity plc holds a 100% interest in London Electricity Services Ltd and is considered to be the immediate parent company.