LONDON
ELECTRICITY

2366852

LONDON ELECTRICITY PLC

REPORTS & ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1999

Registered Company number: 2

LONDON ELECTRICITY PLC

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

	Pages
Directors' Report	2 - 5
Auditors' Report	6
Consolidated Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	8
Note of Group Historical Cost Profits and Losses	8
Reconcilation of Movements in Group Shareholders' Funds	8
Balance Sheet	9
Statement of Accounting Policies	10 - 12
Notes to the Accounts	13 - 26

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal Activities

The principal activities of the Group throughout the year were the licensed distribution of electricity, the supply of electricity and gas to commercial, residential and industrial customers, the provision of services relating to energy and electrical contracting, and the operation of private distribution networks.

Business Review & Future Development

1999 saw London Electricity pursue its long-term strategy to become one of the major companies in the UK energy market.

In June 1999 the final phase of the opening of the U.K. electricity market to full competition took place. London Electricity has aggressively defended its pre-existing customer base whilst undertaking a campaign to sell gas to existing customers and gas and electricity to customers outside its traditional area.

The company's growth strategy has included purchasing the supply business of South Western Electricity plc for £160 million. This acquisition increased London Electricity's customer base by 1.3 million, to 3.3 million customers. The purchase received the approval of the European Commission on 19 July 1999, and completion ocurred on 30 September 1999.

As part of the acquisition of the SWEB supply business London Electricity accepted a new license condition which required the transfer of all generation businesses to an affiliate of the licensee that was outside of the arrangements established to ring fence the licensed businesses. In order to do this on 23 August 1999, London Electricity plc transferred London Power Company Ltd to London Electricity Group plc (formerly EDF London Investments plc), its immediate parent company.

In the area of regulatory affairs 1999 was a significant year. Distribution and supply price reviews were completed and the reform of electricity trading arrangements gathered pace. The company has agreed a new price control for the distribution business with the regulator and this covers five years from 1 April 2000. The company has also agreed supply price restraints for residential customers in its franchise area for a period of up to two years. In order to reform the current electricity trading arrangements it is intended that the Electricity Pool will be replaced by market based trading arrangements, scheduled for late 2000. These arrangements will be more like those used in commodity markets and in competitive energy markets elsewhere.

On 14 December 1999, Eastern Electricity and London Electricity announced their intention to establish an equally owned stand-alone joint venture company, bringing together the maintenance and operation of both electricity distribution networks. The joint venture forms part of the company's strategy to achieve the price reductions set out in OFGEM's distribution price control review. The joint venture, named '24 Seven Utility Services Ltd', received regulatory clearance on 4 February 2000 and began operations on 4 April 2000.

The company views the joint venture as an innovative and creative solution to the delivery of network services. It will improve efficiencies through economies of scale and sharing best working practices, leading to improved services for customers.

During 1999 London & Continental Railways Limited (LCR) was successfully restructured. As part of the financial restructuring the existing shareholders agreed to purchase the shares of a dissenting shareholder in LCR. Subsequently, the majority of the shareholders' equity was converted into Cumulative Redeemable Preference Shares in Union Railways (South) Limited, the company which will build and own the first phase of the new rail link.

Results and Dividends

The profit on ordinary activities of the Group before taxation amounted to £244.8 million (1998 restated: £127.2 million) and after taxation to £200.3 million (1998 restated: £127.7 million). Dividends totalling £58.6 million (1998: £71.0 million) were declared and paid during the year.

Directors

The directors of the Company who held office during the year ended 31 December 1999 or who are directors at the date of signing this report are as follows :

		Appointed	Resigned
Bruno Lescoeur (Chairman and Chief Executive)	(E)	28 January 1999	
Ian R. Beament	(E)		
Jack Cizain	(NE)	28 January 1999	7 March 2000
Yves Colliou	(NE)	28 January 1999	18 January 2000
Paul Cuttill	(E)	9 June 1999	
Pierre Lederer	(NE)	28 January 1999	
Marc Riutort	(NE)	15 December 1999	
Martin R. Wenban	(E)		
Gerald L. Wingrove	(E)		
Ronald Barnes	(E)		31 May 1999
Michael B. Bemis	(E)		28 January 1999
Thomas J. Wright	(E)		28 January 1999

(E) - Executive director
(NE) - Non executive director

Directors' Interests

No contract or arrangement has been entered into at any time during the period or subsisted at the end of the period in which any director had a material interest which was significant in relation to the Group's business.

None of the directors have any interests in the share capital or share options of the company or any of its subsidiary companies.

Research & Development

The Group 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 requirements is addressed in conjunction with a number of suppliers.

Contributions for Political and Charitable purposes

The Group supports a number of community projects either in cash or in kind. The value of these contributions amounted to £795,907 (1998: £830,362).

The group made no political donations during the year (1998: £2,000).

Differences between Market and Balance Sheet Value of Land

Land & buildings (including Network property assets) are carried in the historical cost accounts at a net book value of £116.3million. The directors consider the market value of land & buildings is significantly in excess of this amount.

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. Wherever possible, subsidiaries follow the same policy. The number of days represented by trade creditors falling due for payment within one year at the year end is 30 days.

Employees

It is the policy of the Group 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 Group 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 Group 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 Group.

The Group'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.

Year 2000

1999 saw a programme to amend critical and embedded systems. The rollover into the year 2000 passed without *material incident. Although there have been a small number of minor errors reported, these have had no impact on* either front line services or the delivery of electricity to customers.

Contingency plans are in place in 2000 to deal with any problems that may arise.

The operation of our business also depends on the computer systems of our customers and suppliers. We have sought assurances from relevant third parties and have contingency plans in key risk areas.

During 1999 £8.5million was spent (1998: £3.9million) on associated systems and equipment.

Going Concern

The financial statements have been prepared on the going concern basis. The directors are satisfied that the Company and Group have adequate resources to continue in operational existence for the foreseeable future.

Auditors

PricewaterhouseCoopers resigned with effect from 9 September 1999. At this date, the directors appointed Ernst & Young as auditors.

A resolution to re-appoint Ernst & Young as auditors to the Group will be proposed at the Annual General Meeting.

By order of the Board

Robert Higson

Robert Higson
Company Secretary

10 July 2000

Statement of Directors' responsibilities in respect of the accounts

The following statement sets out the responsibilities of the directors in relation to 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 the Group 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 the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the Group and to 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.

Report of the Auditors to the members of London Electricity Plc

We have audited the accounts on pages 7 to 26, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 to 12.

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 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 and of the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor

London

14 July 2000

LONDON ELECTRICITY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

		Note	**12 months to December 1999 £m**	12 months to December 1998 as restated £m
Turnover				
Turnover: group and share of joint ventures turnover			1488.9	1,286.9
Less: share of joint venture turnover	continuing operations		-	(30.5)
	discontinued		(19.8)	-
Continuing operations			1,290.5	1,256.4
Acquisitions			178.6	-
Total turnover		2,3	**1,469.1**	1,256.4
Cost of sales			**(960.6)**	(803.5)
Gross profit			**508.5**	452.9
Net operating expenses		1	**(288.1)**	(234.5)
Exceptional operating expenses		1,2	**(8.5)**	(3.9)
			(296.6)	(238.4)
Continuing operations			**215.5**	214.5
Acquisitions			**(3.6)**	-
Group operating profit		3,4	**211.9**	214.5
Share of operating profit of joint venture:	continuing operations		-	10.7
	discontinued		**6.5**	-
Share of operating profit of associates:	continuing operations		**(2.9)**	(2.7)
	discontinued		**0.3**	-
			3.9	**8.0**
Exceptional item		2	**64.1**	**(69.7)**
Operating profit including joint venture and associates			**279.9**	**152.8**
Writeback of provision against investments		2	-	5.0
Profit on ordinary activities before interest			**279.9**	157.8
Income from investments			**0.5**	0.7
Net interest payable		7	**(35.6)**	(31.3)
Profit on ordinary activities before taxation			**244.8**	127.2
Taxation on profit on ordinary activities		8	**(44.5)**	0.5
Profit on ordinary activities after taxation			**200.3**	127.7
Dividends		9	**(58.6)**	(71.0)
Retained profit for the financial year			**141.7**	56.7

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
for the year ended 31 December 1999

		Note	**12 months to Dec 1999 £m**	12 months to Dec 1998 as restated £m
Net profit for the financial year:	Company		**142.3**	55.3
	Joint venture		**2.2**	4.2
	Associates		**(2.8)**	(2.8)
Total recognised gains and losses relating to the year			**141.7**	56.7
Prior year adjustment (as explained in the statement of accounting policies)			**7.5**	
Total gains and losses recognised since last annual report			**149.2**	

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 1999

	12 months to Dec 1999 £m	12 months to Dec 1998 as restated £m
Historical cost profit on ordinary activities before taxation	**244.8**	127.2
Historical cost profit for the year retained after taxation and dividends	**141.7**	56.7

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
for the year ended 31 December 1999

		12 months to Dec 1999 £m	12 months to Dec 1998 as restated £m
Profit on ordinary activities after taxation		**200.3**	127.7
Dividends	9	**(58.6)**	(71.0)
Retained profit		**141.7**	56.7
Shares issued to London Electricity Group plc		-	5.0
		-	5.0
Net increase in equity shareholders' funds		**141.7**	61.7
Opening shareholders' funds (originally £540.0 million before adding prior year adjustment of £7.5 million)		**547.5**	485.8
Closing equity shareholders' funds		**689.2**	547.5

LONDON ELECTRICITY PLC
BALANCE SHEETS
as at 31 December 1999

	Note	Group 31 Dec 99 £m	Group 31 Dec 98 as restated £m	Company 31 Dec 99 £m	Company 31 Dec 98 as restated £m
Fixed assets					
Intangible assets	10	**268.7**	1.3	**267.5**	-
Tangible assets	11	**1,031.9**	967.2	**947.6**	894.4
Investments	12				
Investment in joint venture:					
Share of gross assets		-	88.2	-	-
Share of gross liabilities		-	(85.2)	-	-
Net investment in joint venture		-	3.0	-	-
Provision for impairment		-	(3.0)	-	-
Net investment		-	-	**78.6**	96.6
Associates		**2.1**	9.5	**8.9**	8.8
Other investments		**9.5**	9.7	**8.3**	8.5
		1,312.2	987.7	**1,310.9**	1,008.3
Current assets					
Stocks	17	**9.7**	10.7	**6.2**	7.8
Debtors : amounts falling due:					
After more than one year	18	**42.3**	59.4	**42.3**	59.4
Within one year	18	**378.4**	296.5	**383.7**	304.7
Investments	19	**23.2**	34.3	**15.0**	21.1
Cash at bank and in hand		**24.9**	-	**24.4**	-
		478.5	400.9	**471.6**	393.0
Creditors: amounts falling due within one year					
Borrowings	20	**(334.6)**	(254.6)	**(332.7)**	(254.3)
Other creditors	21	**(434.2)**	(292.6)	**(432.4)**	(308.0)
Net current liabilities		**(290.3)**	(146.3)	**(293.5)**	(169.3)
Total assets less current liabilities		**1,021.9**	841.4	**1,017.4**	839.0
Creditors: amounts falling due after more than one year					
Borrowings	20	**(198.7)**	(198.2)	**(198.7)**	(198.2)
Other creditors	21	-	(5.4)	-	(5.2)
		(198.7)	(203.6)	**(198.7)**	(203.4)
Provisions for liabilities and charges	22	**(134.0)**	(90.3)	**(130.6)**	(89.3)
Net assets		**689.2**	547.5	**688.1**	546.3
Capital and reserves					
Called up share capital	25	**146.5**	146.5	**146.5**	146.5
Share premium account	26	**13.9**	13.9	**13.9**	13.9
Capital redemption reserve	26	**11.0**	11.0	**11.0**	11.0
Profit and loss account	26	**517.8**	376.1	**516.7**	374.9
Equity shareholders' funds		**689.2**	547.5	**688.1**	546.3

The financial statements were approved by the Board of Directors on 10 July 2000 and were signed on its behalf by:

G. C. Wingrove

Gerald Wingrove *Finance Director*

STATEMENT OF ACCOUNTING POLICIES
for the year ended 31 December 1999

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies is set out below. Policies have been consistently applied except where specifically stated.

Basis of accounting

These financial statements have been prepared under the historical cost accounting convention.

Changes in accounting policy

Due to the adoption of FRS 12, 'Provisions, contingent liabilities and contingent assets' and the clarification provided on 24 February 2000 by the Urgent Issues Task Force to regulated industries, comparative figures for the year ended 31 December 1998 have been restated as follows:

	Profit for the year after dividends £m	Group Net Assets £m	Company Net Assets £m
As previously reported	60.8	540.0	542.3
Effect of adoption of FRS 12 (see note 21)	(4.1)	7.5	4.0
As restated	56.7	547.5	546.3

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and all subsidiary undertakings after eliminating intercompany transactions for the financial year. No profit and loss account is presented for London Electricity plc in accordance with the exemptions allowed by Section 230 of the Companies Act 1985.

Acquisitions of subsidiary undertakings and other businesses

The results of subsidiary undertakings and other businesses acquired during the period are included in the Group profit and loss account from the date that control passes. In accordance with FRS 6 and 7, on acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of the identifiable assets and liabilities existing at the date of acquisition and reflecting the conditions at that date.

Goodwill

Goodwill arising on acquisition has been capitalised and amortised over its expected economic life. Goodwill is being amortised over 20 years. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired.

Joint Venture

The Group profit and loss account includes the Group's share of turnover, operating loss and interest of the joint venture. The investment in the joint venture is shown in the Group balance sheet using the gross equity method. The gross equity method records the Group's share of gross assets and gross liabilities in its' joint venture.

Associated undertakings

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest unaudited financial statements of the undertakings concerned. These undertakings do not all have the same accounting reference date, as PayPoint Ltd has a year-end to 31 March. Because the accounting policies of associated undertakings do not necessarily conform in all respects to those of the Group, adjustments are made on consolidation where the amounts involved are material to the Group.

Turnover

Turnover represents the value of electricity and gas sales during the year, including an estimate of the sales value of units and therms supplied to consumers between the date of the last meter reading and the year end, rents and the invoice value of other goods sold and services provided, exclusive of value added tax.

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.

Pensions

The cost of providing pensions in respect of defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. Pension surpluses and deficits arising are allocated over the estimated average remaining service lives of current employees'.

Differences between the amounts charged to the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet.

The pension cost is assessed in accordance with the advice of qualified actuaries.

Tangible fixed assets

Tangible fixed assets are stated at cost less amounts provided to write off assets over their useful economic life. Cost includes staff costs where employees of the Group participate directly in the construction of assets.

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
Network assets (Depreciation is charged at 3% for 20 years followed by 2% for the remaining 20 years)		40
Freehold land		Not depreciated
Other buildings	-freehold	Up to 40
	-leasehold	Lower of lease period or 40
Vehicles and mobile plant		5 - 10
Fixtures & equipment including computer hardware and software		3 - 8

Major systems development software costs are capitalised during the development phase and depreciated from the date of commissioning over a maximum period of 8 years.

Consumers' contributions are credited to the profit and loss account over a 40 year period at a rate of 3% for the first 20 years followed by 2% for the remaining 20 years. No allowance is made for residual values.

Fixed asset investments

Fixed asset investments are stated in the Group balance sheet at cost less any provision for permanent diminution in value.

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value except that listed investments are stated at market value.

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.

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

Property clawback

Arrangements have been implemented which entitle HM Government to a proportion of certain property gains accruing to London Electricity as a result of disposals or events treated as disposals occurring after 31 March 1990 of properties held at that date. These arrangements continued until 31 March 2000.

A provision for clawback in respect of property disposals is made only to the extent that it is probable that a liability will crystallise.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, all differences being taken to the profit and loss account.

Derivatives and other financial instruments

Financial instruments are utilised to support and raise finance for the Group's trading operations.

Derivative instruments are used by the Group to manage the interest rate risk associated with certain of its variable credit facilities and the commodity price risk associated with its electricity supply business. The Company uses derivatives instruments only for the purpose of hedging identified exposures, where appropriate and does not transact derivative for trade or speculative purposes. The Company's policy for managing risk is defined in statements authorised by the Board of Directors and reviewed on an annual basis. Authority for managing risk consistent with this corporate policy may be delegated by the Board to, among others, treasury and or energy purchasing departments.

Interest rate risk

The Company may enter into interest rate swaps as a part of its overall risk management strategy and does not hold or issue material amounts of derivative financial instruments for trading purposes. If the interest rate swaps were to be sold or terminated, any gain or loss would be deferred and amortised over the remaining life of the debt instrument being hedged by the interest rate swaps. If the debt instrument being hedged by the interest rate swaps were to be extinguished, any gain or loss attributable to the swaps would be recognised in the period of the transaction.

Commodity price risk

The Company enters into contracts for differences ('CFDs') primarily to hedge its supply business against the price risk of electricity purchases from the Pool. Use of these CFDs is carried out within the framework of the Company's purchasing strategy and hedging guidelines. Risk of loss is monitored through establishment of approved counterparties and maximum counterparty limits and minimum credit ratings. The Company recognises gains/(losses) on CFDs when settlement is made. Gains/(losses) on CFDs are recognised as a decrease/(increase) to cost of sales based upon the difference between fixed prices in the CFD compared to variable prices paid to the Pool for the period. Gains/(losses) based upon the difference between fixed prices in CFDs compared to variable prices paid to the Pool for future electricity purchases are not recognised until the period of such settlements.

Cashflow statement

In accordance with FRS1 (revised) the Group has not prepared a statement of cashflows for the current year as it is a wholly owned subsidiary of a company whose financial statements are publicly available.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

1 Analysis of net operating expenses

	12 months to December 1999 £m	12 months to December 1998 as restated £m
Net operating expenses		
Distribution	**119.6**	112.4
Less: use of prior year provision	**-**	(1.3)
	119.6	111.1
Administrative	**168.5**	129.2
Less use of prior year provision	**-**	(5.8)
	168.5	123.4
	288.1	234.5
Exceptional items (see Note 2)		
Administrative		
Exceptional Items	**8.5**	3.9
	8.5	3.9
	296.6	238.4

Distribution costs
Distribution costs are the cost of maintaining the network including appropriate depreciation rates and National Grid Group (NGG) exit charges. Other charges from NGG are included in cost of sales.

Administrative expenses
Administrative expenses include all other operating costs.

2 Exceptional items

	12 months to December 1999 £m	12 months to December 1998 as restated £m
Revenue exceptionals		
Exceptional costs incurred with respect to delayed entry into open market competition	-	4.2
Operating exceptionals		
Costs incurred with respect to Year 2000 modifications	**8.5**	3.9
Share of operating profit / (loss) of associates		
Provision for impairment against share of net liabilities of associate (see Note 22)	**-**	69.7
Elimination of Provision for impairment against share of net liabilities of associate (see Note 22)	**(64.1)**	
Non operating exceptionals		
Decrease in provision against investments	**-**	(5.0)
Total exceptionals	**(55.6)**	72.8

On 23 August 1999 London Electricity plc transferred its generation interests held by the subsidiary London Power Company Ltd to its parent company London Electricity Group plc. The transfer was made necessary by a new license requirement arising from the SWEB acquisition.

As a result of the transfer of the generation assets the provision for the impairment against the group's share of net assets in an associate, has been eliminated

3 Analysis of turnover, operating profit and net assets

	Turnover		Operating profit		Net assets	
	12 months to December	12 months to December 1998	**12 months to December**	12 months to December 1998	**31 December 1999**	31 December 1998
	£m	£m	**£m**	£m	**£m**	£m
Class of business						
Distribution	**358.4**	344.6	**147.2**	172.5	**913.0**	870.6
Supply						
continuing	**1,139.5**	1,125.1	**48.1**	20.4	**76.2**	78.5
acquisition	**178.6**		**(3.6)**		**154.0**	
Total supply	**1,318.1**	1,136.2	**44.5**	19.5	**230.2**	78.5
Private electrical distribution systems	**26.8**	23.3	**15.3**	15.1	**73.8**	69.8
Other	**69.6**	64.4	**5.4**	7.4	**8.3**	(70.5)
	1,772.9	1,568.5	**212.4**	214.5	**1,225.3**	948.4
Less Inter business transactions	**(303.8)**	(312.1)	**(0.5)**	-		-
Unallocated net liabilities	**-**	-	**-**	-	**(536.1)**	(400.9)
Continuing operations	**1,469.1**	1,256.4	**211.9**	214.5	**689.2**	547.5

Explanation of terminology used in the profit and loss account

Distribution business

This is the transfer of electricity from the points where it is received in bulk across the distribution systems and its delivery to consumers.

Supply (Retail) business

This is the purchase and retail of electricity (with related services) as suppliers and natural gas retail activities.

Private electrical distribution systems

This is the operation, maintenance and expansion of private electrical distribution systems.

Other

This includes the operations of contracting, transport, property and insurance.

Allocation of turnover and costs

Wherever possible turnover and costs are allocated specifically to the business to which they relate. However, because of the integrated nature of the Group's activities, it is necessary to recharge or apportion certain costs.

Allocation of assets and liabilities

Operating assets and liabilities are allocated or apportioned to the business to which they relate

Net operating assets consist of non interest bearing operating assets (fixed assets, stocks and debtors) less non interest bearing operating liabilities (creditors and provisions) arising on operating activities.

Unallocated net liabilities include other fixed asset investments, cash, borrowings, dividends receivable and payable, and taxation.

Geographical analysis

Turnover arises entirely in the United Kingdom.

4 Operating profit

	12 months to December 1999 £m	12 months to December 1998 £m
Operating profit is stated after charging:		
Staff costs (Note 5)	**83.7**	71.3
Depreciation (Note 11)	**65.3**	50.0
Operating lease rentals:		
Land and buildings	**6.5**	6.0
Plant and machinery	**0.7**	1.5
Research & development costs	**0.8**	0.8
Amounts paid to Group Auditors.		
Remuneration as Group auditors	**0.2**	0.2
Fees for other services in the United Kingdom	**0.1**	0.3
Amortisation of goodwill (note 10)	**3.5**	-
Costs incurred with respect to Year 2000 modifications	**8.5**	3.9
Profit on disposal of fixed assets	**4.5**	(1.0)
and after crediting.		
Rental income	**2.2**	2.0

Auditors' remuneration includes £0.2million (1998 £0.2million) for audit services provided to the company.

5 Staff costs

	12 months to December 1999 £m	12 months to December 1998 £m
Wages and salaries	**107.0**	92.6
Social security costs	**8.7**	7.3
Other pension costs (Note 26)	**(6.0)**	(8.4)
	109.7	91.5
Less: charged as capital expenditure	**(26.0)**	(20.2)
Charged to the profit and loss account	**83.7**	71.3

The average number of employees (including executive directors) during the period by class of business:

	12 months to December 1999 Number	12 months to December 1998 as restated Number
Distribution	**919**	984
Supply	**1,146**	1,098
Private electrical distribution systems	**65**	45
Other	**1,964**	1,802
	4,094	3,929

1998 Average staff numbers have been restated due to a change in the calculation methodology in 1999.

6 Directors' emoluments

	12 months to December 1999 £'000	12 months to December 1998 £'000
Aggregate emoluments	**1,243**	1,503
Compensation for loss of office	**116**	-
Company contributions to money purchase pension schemes	**30**	12
	1,389	1,515

Emoluments payable to the highest paid director are as follows:

	12 months to December 1999 £	12 months to December 1998 £
Aggregate emoluments	**277,962**	486,779
Company pension contributions to money purchase schemes	**16,484**	6,817
	294,446	493,596

Retirement benefits are accruing to two (1998: two) directors under money purchase schemes and to three (1998: four) directors under defined benefit schemes

7 Net interest payable

	12 months to December 1999 £m	12 months to December 1998 £m
Interest receivable and similar income		
Group	**4.8**	4.7
Joint venture	**0.4**	0.6
Associates	**0.1**	-
	5.3	5.3
Interest payable and similar charges:		
Bank loans and overdraft		
Group	**(14.3)**	(13.5)
Joint venture	**(3.6)**	(6.1)
Associates	**(0.3)**	(0.1)
Unwinding of discount on provision	**(5.8)**	-
Other loans (Group)	**(16.9)**	(16.9)
	(40.9)	(36.6)
Net interest payable	**(35.6)**	(31.3)

8 Taxation on profit on ordinary activities

	12 months to December 1999 £m	12 months to December 1998 £m
United Kingdom Corporation tax 3 months at 31% and 9 months at 30% (1998: 31%)		
Current taxation on ordinary activities	**41.8**	40.8
Group relief	**(19.6)**	(25.1)
Deferred tax on exceptional costs	**21.0**	(18.2)
Deferred tax on other items	**0.2**	1.0
Tax overprovided in prior year	**-**	-
Share of joint venture's tax	**1.1**	1.0
	44.5	(0.5)

9 Dividends

	12 months to December 1999 £m	12 months to December 1998 £m
Interim dividend of 3.0p per 58 1/3p ordinary share (1998 4.1p per 58 1/3p ordinary share)	**9.3**	10.0
Interim dividend of 1.0p per 58 1/3p ordinary share (1998 17.9p per 58 1/3p ordinary share)	**4.0**	45.0
Interim dividend of 9.0p per 58 1/3p ordinary share (1998 4.8p per 58 1/3p ordinary share)	**24.0**	12.0
Interim dividend of 1.0p per 58 1/3p ordinary share (1998 1.6p per 58 1/3p ordinary share)	**4.0**	4.0
Interim dividend of 5.0p per 58 1/3p ordinary share	**13.3**	-
Interim dividend of 1p per 58 1/3p ordinary share	**4.0**	-
	58.6	71.0

10 Intangible assets

	Group £m	Company £m
Cost		
At 1 January 1999	1.3	-
Additions on acquisition	270.9	270.9
At 31 December 1999	272.2	270.9
Amortisation		
At 1 January 1999	-	-
Charge for the year	3.5	3.4
At 31 December 1999	3.5	3.4
Net book amounts		
At 31 December 1999	**268.7**	**267.5**
At 31 December 1998 as restated	1.3	-

Purchase of business

London Electricity plc acquired the supply business of South Western Electricity plc for £160.0 million on 1 October 1999. This has been accounted for as an acquisition. The analysis of net assets acquired and fair value to the Group is as follows:

	SWEB book values as at date of acquisition £m	Fair value adjustments £m	Fair value at acquisition date £m
Tangible assets	3.6	-	3.6
Total debtors	43.1	6.1	49.2
Total creditors	(41.0)	-	(41.0)
Provisions for liabilities and charges	(0.8)	(120.8)	(121.6)
Net assets	4.9	(114.7)	(109.8)
Cash consideration			160.0
Acquisition costs			1.1
			161.1
Goodwill arising			270.9

Separate financial statements were not produced for the supply business of South Western Electricity plc. The tax has been estimated by using the effective tax rate of 29% as per the South Western Electricity plc financial statements for the year ended 31 March 1999.

South Western Electricity plc - Supply Business

	For the six months ended 30 September 1999 £m	For the year ended 31 March 1999 £m
Turnover	289.0	743.0
Operating profit & profit before tax	4.9	8.3
Tax (estimated)	(1.4)	(2.4)
Profit after tax	3.5	5.9
Total recognised gains	3.5	5.9

11 Tangible fixed assets

Group	Network assets £m	Other land and buildings £m	Fixtures and equipment £m	Vehicles & mobile plant £m	Deduct: consumers' contributions £m	Total £m
Cost						
At 1 January 1999	1,505.9	83.2	200.5	18.0	(261.4)	1,546.2
Additions	129.0	1.4	11.1	3.2	(14.2)	130.5
Disposals	-	(0.2)	(7.3)	(2.5)	-	(10.0)
At 31 December 1999	**1,634.9**	**84.4**	**204.3**	**18.7**	**(275.6)**	**1,666.7**
Depreciation						
At 1 January 1999	516.4	24.0	97.5	10.1	(69.0)	579.0
Charge for the year	41.8	1.9	26.4	2.6	(7.4)	65.3
Disposals	-	-	(7.3)	(2.2)	-	(9.5)
At 31 December 1999	**558.2**	**25.9**	**116.6**	**10.5**	**(76.4)**	**634.8**
Net book amounts						
At 31 December 1999	**1,076.7**	**58.5**	**87.7**	**8.2**	**(199.2)**	**1,031.9**
At 31 December 1998	989.5	59.2	103.0	7.9	(192.4)	967.2

Company	Network assets	Other land and buildings	Fixtures and equipment	Vehicles & mobile plant	Deduct: consumers' contributions	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 1999	1,434.6	82.6	197.6	-	(261.4)	1,453.4
Additions	115.1	1.9	11.4	-	(14.2)	114.2
Disposals	-	(0.2)	(7.3)	-	-	(7.5)
At 31 December 1999	**1,549.7**	**84.3**	**201.7**	**-**	**(275.6)**	**1,560.1**
Depreciation						
At 1 January 1999	508.5	23.9	95.6	-	(69.0)	559.0
Charge for the year	40.0	2.0	26.2	-	(7.4)	60.8
Disposals	-	-	(7.3)	-	-	(7.3)
At 31 December 1999	**548.5**	**25.9**	**114.5**	**-**	**(76.4)**	**612.5**
Net book amounts						
At 31 December 1999	**1,001.2**	**58.4**	**87.2**	**-**	**(199.2)**	**947.6**
At 31 December 1998	926.1	58.7	102.0	-	(192.4)	894.4

Net book amount of other land and buildings comprises:	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Freehold	**32.6**	33.3	**32.6**	32.8
Long leasehold (over 50 years)	**9.8**	9.8	**9.8**	9.8
Short leasehold (50 years or less)	**16.1**	16.1	**16.0**	16.1
	58.5	59.2	**58.4**	58.7

Tangible fixed assets include the following:	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Assets in the course of construction	**94.7**	57.7	**77.5**	53.5
Land not depreciated	**16.2**	16.2	**16.2**	16.2
	110.9	73.9	**93.7**	69.7

12 Fixed asset investments

	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Subsidiary undertakings (Note 13)	**-**	-	**78.6**	96.6
Joint venture (Note 14)	**-**	-	**-**	-
Associates (Note 15)	**2.1**	9.5	**8.9**	8.8
Other investments (Note 16)	**9.5**	9.7	**8.3**	8.5
	11.6	19.2	**95.8**	113.9

All investments are unlisted.

13 Subsidiary undertakings - Company

	Shares £m	Loans £m	Total £m
At 1 January 1999	23.2	73.4	96.6
Additions	1.0	2.0	3.0
Disposals	(3.0)		(3.0)
Repayments	-	(8.3)	(8.3)
Transfers to profit & loss account	(9.7)	-	(9.7)
At 31 December 1999	**11.5**	**67.1**	**78.6**

The £3.0million disposal shows the removal of the investment in London Power Company Ltd on its transfer to London Electricity's parent, London Electricity Group plc. The gain on transfer is shown as an exceptional item (note 2).

The principal operating subsidiaries at 31 December 1999 included in the consolidated accounts are listed below:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal activities
London Power Insurance Ltd	Ordinary £1	100%	Insurance
London Electricity Services Ltd	Ordinary £1	100%	Electricity distribution projects
London Electricity Enterprises Ltd	Ordinary £1	100%	Parent undertaking holding company for investments in commercial projects
London Electricity Contracting Ltd *	Ordinary £1	100%	Electrical contracting
London Electricity Transport Services Ltd *	Ordinary £1	100%	Provision and supply of transport services
Knight Debt Recovery Services Ltd	Ordinary £1	100%	Debt collection and tracing
Energy Communication Services Ltd	Ordinary £1	100%	Meter reading and related services
London Electricity Projects Ltd	Ordinary £1	100%	Project management
London Electricity Share Scheme Trustees Ltd	Ordinary £1	100%	Trustees of employee share and benefits funds

* Wholly owned by London Electricity Services Ltd.

All of the above subsidiaries operate principally within the United Kingdom.

14 Interest in joint ventures

Group	Share of net assets / (liabilities) £m	Total £m
At 1 January 1999	-	-
Reversal of provision for impairment	3.0	**3.0**
Share of losses in year	(0.7)	**(0.7)**
Disposals	(2.3)	**(2.3)**
At 31 December 1999	-	-

Disposals show the transfer of the investment in Barking Power Ltd on the transfer to London Electricity's parent, London Electricity Group plc.

15 Interest in associates

Group	Share of net assets / (liabilities) £m	Goodwill £m	Loans £m	Total £m
At 1 January 1999	(4.4)	9.4	4.5	9.5
Amortisation of goodwill	-	(0.3)	-	(0.3)
Reversal of provision for impairment	-	-	-	-
Repayments	-	-	(0.2)	(0.2)
Share of losses in year	(2.9)	-	-	(2.9)
Additions	0.1	-	-	0.1
Disposals	(1.8)	-	(2.3)	(4.1)
At 31 December 1999	**(9.0)**	**9.1**	**2.0**	**2.1**

Company	Shares £m	Loans £m	Total £m
At 1 January 1999	6.8	2.0	8.8
Additions	0.1	-	0.1
Transfers to subsidiary undertakings	-	-	-
Transfers from other investments	-	-	-
At 31 December 1999	**6.9**	**2.0**	**8.9**

Disposals show the transfer of the investment in Thames Valley Power Ltd on the transfer to London Electricity's parent, London Electricity Group plc.

Name of undertaking	Description of shares held	Proportion of nominal value of shares held	Principal activities
PayPoint Ltd	Ordinary £0.01 F Class Shares £0.01	39.2% 16.1%	Cash collection services

The above associate operates principally within the United Kingdom.

16 Other investments

Group	Shares £m	Loans £m	Total £m
At 1 January 1999	5.2	4.5	9.7
Additions at costs	1.3	-	1.3
Repayments	-	-	-
Disposals	(1.5)	-	(1.5)
At 31 December 1999	**5.0**	**4.5**	**9.5**

Company	Shares £m	Loans £m	Total £m
At 1 January 1999	5.2	3.3	8.5
Additions at costs	1.3	-	1.3
Repayments	-	-	-
Disposals	(1.5)	-	(1.5)
At 31 December 1999	**5.0**	**3.3**	**8.3**

Details of unlisted investments in which the Group and Company hold more than a 10% interest:

Name of undertaking	Description of shares held	Proportion of nominal value of shares held
London & Continental Railways Limited	Ordinary £0.25	11.27%

17 Stocks

	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Raw materials and consumables	**0.7**	1.7	**0.6**	1.6
Work in progress	**9.0**	9.0	**5.6**	6.2
	9.7	10.7	**6.2**	7.8

18 Debtors

	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Amounts due within one year:				
Trade debtors	**136.5**	96.0	**129.7**	92.1
Unbilled consumption	**191.5**	156.3	**191.5**	156.3
Amounts owed by other group companies	**15.9**	-	**32.8**	15.1
Amounts owed by associates	**-**	0.6	**-**	-
Other debtors	**17.4**	20.5	**17.0**	20.4
Prepayments and accrued income	**12.8**	8.5	**8.4**	6.2
Advance corporation tax recoverable	**3.4**	10.8	**3.4**	10.8
Deferred taxation recoverable (Note 23)	**0.8**	3.7	**0.8**	3.7
Dividends receivable	**0.1**	0.1	**0.1**	0.1
	378.4	296.5	**383.7**	304.7
Amounts due after more than one year:				
Advance corporation tax recoverable	**-**	6.9	**-**	6.9
Deferred taxation recoverable (Note 23)	**-**	18.3	**-**	18.3
Pension scheme prepayment	**42.3**	34.2	**42.3**	34.2
	42.3	59.4	**42.3**	59.4

19 Current asset investments

	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Listed				
UK - investments	**2.8**	1.5	**-**	-
Overseas - investments	**-**	4.3	**-**	-
	2.8	5.8	**-**	-
Unlisted				
Money market investments	**20.4**	28.5	**15.0**	21.1
	23.2	34.3	**15.0**	21.1

20 Borrowings

	Group		Company	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Amounts falling due within one year:				
Short term borrowings	**334.6**	254.6	**332.7**	254.3
Amounts falling due after more than one year:				
8% Eurobonds repayable 28 March 2003	**99.4**	99.2	**99.4**	99.2
8 5/8 % Eurobonds repayable 26 October 2005	**99.3**	99.0	**99.3**	99.0
	198.7	198.2	**198.7**	198.2

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.

21 Other creditors

	Group		Company	
	31 December 1999	31 December 1998	**31 December 1999**	31 December 1998
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Payments received on account	**16.9**	18.1	**14.7**	15.1
Amounts owing for purchase of energy	**186.2**	81.8	**186.2**	81.8
Amounts owed to Group companies	**-**	-	**16.6**	29.8
Other trade creditors	**58.6**	37.2	**55.1**	35.1
Corporation tax	**20.6**	21.5	**19.4**	20.8
Other taxation and social security	**4.4**	3.2	**3.8**	2.7
Other creditors	**103.6**	87.6	**98.4**	81.8
Accruals and deferred income	**43.5**	42.8	**37.8**	40.5
Proposed dividends	**0.4**	0.4	**0.4**	0.4
	434.2	292.6	**432.4**	308.0
Amounts falling due after more than one year:				
Corporation tax	**-**	3.5	**-**	3.5
Other creditors	**-**	1.9	**-**	1.7
	-	5.4	**-**	5.2

22 Provisions for liabilities and charges

Group

	At 1 January 1999 as restated £m	Utilised in the period £m	Released in the period £m	On acquisition/ transfer £m	Transferred from profit and loss account £m	**At 31 December 1999 £m**
Insurance	7.3	(2.5)	0.7	-	1.3	**6.8**
Restructuring costs	1.1	(0.6)	-	-	-	**0.5**
Dilapidation	2.3	(0.8)	-	-	-	**1.5**
Other costs	12.9	(5.8)	(4.2)	-	5.1	**8.0**
Barking Power	66.7	(5.6)	(64.1)	3.0	-	**-**
Acquisition Provision						
Teesside Power	-	(3.6)	-	120.8	-	**117.2**
Total	**90.3**	**(18.9)**	**(67.6)**	**123.8**	**6.4**	**134.0**

Company

	At 1 January 1999 as restated £m	Utilised in the period £m	Released in the period £m	On acquisition/ transfer £m	Transferred from profit and loss account £m	**At 31 December 1999 £m**
Insurance	3.5	(1.3)	0.7	-	-	**2.9**
Restructuring costs	1.1	(0.6)	-	-	-	**0.5**
Dilapidation	2.3	(0.8)	-	-	-	**1.5**
Other costs	12.7	(4.7)	(2.9)	-	3.4	**8.5**
Barking Power	69.7	(5.6)	(64.1)	-	-	**-**
Acquisition Provision						
Teesside Power	-	(3.6)	-	120.8		**117.2**
Total	**89.3**	**(16.6)**	**(66.3)**	**120.8**	**3.4**	**130.6**

The balances at 1 January 1999 have been restated following the adoption of FRS 12 (see page 9). The insurance provision has been reduced from £10.7million to £7.3million and other costs provision reduced by £4.0million.

The Barking Power provision represented a provision for impairment against the Group's share of net assets of its associate, Barking Power Ltd. The discount rates used in calculating the provision were the rate of returns from the equity investment in Barking Power Ltd and a risk adjusted rate on differences between the contract price and estimated market price. The interest rates used are risk adjusted rates. £3.7 million of the release of the Barking Power provision during the year related to the unwinding of the discount, which is included within interest payable. As a result of the acquisition of SWEB, London Electricity plc accepted a licence amendment which led to the transfer of investments in generation to it's immediate parent company. This resulted in the elimination of the provision for impairment (see Note 2).

Teesside Power provision arose on the acquisition of South Western Electricity plc. The provision represents the difference between the contract price and the estimated market (Pool) electricity price. The discount rate used in arriving at the provision was a risk adjusted rate. £2.1million of the release of the Teesside provision relates to the unwinding of the discount and has been included within interest payable.

The insurance provision is based on an assessment of the Group's known liabilities as at 31 December 1999. The restructuring provision relates to the final phase of business restructuring following the change in ownership of the Group in 1997.

The provision for dilapidation represents the difference between the projected rental income from various properties and the amounts payable by the Company for those properties under currently existing contracts.

23 Deferred Taxation

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

Provided in accounts:	**Group**		**Company**	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
At 1 January 1999	**(22.0)**	(4.8)	**(22.0)**	(4.8)
Transfer (to)/from profit and loss	**21.2**	(17.2)	**21.2**	(17.2)
At 31 December 1999	**(0.8)**	(22.0)	**(0.8)**	(22.0)

The deferred tax asset at 31 December 1999 and 31 December 1998 relates to other timing differences

Potential liability not provided:	**Group**		**Company**	
	31 December 1999 £m	31 December 1998 £m	**31 December 1999 £m**	31 December 1998 £m
Accelerated capital allowances	**221.2**	215.1	**208.3**	201.6
Other timing differences	**7.6**	(5.2)	**8.0**	(4.8)
	228.8	209.9	**216.3**	196.8

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

24 Derivatives and other financial instruments

A discussion of the Group's objectives with regards to derivatives and other financial instruments is stated with the Group's accounting policies on page 11. Advantage has been taken of FRS13, Derivatives and other financial instruments, in relation to the exemption from disclosures on current debtors and current liabilities.

Fair values of assets and liabilities

The fair values of financial instruments represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cashflows at prevailing rates. Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts

	Fair value 1999 £m	**Book value 1999 £m**
Long term investments	9.5	9.5
Debtors greater than one year	42.3	42.3
Current asset investments	23.2	23.2
Cash at bank and in hand	*24.9*	*24.9*
Short term borrowing	(334.6)	(334.6)
Long term borrowings	(198.7)	(198.7)
Interest rate SWAP	0.4	-

Interest rate profile

The Group's borrowings that are on fixed or on floating interest rates are as follows.

	Total £m	**Floating rate £m**	**Fixed rate £m**
Short term borrowing	(334.6)	(334.6)	-
Long term borrowing	0.0	(8.0)	8.0
	(334.6)	(342.6)	8.0

The weighted average interest rate on fixed rate borrowings is 8.3%. The weighted average period for which the rate is fixed is 4.5 years.

At 31 December 1999 London Electricity had interest rate SWAP on £8.0million debt (1998:£8.0million). The fair value of the interest rate SWAP outstanding at 31 December 1999 was an asset of £0.3million (1998:£0.9million).

The Group's interest rate profile on financial assets is as follows;

	Total £m	**Floating rate £m**	**Fixed rate £m**	**Non bearing interest £m**
Financial assets	99.9	50.1	-	49.8

Maturity of borrowings

The groups maturity of debt at 31 December 1999 was as follows:

	1999 £m
In one year or less or on demand	(334.6)
In more than one year but not more than two	-
In more than two years but not more than four years	(99.4)
In more than five years time	(99.3)
	(533.3)

Borrowing facilities

At 31 December 1999 the Group had bilateral committed undrawn borrowing facilities of £110.0 million of varying maturity dates.

The maturity of the committed undrawn borrowing facilities is as follows:

	1999 £m
In less than one year	110.00
In one but less than two years	-
In more than two years	-
	110.0

Commodity prices

The Group's supply business partly utilises fixed price contracts to purchase electricity in order to supply electricity to its customers. The electricity is obtained primarily by purchases from the Pool. Because the price of electricity purchased from the Pool can be volatile, the business is exposed to risks arising from differences between the fixed prices at which it sells electricity and the fluctuating prices at which it purchases electricity. To mitigate exposure to volatility, the business utilises CFDs and energy trading swaps to fix the price of its electricity purchases.

At 31 December 1999 the total volume of all such CFDs and swaps outstanding was approximately 39,800 GWh (1998: 36,000 GWh), with gross contract costs of approximately £1,282 million (1998: £1,300 million). These figures include a long-term CFD with Barking Power Limited that is based on 27.5% of the affiliate's capacity from its 1,000 MW facility through to the year 2010. The total volume of this contract through this period is approximately 21,200 GWh (1998 22,100 GWh), with gross cost of approximately £780 million (1998: £850 million). There are three other long term CFDs all with third parties. One five year contract expires in October 2004, with total volume of 1,700 GWh and gross cost of £40 million, another expires in December 2003, at the end of a four year term, with total volume of 986 GWh and gross cost of £24 million and the final five year contract expires in June 2002, with a volume of 2,200 GWh and gross cost of £62million. No other CFD or swap expires later than April 2001, with most having a duration of 12 months or less.

The majority of CFDs are entered into at about the same time as agreeing the fixed price sales contracts with customers, or setting tariffs, and are fixed to run forward for similar time periods to those sales contracts and tariffs. Risks from purchase cost volatility are therefore minimised. Sensitivity analysis indicates that if electricity purchase costs increased by 10% from current mid-range expectation (which would be at the high end of plausible scenarios) *then total cost to London Electricity would rise by £0.5 million in the twelve months to 31 March 2001. Conversely, if electricity purchase costs were to fall* by 10% from current mid-range expectation (at the low end of plausible expectations) total costs would fall by up to the same amount over the same period. In practice management believes that any such movements could be mitigated by corresponding effects on sales pricing.

Aggregated gains and losses on financial instruments used as hedges.

Gains and losses on instruments used for hedging are not recognised until the transaction that is being hedged is itself recognised. Unrecognised gains

	Unrecognised contracts Gains £m	Total £m
Gains on hedges at 1 January 1999	0.9	0.9
Gains arising in previous years that was recognised this year	0.2	0.2
	1.1	1.1
Gains/(losses) arising before this year that were not recognised in this year	-	-
Losses arising this year that were not recognised this year	(0.7)	(0.7)
Gains on hedges at 31 December 1999	0.4	0.4
Of which are expected to be recognised in the profit and loss account:		
In the next year	-	-
Thereafter	0.4	0.4
	0.4	0.4

In the table above the carried forward unrecognised net gain at 31 December 1999 of £0.4million equates to the difference between the fair value and book value of hedging instruments

25 Share capital

	Group & Company 31 December 1999 £m	31 December 1998 £m
Authorised		
257,142,857 ordinary shares of 58 1/3 p each (1998: 257,142,857 ordinary shares of 58 1/3p each)	**150.0**	150.0
Allotted, called up and fully paid		
251,197,933 ordinary shares of 58 1/3 p each (1998: 242,626,505 ordinary shares of 58 1/3p each)	**146.5**	146.5

26 Retained profit and reserves

	Group & Company £m
Share premium account	
At 1 January 1999	13.9
At 31 December 1999	13.9
Capital redemption reserve	
At 1 January 1999	11.0
At 31 December 1999	11.0

Profit and loss account	**Group £m**	**Company £m**
At 1 January 1999 (as previously stated)	368.6	370.9
Prior year adjustment	7.5	4.0
At 1 January 1999 as restated	376.1	374.9
Retained profit for the period	141.7	141.8
At 31 December 1999	517.8	516.7
Total reserves at 31 December 1999	542.7	541.6

27 Pension commitments

The principal pension scheme available to employees of London Electricity plc has been the Electricity Supply Pension Scheme (ESPS). Since April 1994 new employees have been offered membership of the London Electricity 1994 Retirement Plan, (the Plan), a defined contribution scheme.

The ESPS provides pensions and related benefits based on the final pensionable pay of employees throughout the electricity supply industry. The assets of the scheme are held in a separate trustee administered fund.

The scheme was unitised with effect from 31 March 1989 and an actuarial valuation carried out at that date apportioned the assets of the ESPS between the various participating employers. The most recent formal actuarial valuation of the London Electricity Group for the purpose of determining contribution rates was carried out at 31 March 1998 by Bacon & Woodrow, consulting actuaries. The valuation method adopted was the attained age method.

The principal assumptions were that the investment return would exceed salary increases by 2.25% per annum and exceed future pension increases by 4.25% per annum.

At the valuation date, the actuarial value of the assets relating to London Electricity Group was £756.1 million, which represented 110.1% of the actuarial value of the accrued benefits. Accrued benefits include all benefits for pensioners and former members as well as benefits based on service to date for active members, allowing for future salary rises. The resultant surplus is being used to increase benefits to pensioners and to facilitate reductions in employer and employee contributions.

In order to calculate the pension charge in accordance with the Group's accounting policy as stated on page 10, a separate actuarial valuation was prepared by Bacon & Woodrow, consulting actuaries, as at 31 March 1998. This valuation was determined using the projected unit credit method, and resulted in a regular cost of 10.6% of pensionable pay. This regular cost has been reduced by the benefit of an accounting surplus arising, which is being spread over 11 years, being the average remaining service life of employees. The resulting credit to profit in the year was £6.9 million. A prepayment of £42.3 million is included in debtors greater than one year, as a result of the spreading of the surplus. The directors have reviewed the recoverability of the prepayment of £42.3 million and are of the opinion that the actuarial surplus which gives rise to the prepayment can be utilised under the rules of the scheme, within the foreseeable future.

Under the Plan the charge to profit is the contribution paid by London Electricity plc. The amount paid for the year ended 31 December 1999 was £0.9 million.

The total net credit for pension schemes in the accounts for the year ended 31 December 1999 is £6.0 million (1998: £8.4 million).

28 Financial Commitments

The annual commitments of the Group under non-cancellable operating leases are as follows:

	31 December 1999		31 December 1998	
	Land and buildings	**Other**	Land and buildings	Other
	£m	**£m**	£m	£m
Expiring within				
One year	**1.0**	**0.1**	0.8	0.5
Two to five years inclusive	**0.4**	**0.1**	0.1	0.7
Over five years	**7.7**	**-**	7.0	-
	9.1	**0.2**	7.9	1.2

Capital commitments of the group and company were:

	Group		Company	
	31 December 1999	31 December 1998	**31 December 1999**	31 December 1998
	£m	£m	**£m**	£m
Contracted for but not provided for	**104.0**	88.8	**72.8**	83.3

29 Commitments and contingent liabilities

The Group expects to invest around £68 million in infrastructure costs for the Channel Tunnel Rail Link over the next ten years. This expenditure arises under agreements made with London & Continental Railways Ltd who have the concession to build the rail link. It is envisaged that the project will proceed in two sections with rights to the section 1 infrastructure assets passing to Railtrack plc when a 'permit to use' is issued.

In previous periods the company has used its pension fund surplus to increase benefits to members and to facilitate reductions in employer and employee contributions A High Court ruling in a pensions case related to National Grid Company plc and National Power plc on the use of pension surpluses upheld the use of surpluses by companies.

The court of appeal gave judgement on 10 February 1999 and reversed the previous decision of the High Court. Leave has been given to appeal to the House of Lords It is not yet possible to assess the extent to which this litigation will affect the company.

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 plc 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

The creation of the joint venture company will result in job reductions across both London Electricity and Eastern Electricity. This will lead to the company incurring severance costs

Other than the matters noted above, there were no other material commitments, contingent liabilities or guarantees apart from those given in respect of certain subsidiaries in the ordinary course of business.

30 Post Balance Sheet Events

On 14 December 1999, London Electricity and Eastern Electricity announced their intention to establish a stand-alone joint venture company, 24Seven Utility Services Limited that would be equally owned, bringing together the maintenance and operation of both companies' electricity distribution networks.

London Electricity and Eastern Electricity will retain ownership of all physical distribution assets within their geographical area as well as the respective operating licences London Electricity will agree a service contract with the joint venture Company.

Following the announcement of the joint venture, and the resulting transfer of network engineering work to the new company, London Electricity reviewed the activities carried out by its subsidiary London Electricity Contracting Ltd (LEC). The directors of London Electricity plc have agreed to sell LEC to *Eastern Contracting (Holdings) Limited at a price related to the net asset value of LEC as at 24 May 2000.*

31 Related Party Transactions

In accordance with Financial Reporting Standard No. 8: 'Related Party Disclosures', the group 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

32 Ultimate parent company

At 31 December 1999 London Electricity's immediate parent company was considered by the directors to be London Electricity Group plc (formerly EDF London Investments plc).

At 31 December 1999 Electricité de France (EDF), a French state owned company was regarded by the directors as London Electricity plc's ultimate parent company following the completion of the sale of London Electricity plc by Entergy Corporation of the United States of America to Electricité de France (EDF) at the close of business on 4 December 1998. Copies of that company's consolidated accounts may be obtained from Electricité de France, 2 rue Louis Murat, 75384, Paris Cedex, France