LONDON ELECTRICITY

LONDON ELECTRICITY PLC

REPORT & ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2000

Registered Company number: 2366852

LONDON ELECTRICITY PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000

DIRECTORS' REPORT

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

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, including purchasing for power generation and the operation of private distribution networks.

Business Review & Future Developments

During 2000 London Electricity continued its strategy of growing the business, to become one of the major groups in the UK power industry.

Distribution

On 1 April 2000 the new price control for the distribution business was implemented. The price control, which runs for 5 years, saw allowable price controlled revenue fall by 27% for the regulatory year. This is partly because a number of activities, such as meter reading, will in future be regarded as part of supply.

On 4 April 2000 24 Seven Utility Services Ltd commenced operations. 24seven is a joint venture company created by London Electricity Group plc and Eastern Electricity to maintain and operate the electricity distribution networks of the two companies. London Electricity has a service contract with 24seven.

The joint venture forms part of the company's strategy to achieve the price reductions required by the new distribution price control. It will improve efficiency in network maintenance and operation through economies of scale and sharing best practice.

Following the announcement of 24seven and the resulting transfer of network engineering work carried out by the subsidiary London Electricity Contracting (LEC), London Electricity reviewed the activities carried out by LEC. On 24 May 2000 London Electricity sold the remaining part of LEC to Eastern Contracting (Holdings) Limited for £1.5million.

Supply

Using the London Electricity and SWEB brands, the company maintained its strategy of defending its pre-existing customer base and undertaking campaigns to sell gas to existing electricity customers and gas and electricity to customers outside its traditional areas.

As part of this strategy the company entered into partnership with Virgin to create Virgin Energy an internet-based company which offers energy to residential customers across England, Wales and Scotland.

The expected reform of the current electricity trading arrangements through the replacement of the Electricity Pool with market based trading arrangements (NETA) was postponed until 2001. The NETA arrangements will be more like those used in commodity markets and competitive energy markets elsewhere. The company has made significant investments to ensure that it is ready for the implementation of NETA, now expected to happen during March 2001.

The growth of the London Electricity Group's generation portfolio has seen the supply business expand its purchase of energy sources, to include gas and coal for the Sutton Bridge and Cottam power stations, in addition to its traditional purchase of electricity and gas for retail purposes.

Results and Dividends

The profit on ordinary activities of the group before taxation amounted to £118.6 million (1999: £244.8 million) and after taxation to £105.6 million (1999: £200.3 million). Dividends totalling £86.0 million (1999: £58.6 million) were declared and paid during the year.

Directors

The directors of the Company who held office during the year ended 31 December 2000 or who are directors at the date of signing this report are as follows :

		Appointed	Resigned
Bruno Lescoeur (Chairman and Chief Executive)	(E)		
Ian R. Beament	(NE)		
Jack Cizain	(NE)		7 March 2000
Yves Colliou	(NE)		18 January 2000
Bernard Cottrant	(E)	8 December 2000	
Paul Cuttill	(E)		
Michel Francony	(NE)	7 September 2000	
Pierre Lederer	(NE)		8 June 2000
Marc Riutort	(NE)		
Richard Tavera	(NE)	8 June 2000	
Martin R. Wenban	(E)		6 February 2001
Gerald L. Wingrove	(E)		

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

As of 4th January 2001 Ian R. Beament became a 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 £644,335 (1999: £795,907).

The group made no political donations during the year (1999: nil).

Differences between Market and Balance Sheet Value of Land

Land & buildings (including Network property assets) are carried in the accounts at a net book value of £121.3million. The directors consider the market value of land & buildings is significantly in excess of this amount.

Credit Payment Policy

The group'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.

Going Concern

The accounts 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

The auditors, Ernst & Young are willing to continue in office. A resolution for their re-appointment as the group's auditors and to authorise the directors to determine their renumeration will be proposed at the forthcoming Annual General Meeting.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships 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

Robert Higson
Company Secretary

8 March 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 the group and of the profit or loss of the group for that period.

In preparing those accounts, the directors are required to :

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group 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 27, which have been prepared under the historical cost convention and 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 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 and of the group as at 31 December 2000 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 March, 2001.

LONDON ELECTRICITY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Note	12 months to December 2000 £m	12 months to December 1999 £m
Turnover			
Turnover: group and share of joint ventures turnover		1,977.0	1,488.9
Less: share of joint venture turnover — discontinued operations		-	(19.8)
Continuing operations		1,970.3	1,290.5
Discontinued operations		6.7	-
Acquisitions		-	178.6
Total turnover	3	**1,977.0**	1,469.1
Cost of sales		**(1,442.7)**	(960.6)
Gross profit		**534.3**	508.5
Net operating expenses	1	**(352.4)**	(288.1)
Exceptional operating expenses	2	**(17.8)**	(8.5)
		(370.2)	(296.6)
Continuing operations		**164.1**	215.5
Acquisitions		-	(3.6)
Operating profit	3,4	**164.1**	211.9
Share of operating profit of joint venture: discontinued operations		-	6.5
Share of operating profit/(loss) of associates: continuing operations		**(1.5)**	(2.9)
discontinued operations		-	0.3
		(1.5)	3.9
Exceptional items	2	-	64.1
Profit on ordinary activities before interest		**162.6**	279.9
Income from investments		**1.1**	0.5
Net interest payable	7	**(45.1)**	(35.6)
Profit on ordinary activities before taxation		**118.6**	244.8
Taxation on profit on ordinary activities	8	**(13.0)**	(44.5)
Profit on ordinary activities after taxation		**105.6**	200.3
Dividends	9	**(86.0)**	(58.6)
Retained profit for the financial year		**19.6**	141.7

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
for the year ended 31 December 2000

		Note	12 months to Dec 2000	12 months to Dec 1999
			£m	£m
Net profit/(loss) for the financial year:	Company and subsidiaries		**21.2**	142.3
	Joint venture		**-**	2.2
	Associates		**(1.6)**	(2.8)
Total recognised gains and losses relating to the year			**19.6**	141.7

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 2000

	12 months to Dec 2000	12 months to Dec 1999
	£m	£m
Historical cost profit on ordinary activities before taxation	**118.6**	244.8
Historical cost profit for the year retained after taxation and dividends	**19.6**	141.7

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
for the year ended 31 December 2000

		12 months to Dec 2000	12 months to Dec 1999
		£m	£m
Profit on ordinary activities after taxation		**105.6**	200.3
Dividends	9	**(86.0)**	(58.6)
Retained profit		**19.6**	141.7
Net increase in equity shareholders' funds		**19.6**	141.7
Opening equity shareholders' funds		**689.2**	547.5
Closing equity shareholders' funds		**708.8**	689.2

LONDON ELECTRICITY PLC
BALANCE SHEETS

as at 31 December 2000

	Note	Group 31 Dec 00	Group 31 Dec 99	Company 31 Dec 00	Company 31 Dec 99
		£m	£m	**£m**	£m
Fixed assets					
Intangible assets	10	**258.1**	268.7	**257.1**	267.5
Tangible assets	11	**1,101.6**	1,031.9	**1,005.0**	947.6
Investments	12				
Subsidiaries		**-**	-	**77.4**	78.6
Associates		**1.7**	2.1	**8.9**	8.9
Other investments		**7.3**	9.5	**6.1**	8.3
		1,368.7	1,312.2	**1,354.5**	1,310.9
Current assets					
Stocks	16	**7.8**	9.7	**6.1**	6.2
Debtors: amounts falling due:					
After more than one year	17	**39.4**	42.3	**39.4**	42.3
Within one year	17	**308.2**	378.4	**308.4**	383.7
Investments	18	**19.2**	23.2	**11.0**	15.0
Cash at bank and in hand		**2.5**	24.9	**1.6**	24.4
		377.1	478.5	**366.5**	471.6
Creditors: amounts falling due within one year					
Borrowings	19	**(244.7)**	(334.6)	**(242.7)**	(332.7)
Other creditors	20	**(466.3)**	(434.2)	**(451.8)**	(432.4)
Net current liabilities		**(333.9)**	(290.3)	**(328.0)**	(293.5)
Total assets less current liabilities		**1,034.8**	1,021.9	**1,026.5**	1,017.4
Creditors: amounts falling due after more than one year					
Borrowings	19	**(199.0)**	(198.7)	**(199.0)**	(198.7)
Other creditors	20	**(2.2)**	-	**(2.2)**	-
		(201.2)	(198.7)	**(201.2)**	(198.7)
Provisions for liabilities and charges	21	**(124.8)**	(134.0)	**(121.6)**	(130.6)
Net assets		**708.8**	689.2	**703.7**	688.1
Capital and reserves					
Called up share capital	24	**146.5**	146.5	**146.5**	146.5
Share premium account	25	**13.9**	13.9	**13.9**	13.9
Capital redemption reserve	25	**11.0**	11.0	**11.0**	11.0
Profit and loss account	25	**537.4**	517.8	**532.3**	516.7
Equity shareholders' funds		**708.8**	689.2	**703.7**	688.1

The accounts were approved by the Board of Directors on 8 March 2001 and were signed on its behalf by:

G.L. Wingrove

Gerald Wingrove *Group Finance Director*

STATEMENT OF ACCOUNTING POLICIES
for the year ended 31 December 2000

The accounts 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 accounts have been prepared under the historical cost accounting convention.

Basis of consolidation

The group accounts incorporate the accounts 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 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.

Associated undertakings

The group's share of profits less losses of associated undertakings are 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. 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, distribution charges to other suppliers within London Electricity's area, 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

Following the adoption of FRS 15, the major components of network assets have been treated separately for depreciation purposes. Each class has been depreciated over it's particular useful economic life rather than over the life of the network as a whole.

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. All depreciation is charged using the straight line method. No allowance is made for their residual values.

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

		YEARS
Network assets		10 - 50
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 to match the depreciation charge on the relevant network asset class. 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 derivatives 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 accounts are publicly available.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000

1 Analysis of net operating expenses

	12 months to December 2000	12 months to December 1999
	£m	£m
Net operating expenses		
Distribution	**96.2**	119.6
Less: use of prior year provision	**(2.4)**	-
	93.8	119.6
Administrative	**262.5**	168.5
Less: use of prior year provision	**(3.9)**	-
	258.6	168.5
	352.4	288.1
Administrative		
Exceptional Items	**17.8**	8.5
	17.8	8.5
	370.2	296.6

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 2000	12 months to December 1999
	£m	£m
Operating exceptionals		
Costs incurred with respect to Year 2000 modifications	-	8.5
Severance costs in relation to organisational restructuring	**17.8**	-
Non operating exceptionals		
Elimination of provision for impairment against share of net liabilities of associate (see Note 21)	-	(64.1)
Total exceptionals	**17.8**	(55.6)

3 Analysis of turnover, operating profit and net assets

	Turnover		Operating profit		Net assets	
	12 months to December 2000	12 months to December 1999	**12 months to December 2000**	12 months to December 1999	**31 December 2000**	31 December 1999
	£m	£m	**£m**	£m	**£m**	£m
Class of business						
Distribution	**302.4**	358.4	**123.7**	147.2	**918.2**	913.0
Supply						
continuing	**1,763.7**	1,139.5	**22.6**	48.1	**179.2**	76.2
acquisition	**-**	178.6	**-**	(3.6)	**-**	154.0
Total supply	**1,763.7**	1,318.1	**22.6**	44.5	**179.2**	230.2
Private electrical distribution systems	**23.8**	26.8	**15.6**	15.3	**82.4**	73.8
Other	**103.7**	69.6	**5.8**	5.4	**2.8**	8.3
Discontinued	**6.7**	-	**(1.8)**	-	**-**	-
	2,200.3	1,772.9	**165.9**	212.4	**1,182.6**	1,225.3
Less: Inter business transactions	**(223.3)**	(303.8)	**(1.8)**	(0.5)	**-**	-
Unallocated net liabilities	**-**	-	**-**	-	**(473.8)**	(536.1)
Continuing operations	**1,977.0**	1,469.1	**164.1**	211.9	**708.8**	689.2

Explanation of terminology used in the profit and loss account

Distribution business

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

Supply (Retail) business

Supply includes the purchasing and sales of energy on behalf of our retail business and the group's generation business.

Private electrical distribution systems

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 2000 £m	12 months to December 1999 £m
Operating profit is stated after charging:		
Staff costs (Note 5)	**73.1**	83.7
Depreciation (Note 11)	**63.1**	65.3
Operating lease rentals:		
Land and buildings	**6.6**	6.5
Plant and machinery	**-**	0.7
Research & development costs	**0.6**	0.8
Amounts paid to Group Auditors:		
Remuneration as Group auditors	**0.2**	0.2
Fees for other services in the United Kingdom	**0.4**	0.1
Amortisation of goodwill (Note 10 and 14)	**14.4**	3.8
Costs incurred with respect to Year 2000 modifications	**-**	8.5
and after crediting:		
Rental income	**4.1**	2.2
(Profit)/loss on disposal of fixed assets	**(2.0)**	(4.5)

Auditors' remuneration includes £0.2million (1999 £0.2million) for audit services provided to the company.

5 Staff costs

	12 months to December 2000 £m	12 months to December 1999 £m
Wages and salaries	**75.5**	107.0
Social security costs	**7.6**	8.7
Other pension costs (Note 26)	**(0.9)**	(6.0)
	82.2	109.7
Less: capitalised expenditure	**(9.1)**	(26.0)
Charged to the profit and loss account	**73.1**	83.7

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

	12 months to December 2000 Number	12 months to December 1999 Number
Distribution	**485**	919
Supply	**1,407**	1,146
Private electrical distribution systems	**80**	65
Other	**2,089**	1,964
	4,061	4,094

6 Directors' emoluments

	12 months to December 2000 £'000	12 months to December 1999 £'000
Aggregate emoluments	**1,691**	1,243
Compensation for loss of office	**-**	116
Company contributions to money purchase pension schemes	**32**	30
	1,723	1,389

Emoluments payable to the highest paid director are as follows:

	12 months to December 2000 £'000	12 months to December 1999 £'000
Aggregate emoluments	**536**	278
Company pension contributions to money purchase schemes	**-**	16
	536	294

Retirement benefits are accruing to two (1999: two) directors under money purchase schemes and to two (1999: three) directors under defined benefit schemes.

7 Net interest payable

	12 months to December 2000 £m	12 months to December 1999 £m
Interest receivable and similar income:		
Group	**5.4**	4.8
Joint venture	**-**	0.4
Associates	**-**	0.1
	5.4	5.3
Interest payable and similar charges:		
Bank loans and overdraft		
Group	**(31.6)**	(14.3)
Joint venture	**-**	(3.6)
Associates	**(0.2)**	(0.3)
Unwinding of discount on provision	**(8.4)**	(5.8)
Other loans (group)	**(10.3)**	(16.9)
	(50.5)	(40.9)
Net interest payable	**(45.1)**	(35.6)

8 Taxation on profit on ordinary activities

	12 months to December 2000 £m	12 months to December 1999 £m
United Kingdom Corporation tax at 30% (1999: 3 months at 31% and 9 months at 30%)		
Current taxation on ordinary activities	**33.1**	41.8
Group relief	**(18.2)**	(19.6)
Deferred tax on exceptional costs	**(1.4)**	21.0
Deferred tax on other items	**(0.5)**	0.2
Share of joint venture's tax	**-**	1.1
	13.0	44.5

9 Dividends

	12 months to December 2000 £m	12 months to December 1999 £m
Interim dividend of 7.96p per 58 1/3p ordinary share (1999: 3p per 58 1/3p ordinary share)	**20.0**	9.3
Interim dividend of 26.27p per 58 1/3p ordinary share (1999: 1p per 58 1/3p ordinary share)	**66.0**	4.0
(1999: 9p per 58 1/3p ordinary share)	-	24.0
(1999: 1p per 58 1/3p ordinary share)	-	4.0
(1999: 5p per 58 1/3p ordinary share)	-	13.3
(1999: 1p per 58 1/3p ordinary share)	-	4.0
	86.0	58.6

10 Intangible assets

	Group £m	Company £m
Cost		
At 1 January 2000	272.2	270.9
Adjustments to goodwill on purchase of SWEB Supply business*	3.2	3.2
At 31 December 2000	275.4	274.1
Amortisation		
At 1 January 2000	3.5	3.4
Charge for the year	13.8	13.6
At 31 December 2000	17.3	17.0
Net book amounts		
At 31 December 2000	258.1	257.1
At 31 December 1999	268.7	267.5

* On acquisition of SWEB supply business, provisional fair values were allocated to the aquired net assets. As permitted by FRS 7, the provisional fair values have been adjusted as a result of detailed investigation in the post-acquisition period.

11 Tangible assets

Group	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 2000	1,634.5	84.4	204.4	18.7	(275.6)	1,666.4
Additions	124.5	2.8	37.0	1.2	(12.5)	153.0
Disposals	(16.3)	(1.3)	(22.4)	(3.4)	-	(43.4)
At 31 December 2000	1,742.7	85.9	219.0	16.5	(288.1)	1,776.0
Depreciation						
At 1 January 2000	558.2	25.9	116.7	10.5	(76.4)	634.8
Charge for the year	37.4	1.9	24.9	2.5	(3.6)	63.1
Disposals	(7.4)	(0.4)	(12.4)	(3.3)	-	(23.5)
At 31 December 2000	588.2	27.4	129.2	9.7	(80.0)	674.4
Net book amounts						
At 31 December 2000	1,154.5	58.5	89.8	6.8	(208.1)	1,101.6
At 31 December 1999	1,076.7	58.5	87.7	8.3	(199.2)	1,031.9

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 2000	1,549.7	84.3	201.7	-	(275.6)	1,560.1
Additions	108.9	2.8	36.3	-	(12.5)	135.5
Disposals	(16.3)	(1.3)	(22.0)	-	-	(39.6)
At 31 December 2000	1,642.4	85.8	215.9	-	(288.1)	1,656.0
Depreciation						
At 1 January 2000	548.5	25.9	114.5	-	(76.4)	612.5
Charge for the year	35.5	1.9	24.5	-	(3.6)	58.4
Disposals	(7.4)	(0.4)	(12.1)	-	-	(19.9)
At 31 December 2000	576.6	27.4	127.0	-	(80.0)	651.0
Net book amounts						
At 31 December 2000	1,065.8	58.4	88.9	-	(208.1)	1,005.0
At 31 December 1999	1,001.2	58.4	87.2	-	(199.2)	947.6

Net book amount of other land and buildings comprises:

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Freehold	**32.3**	32.6	**32.2**	32.8
Long leasehold (over 50 years)	**10.1**	9.8	**10.1**	9.8
Short leasehold (50 years or less)	**16.1**	16.1	**16.1**	16.1
	58.5	58.5	**58.4**	58.7

Net book amount of tangible fixed assets include the following:

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Assets in the course of construction	**36.3**	94.7	**10.2**	77.5
Land not depreciated	**16.2**	16.2	**16.2**	16.2
	52.5	110.9	**26.4**	93.7

12 Fixed asset investments

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Subsidiaries (Note 13)	**-**	-	**77.4**	78.6
Associates (Note 14)	**1.7**	2.1	**8.9**	8.9
Other investments (Note 15)	**7.3**	9.5	**6.1**	8.3
	9.0	11.6	**92.4**	95.8

All investments are unlisted.

13 Subsidiaries - Company

	Shares £m	Loans £m	Total £m
At 1 January 2000	11.5	67.1	78.6
Additions	-	5.0	5.0
Repayments	-	(6.2)	(6.2)
At 31 December 2000	11.5	65.9	77.4

The principal operating subsidiaries at 31 December 2000 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 Transport Services Ltd *	Ordinary £1	100%	Provision and supply of transport services
Knight Debt Recovery Services Ltd	Ordinary £1	100%	Debt collection and tracing
ECS Data Services Ltd	Ordinary £1	100%	Meter reading and related services

The principal non-operating subsidiaries at 31 December 2000 included in the consolidated accounts are listed below.

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 the above subsidiaries operate within the United Kingdom.

14 Associates

Group	Share of net assets / (liabilities) £m	Goodwill £m	Loans £m	Total £m
At 1 January 2000	(9.0)	9.1	2.0	2.1
Amortisation of goodwill	-	(0.6)	-	(0.6)
Share of losses in year	(1.5)	-	-	(1.5)
Additions	1.7	-	3.3	5.0
Provision on investment	-	-	(3.3)	(3.3)
At 31 December 2000	**(8.8)**	**8.5**	**2.0**	**1.7**

Company	Shares £m	Loans £m	Total £m
At 1 January 2000 and 31 December 2000	**6.9**	**2.0**	**8.9**

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
Virgin Energy*	A Class Shares Ordinary £0.10 B Class Shares Ordinary £0.01	25.0% 0.0%	Customer Acquisition services

*An associate of London Electricity Enterprises Ltd.
The above associates operate within the United Kingdom.

15 Other investments

Group

	Shares £m	Loans £m	Total £m
At 1 January 2000	5.0	4.5	9.5
Repayments	-	(2.2)	(2.2)
At 31 December 2000	**5.0**	**2.3**	**7.3**

Company

	Shares £m	Loans £m	Total £m
At 1 January 2000	5.0	3.3	8.3
Repayments	-	(2.2)	(2.2)
At 31 December 2000	**5.0**	**1.1**	**6.1**

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%

16 Stocks

	Group		Company	
	31 December 2000 £m	31 December 1999 £m	**31 December 2000 £m**	31 December 1999 £m
Raw materials and consumables	-	0.7	-	0.6
Work in progress	**7.8**	9.0	**6.1**	5.6
	7.8	9.7	**6.1**	6.2

17 Debtors

	Group		Company	
	31 December 2000 £m	31 December 1999 £m	**31 December 2000 £m**	31 December 1999 £m
Amounts falling due within one year:				
Trade debtors	151.5	136.5	150.7	129.7
Unbilled consumption	170.2	191.5	170.2	191.5
	321.7	328.0	320.9	321.2
Less securitisation	(92.5)	-	(92.5)	-
	229.2	328.0	228.4	321.2
Amounts owed by other group companies	43.1	15.9	50.0	32.8
Amounts owed by associates	-	-	-	-
Other debtors	20.8	17.4	16.5	17.0
Prepayments and accrued income	9.0	12.8	7.4	8.4
Advance corporation tax recoverable	3.4	3.4	3.4	3.4
Deferred taxation recoverable (Note 22)	2.7	0.8	2.7	0.8
Dividends receivable	-	0.1	-	0.1
	308.2	378.4	**308.4**	383.7
Amounts falling due after more than one year:				
Deferred taxation recoverable (Note 22)	-	-	-	-
Pension scheme prepayment	**39.4**	42.3	**39.4**	42.3
	39.4	42.3	**39.4**	42.3

In September 2000 London Electricity entered into a commercial paper securitisation programme involving the sale of billed and unbilled trade debtors to a trust. Interest is charged monthly on trade debtors securitised based on a margin above the sterling equivalent of the US commercial paper rate payable by the issuer of the facility. The amount available under the securitisation is £100million over a revolving term of 5 years, increasing to £175million at the option of London Electricity. Funds based on the amount of trade debtor's receivable are advanced to London Electricity on a monthly basis, with a percentage of collected receivables deferred to cover interest, costs and bad debt. London Electricity is not obliged to support any losses suffered by the trust as a result of securitisation, nor does it intend to do so. Furthermore, the trust has agreed in writing that it will seek repayment of the funds advanced to London Electricity, including funding costs, only to the extent that sufficient funds are generated by the assets securitised and that it will not seek recourse in any other form.

18 Current asset investments

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Listed				
UK - investments	-	2.8	-	-
	-	2.8	-	-
Unlisted				
Money market investments	19.2	20.4	11.0	15.0
	19.2	23.2	11.0	15.0

19 Borrowings

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Amounts falling due within one year:				
Short term borrowings	244.7	334.6	242.7	332.7
Amounts falling due after more than one year:				
8% Eurobonds repayable 28 March 2003	99.6	99.4	99.6	99.4
8 5/8 % Eurobonds repayable 26 October 2005	99.4	99.3	99.4	99.3
	199.0	198.7	199.0	198.7

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.

20 Other creditors

	Group 31 December 2000 £m	Group 31 December 1999 £m	Company 31 December 2000 £m	Company 31 December 1999 £m
Amounts falling due within one year:				
Payments received on account	6.0	16.9	6.0	14.7
Amounts owing for purchase of energy	175.8	186.2	175.8	186.2
Amounts owed to parent company	35.0	-	31.3	16.6
Other trade creditors	90.5	58.6	90.1	55.1
Corporation tax	23.1	20.6	21.1	19.4
Other taxation and social security	2.2	4.4	2.4	3.8
Other creditors	93.2	103.6	88.6	98.4
Accruals and deferred income	40.1	43.5	36.2	37.8
Proposed dividends	0.4	0.4	0.4	0.4
	466.3	434.2	451.8	432.4
Amounts falling due after more than one year:				
Other creditors	2.2	-	2.2	-
	2.2	-	2.2	-

21 Provisions for liabilities and charges

Group

	At 1 January 2000 £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 2000 £m**
Insurance	6.8	(2.1)	-	-	1.8	**6.5**
Restructuring costs	0.5	(0.4)	-	-	6.3	**6.4**
Dilapidation	1.5	(0.3)	-	-	-	**1.2**
Other costs	8.0	(5.3)	(0.2)	-	5.2	**7.7**
Acquisition Provision						
Teesside Power	117.2	(14.2)	-	-	-	**103.0**
Total	134.0	(22.3)	(0.2)	-	13.3	124.8

Company

	At 1 January 2000 £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 2000 £m**
Insurance	2.9	(1.2)	-	-	1.0	**2.7**
Restructuring costs	0.5	(0.4)	-	-	6.3	**6.4**
Dilapidation	1.5	(0.3)	-	-	-	**1.2**
Other costs	8.5	(5.3)	-	-	5.1	**8.3**
Acquisition Provision						**-**
Teesside Power	117.2	(14.2)	-	-		**103.0**
Total	130.6	(21.4)	-	-	12.4	121.6

The Teesside Power provision arose on the acquisition of the supply business of South Western Electricity. 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. The amount utilised in the period for the Teesside provision is net of £8.4million relating 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 2000. The restructuring provision relates primarily to redundancies on the creation of a joint venture company (24seven) and other business restructuring.

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.

22 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 2000 £m	31 December 1999 £m	**31 December 2000 £m**	31 December 1999 £m
At 1 January 2000	**(0.8)**	(22.0)	**(0.8)**	(22.0)
Transfer from profit and loss	**(1.9)**	21.2	**(1.9)**	21.2
At 31 December 2000	**(2.7)**	(0.8)	**(2.7)**	(0.8)

The deferred tax asset at 31 December 2000 and 31 December 1999 relates to other timing differences.

Potential liability not provided:

	Group		**Company**	
	31 December 2000 £m	31 December 1999 £m	**31 December 2000 £m**	31 December 1999 £m
Accelerated capital allowances	**220.8**	221.2	**207.2**	208.3
Other timing differences	**6.8**	7.6	**5.5**	8.0
	227.6	228.8	**212.7**	216.3

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

23 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 12. 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 2000 £m	Book value 2000 £m	Fair value 1999 £m	Book value 1999 £m
Long term investments	7.3	7.3	9.5	9.5
Debtors greater than one year	39.4	39.4	42.3	42.3
Current asset investments	19.2	19.2	23.2	23.2
Cash at bank and in hand	2.5	2.5	24.9	24.9
Short term borrowing	(244.7)	(244.7)	(334.6)	(334.6)
Long term borrowings	(213.6)	(199.0)	(198.7)	(198.7)
Interest rate SWAP	0.5	-	0.4	-

Interest rate profile of financial liabilities

The interest rate profile of financial liabilities as at 31 December 2000 was as follows;

	Total £m	Floating rate £m	Fixed rate £m
Short term borrowing	(244.7)	(244.7)	-
Long term borrowing	(199.0)	-	(199.0)
	(443.7)	(244.7)	(199.0)

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. The benchmark for determining floating interest rates is LIBOR.

At 31 December 2000 London Electricity had interest rate SWAP on £8.0million debt (1999:£8.0million). The fair value of the interest rate SWAP outstanding at 31 December 2000 was an asset of £0.5million (1999:£0.4million).

Interest rate profile of financial assets

The interest rate profile of financial assets as at 31 December 2000 was as follows;

	Total £m	Floating rate £m	Fixed rate £m	Non bearing interest £m
Financial assets	68.4	0.3	21.0	47.1

The weighted average interest rate on fixed rate deposits is 6.0%. The benchmark for determining floating interest rates is LIBOR.

Maturity of borrowings

The groups maturity of debt at 31 December 2000 was as follows:

	2000 £m
In one year or less or on demand	(244.7)
In more than one year but not more than two	-
In more than two years but not more than five years	(99.6)
In more than five years time	(99.4)
	(443.7)

Borrowing facilities

At 31 December 2000 the group had bilateral committed undrawn borrowing facilities of £100.0 million of varying maturity dates. The maturity of the committed undrawn borrowing facilities is as follows:

	2000 £m
In less than one year	100.0
In one but less than two years	-
In more than two years	-
	100.0

Commodity prices

The group's supply business utilises fixed price contracts in order to hedge the risks arising from exposure to electricity and gas prices arising from the retail business.

Electricity

Electricity is currently primarily obtained by purchases from the Pool; and generation output is sold to the Pool.

The price of electricity purchased from the Pool to cover the retail business and the income from the Pool for the generation business can be volatile. As a result, the retail business is exposed to risks arising from the 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. Similarly, the generation business is exposed to risks arising from differences between relatively fixed costs and fluctuating income from Pool receipts. These risks can also be mitigated by the use of CFDs.

At 31 December 2000 the total volume of all such CFDs and swaps outstanding was approximately 46,085 GWh, with gross contract costs of approximately £1,507 million. These figures include:

- (i) 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 19,270 GWh, with gross cost of approximately £729 million.
- (ii) A long term CFD with Teesside Power Limited that is based on a nominal 200MW take from this 1725 MW facility through to the year 2008. The total volume of this contract through this period is approximately 11,017GWh, with gross cost of approximately £422 million.
- (iii) A five year contract expiring in June 2002 with a volume of 1,343 GWh and a gross value of £38 million.
- (iv) A five year contract expiring in December 2003 with a volume of 727 GWh and a gross value of £17 million.
- (v) A five year contract expiring in October 2004 with a volume of 1,317 GWh and a gross value of £31 million.

No other CFD or swap expires later than April 2002, with most having a duration of 12 months or less.

The majority of CFDs are entered into at about the same time as agreeing 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. Management believes that corresponding effects on sales pricing can mitigate wholesale price movements.

New Electricity Trading Arrangements are due to be introduced during 2001, which will change the nature of the wholesale electricity market. The Pool price will no longer exist and CFDs will be replaced by physical contracts. Negotiations are underway to convert existing CFDs to become physical contracts.

Gas

The group has fixed price contracts in place to support its generation and retail businesses.

The group has one swap where the counterparty is to provide 300,000 therms before the end of August 2001 on a date advised by the counterparty.

The group has one long term purchase contract that expires in October 2014 with a nominal contract volume of 5,775million therms and a gross value of £1,014.6million.

There are no other gas contracts that expire after the end of December 2001.

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 and losses on instruments used for hedging, and the movements are set out below.

	Unrecognised contracts	
	Gains	Gains
	31 December	31 December
	2000	1999
	£m	£m
Gains on hedges at beginning of year	0.4	0.9
Gains/(losses) arising in previous years that were recognised this year	-	0.2
	0.4	1.1
Gains/(losses) arising this year that were not recognised this year	0.1	(0.7)
Net gains on hedges at end of year	0.5	0.4
Of which are expected to be recognised in the profit and loss account:		
In more than one year	0.5	0.4
	0.5	0.4

In the table above the carried forward unrecognised net gain at 31 December 2000 of £0.5million equates to the difference between the fair value and book value of hedging instruments.

24 Share capital

	Group and Company 31 December 2000 £m	31 December 1999 £m
Authorised		
257,142,857 ordinary shares of 58 1/3 p each (1999: 257,142,857 ordinary shares of 58 1/3p each)	**150.0**	150.0
300,000,002 ordinary shares of 50p each	**150.0**	150.0
	300.0	300.0
Allotted, called up and fully paid		
251,168,583 ordinary shares of 58 1/3 p each (1999: 251,197,933 ordinary shares of 58 1/3p each)	**146.5**	146.5

25 Reserves and profit and loss account

	Group & Company £m
Share premium account	
At 1 January 2000	13.9
At 31 December 2000	13.9
Capital redemption reserve	
At 1 January 2000	11.0
At 31 December 2000	11.0

Profit and loss account	Group £m	Company £m
At 1 January 2000 (as previously stated)	517.8	516.7
Retained profit for the period	19.6	15.6
At 31 December 2000	537.4	532.3
Total reserves at 31 December 2000	562.3	557.2

26 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 31st March 1998, 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. The next full valuation of the scheme by Bacon & Woodrow is due on the 31st March 2001.

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 £7.7 million. A prepayment of £39.4 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 £39.4 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.

Executive directors and certain senior employees were also entitled to join the London Electricity Executives Pension Scheme until 30 March 1998, from which further benefits based on final pensionable pay were available. On 30 March 1998 the liability for past and future service was transferred to the ESPS.

Under the Plan the charge to profit is the contribution paid by London Electricity plc. The amount paid for the year ended 31 December 2000 was £1.7 million (1999: £0.9 million).

The total net credit for pension schemes in the accounts for the year ended 31 December 2000 is £6.0 million (1999: £6.0million).

27 Financial commitments

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

	31 December 2000		31 December 1999	
	Land and buildings	Other	Land and buildings	Other
	£m	£m	£m	£m
Expiring within				
One year	0.5	-	1.0	0.1
Two to five years inclusive	0.3	-	0.4	0.1
Over five years	7.5	-	7.7	-
	8.3	-	9.1	0.2

Capital commitments of the group and company were:

	Group		Company	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
	£m	£m	£m	£m
Contracted for but not provided for	249.1	104.0	225.5	72.8

28 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 of which £6.0 million has been incurred to date. 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 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.

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.

29 Related Party Transactions

During the year the group purchased services from and provided services to its joint venture and associate companies as follows:-

	31 December 2000 £m	31 December 1999 £m
Sales:		
Services Supplied	67.8	-
Purchases:		
Services Received	(28.6)	(2.7)
Tangible Fixed Assets	(47.2)	-
Amounts outstanding at 31 December 2000	(46.1)	-

30 Ultimate parent company

At 31 December 2000 London Electricity's immediate parent company was considered by the directors to be London Electricity Group plc.

At 31 December 2000 Electricité de France (EDF), a French state owned company was regarded by the directors as London Electricity'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.