

SECRET

REPORT OF THE AUDITORS TO THE MEMBERS OF YORKSHIRE ELECTRICITY GROUP PLC

We have audited the accounts on pages 2 to 31 in accordance with Auditing Standards.

In our opinion the accounts on pages 2 to 23, which have been prepared under the current cost accounting principles as described in note 1, give, under those principles, a true and fair view of the state of affairs of the Company and of the Group at 31 March 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the historical cost accounts on pages 24 to 31 give under the historical cost convention, a true and fair view of the state of affairs of the Company and of the Group at 31 March 1991 and of its profit and source and application of funds for the year then ended.



Touche Ross & Co

Abbey House, 74 Mosley Street, Manchester M60 2AT

1 July 1991



INDEF/AGD/NKH

13.11.91
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GROUP CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1991

		<u>See Note 2</u>	
	<u>Note</u>	<u>1990-91</u>	<u>1989-90</u>
		£m	£m
TURNOVER	3	1,242.5	1,258.1
COST OF SALES		893.3	969.8
GROSS PROFIT		<u>349.2</u>	<u>288.3</u>
Distribution costs		162.7	143.1
Administrative expenses		102.5	90.7
CURRENT COST OPERATING PROFIT	3&4	<u>84.0</u>	<u>54.5</u>
Income from investment in NGH plc	5	12.8	-
CURRENT COST PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		<u>96.8</u>	<u>54.5</u>
Gearing adjustment		3.4	-
Net interest (payable)/receivable	6	(3.7)	16.0
CURRENT COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>96.5</u>	<u>70.5</u>
Taxation	8	40.0	35.1
CURRENT COST PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>56.5</u>	<u>35.4</u>
Extraordinary items	9	5.2	3.0
CURRENT COST PROFIT FOR THE FINANCIAL YEAR		<u>51.3</u>	<u>32.4</u>
Dividends	10	22.4	-
CURRENT COST RETAINED PROFIT FOR THE YEAR	21	<u>28.9</u>	<u>32.4</u>
CURRENT COST EARNINGS PER ORDINARY SHARE	11		
- ACTUAL		27.3p	-
- PRO FORMA		23.9p	-

CURRENT COST BALANCE SHEETS

	Note	Group		Company	
		31 March 1991 £m	31 March 1990 £m	31 March 1991 £m	31 March 1990 £m
FIXED ASSETS					
Tangible assets	12	918.3	913.7	917.7	913.7
Investments	13	116.4	0.0	118.4	2.0
		<u>1,034.7</u>	<u>913.7</u>	<u>1,036.1</u>	<u>915.7</u>
CURRENT ASSETS					
Stocks	14	18.2	18.4	18.2	18.4
Debtors	15	268.6	231.0	270.7	232.3
Money market investments		80.6	46.0	76.3	41.4
Cash at bank and in hand		4.6	17.1	4.6	17.1
		<u>372.0</u>	<u>312.5</u>	<u>369.8</u>	<u>309.2</u>
CREDITORS (amounts falling due within one year)	16	(259.1)	(175.3)	(259.0)	(175.3)
NET CURRENT ASSETS		<u>112.9</u>	<u>137.2</u>	<u>110.8</u>	<u>133.9</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,147.6</u>	<u>1,050.9</u>	<u>1,146.9</u>	<u>1,049.6</u>
CREDITORS (amounts falling due after more than one year)	16	(126.0)	-	(126.0)	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	(15.1)	(11.8)	(13.1)	(10.6)
NET ASSETS		<u>1,006.5</u>	<u>1,039.1</u>	<u>1,007.8</u>	<u>1,039.0</u>
CAPITAL AND RESERVES					
Called up share capital	19	103.6	0.0	103.6	0.0
Current cost reserve	20	873.9	861.3	873.9	861.3
Profit and loss account	21	29.0	177.8	30.3	177.7
		<u>1,006.5</u>	<u>1,039.1</u>	<u>1,007.8</u>	<u>1,039.0</u>

The accounts on pages 2 to 23, were approved by the Board of Directors on 1 July 1991 and were signed on its behalf by:-

Chairman

Director

INDEF/AGD/NKH

GROUP CURRENT COST STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 MARCH 1991

	<u>1990-91</u> £m	<u>1989-90</u> £m
SOURCE OF FUNDS		
Current cost profit on ordinary activities before taxation	96.5	70.5
Extraordinary items	(5.2)	(3.0)
Adjustments for items not involving the movement of funds:		
Depreciation	63.3	58.4
Cost of sales adjustment	0.1	0.0
Monetary working capital adjustment	5.4	3.5
Gearing adjustment	(3.4)	-
Provisions charged	13.0	9.9
Total funds generated from operations	<u>169.7</u>	<u>139.3</u>
Funds from other sources:		
Capital contributions	16.4	14.2
Proceeds on disposal of fixed assets	1.1	1.7
Total Source of Funds	<u>187.2</u>	<u>155.2</u>
APPLICATION OF FUNDS		
Fixed asset expenditure	76.2	82.0
Taxation paid	26.1	77.8
Capital restructuring	-	7.6
Provisions applied	9.7	7.6
NET SOURCE/(APPLICATION) OF FUNDS	<u>75.2</u>	<u>(19.8)</u>
Represented by:		
Increase/(decrease) in working capital:		
Stocks, net of revaluation	0.0	3.3
Debtors	37.6	21.2
Creditors	25.0	(26.7)
Movement in net liquid funds:		
Increase/(decrease) in cash balances	(12.5)	1.5
Increase in money market investments	34.6	46.0
Increase in short term borrowings	(9.5)	-
Decrease in Electricity Council Funding Account	-	(65.1)
	<u>75.2</u>	<u>(19.8)</u>

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with Statements of Standard Accounting Practice issued by UK accountancy bodies, using current cost accounting principles and conform with the Companies Act 1985. Provision is made in the accounts for the effects of specific price changes on the resources necessary to maintain the operating capability of the business. They are the result of the consolidation of the accounts of the Company and its subsidiaries.

Current cost accounting

Current cost accounting, whilst not a system of accounting for general inflation, allows for price changes specific to the business when reporting assets employed and profits thereon. The current cost operating profit is determined after allowing for the impact of price changes on the funds needed to maintain net operating assets but does not take into account the way in which these assets are financed. The impact of price changes is reflected as follows:-

- (i) Depreciation is calculated on the basis of the gross current cost of tangible fixed assets as distinct from their original historical cost.
- (ii) A cost of sales adjustment is made to allow for the impact of price changes on stock consumed in the year.
- (iii) A monetary working capital adjustment is charged against the year's results to represent the amount of additional internally generated finance needed for monetary working capital as a result of changes in the input prices of goods and services used and supplied by the Group.
- (iv) A gearing adjustment, which reduces the effect of the current cost adjustments in the profit and loss account as set out in (i) to (iii) above. This adjustment takes account of the benefit to shareholders of financing the business partly by net borrowings.

The cost of sales adjustment and the monetary working capital adjustment are calculated principally using standard prices or by applying appropriate indices to historical cost. The component parts of indices are periodically reviewed.

Turnover

Turnover represents the value of electricity consumption during the year, which includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end and the invoice value of other goods and services provided, exclusive of value added tax.

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

Under/over recovery of regulated income

Where there is an over recovery of supply or distribution business revenues against the regulated maximum allowable amount, revenues are deferred equivalent to the over recovered amount. The deferred amount is deducted from turnover and included in creditors. Where there is an under recovery, no anticipation of any potential future recovery is made.

Tangible fixed assets and depreciation

(i) Gross current cost

The gross current cost of fixed assets is derived by applying appropriate indices to historical cost figures. These indices may be subject to continuing revision as more information becomes available.

Certain land and buildings are professionally valued on a cyclical basis.

(ii) Depreciation

The charge for depreciation is calculated to write off assets over their estimated useful lives. The lives of each major class of depreciable asset are as follows:-

	Years
Distribution assets	40
Depreciation is charged at	
3% for 20 years followed by	
2% for the remaining 20 years	
Non-operational assets	
Buildings - freehold	Up to 60
- leasehold	Lower of lease period or remaining economic life up to 60 years
Fixtures and equipment	up to 10
Vehicles and mobile plant	up to 10

Freehold land is not depreciated.

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

Tangible fixed assets and depreciation (continued)

(iii) Capital contributions

Capital 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. Contributions are indexed in line with the related assets.

(iv) Disposals

The profit or loss on the disposal of tangible fixed assets is taken to the profit and loss account as part of the depreciation charge.

(v) Property Clawback

Arrangements have been put in place to entitle HM Government to a proportion of any property gain (above certain thresholds) accruing as a result of disposals, or events treated as disposals for clawback purposes, occurring after 31 March 1990 in relation to land in which the company had an interest at that date (and, in certain circumstances, land in which the company acquires an interest thereafter from other members of the electricity industry) and any buildings on that land. These arrangements will last 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. Such a liability will crystallise when an actual or deemed disposal occurs.

Investments

Investment income is included in the accounts of the year for which it is receivable. Fixed asset investments are stated at current replacement cost or Directors' valuation. Current asset investments are stated at the lower of current replacement cost and net realisable value.

Stocks

Stocks are valued at the lower of current replacement cost and net realisable value. The valuation of work in progress is based on the current cost of labour plus appropriate overheads and the current replacement cost of materials.

Research and Development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

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 for deferred taxation, using the liability method, is made to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Leases

Rentals costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Pension costs

Contributions to the Electricity Supply Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Group. The capital cost of ex gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

2 COMPARATIVE FIGURES

Fundamental changes in the Group's capital structure, commercial and contractual environment and regulatory system have taken place during the year to 31 March 1991 and as a result the figures for the year are not strictly comparable to those for the year ended 31 March 1990.

The main changes which took place were:

(i) The New Electricity Market

On 31 March 1990 a new competitive market was established for trading electricity between generators and suppliers. Electricity is sold by generators and purchased by suppliers through a pool. Competition was also introduced into the Supply business, enabling Regional Electricity Companies and generators to compete to supply "non-franchise" customers.

(ii) Regulation

Since 31 March 1990 Yorkshire Electricity has been licensed under the Electricity Act as the Public Electricity Supplier for its authorised area. Income from the Distribution and Supply businesses are governed by price controls.

NOTES TO THE ACCOUNTS (continued)

2 COMPARATIVE FIGURES (continued)

(iii) Government Debenture

On 22 October 1990 Yorkshire Electricity issued to HM Treasury a debenture in the amount of £189m (See Note 16)

(iv) National Grid Holding plc

With effect from 1 April 1990 the Company acquired 9.2% of the ordinary shares of National Grid Holding plc. (See Note 13).

(v) Issue of Shares

On 20 November 1990 the authorised share capital of the Company was increased from 50,000 ordinary shares of £1, to 300,000,000 ordinary shares of 50p each and one special rights redeemable preference share of £1. The redeemable preference share and 207,164,000 ordinary shares were issued, credited as fully paid, to the Secretary of State for Energy.

On 21 November 1990 the Secretary of State offered for sale 207,264,000 ordinary shares of 50p each. All the shares were taken up and dealing commenced on the Stock Exchange in London on 11 December 1990 (See Note 19).

3 TURNOVER, OPERATING PROFIT AND NET ASSETS

Turnover is all in respect of sales to United Kingdom customers. Turnover, operating profit and net assets are attributable to the following activities:-

	<u>Turnover</u>	<u>Operating Profit</u>	<u>Net Assets</u>
	1990-91	1990-91	31 March 1991
	£m	£m	£m
Electricity			
- Distribution	285.7	70.7	850.6
- 1st Tier Supply	1,115.2	10.9	96.6
	<u>1,400.9</u>	<u>81.6</u>	<u>947.2</u>
Other	190.3	2.4	126.8
	<u>1,591.2</u>	<u>84.0</u>	<u>1,074.0</u>
Less: inter-activity sales	(348.7)	-	-
non allocated Net Assets	-	-	(67.5)
	<u>1,242.5</u>	<u>84.0</u>	<u>1,006.5</u>

Turnover in respect of the 1st Tier Supply business excludes revenues in excess of the regulated maximum allowed amount. No adjustment has been made for the Distribution under-recovery which was broadly in line with the prospectus forecast.

NOTES TO THE ACCOUNTS (continued)

4 OPERATING PROFIT

The current cost operating profit is stated after charging:-

	<u>1990-91</u> £m	<u>1989-90</u> £m
Employment costs (Note 7(a))	103.2	88.4
Depreciation (net of profit on disposals)	63.3	58.4
Hire of plant and machinery	0.5	0.8
Other operating lease rentals	7.0	5.3
Rationalisation costs	4.4	2.8
Auditors remuneration	0.1	0.1

5 INCOME FROM INVESTMENT IN NGH plc

	<u>1990-91</u> £m	<u>1989-90</u> £m
Gross dividends receivable from the National Grid Holding plc	12.8	-
	<u>12.8</u>	<u>-</u>

6 NET INTEREST (PAYABLE)/RECEIVABLE

	<u>1990-91</u> £m	<u>1989-90</u> £m
Interest payable:-		
On bank loans, overdrafts and other loans (wholly repayable within five years)	(9.5)	-
Interest receivable	5.8	16.0
	<u>(3.7)</u>	<u>16.0</u>

NOTES TO THE ACCOUNTS (continued)

7 DIRECTORS AND EMPLOYEES

	<u>1990-91</u> £m	<u>1989-90</u> £m
(a) Employment costs		
The aggregate remuneration of all employees including the Directors of the Company, comprised:		
Wages and salaries	102.1	91.0
Social security costs	7.9	7.0
Other pension costs	15.7	12.7
	<u>125.7</u>	<u>110.7</u>
Less: charged as capital expenditure	22.5	22.3
Charged to the profit and loss account	<u>103.2</u>	<u>88.4</u>

(b) Average number of employees

The average number of employees, including Directors, during the year was:-

	<u>1990-91</u> Number	<u>1989-90</u> Number
Managerial and higher executive	51	51
Technical and scientific	821	845
Administrative and sales	2,717	2,607
Industrial	3,415	3,529
Technical trainees and apprentices	122	123
	<u>7,126</u>	<u>7,155</u>

(c) Directors' emoluments

The Directors' emoluments were:-

	<u>1990-91</u> £000	<u>1989-90</u> £000
Fees	64	28
Remuneration as executives	592	124
Pension contributions	80	15
	<u>736</u>	<u>167</u>

NOTES TO THE ACCOUNTS (continued)

7 DIRECTORS AND EMPLOYEES (continued)

The remuneration (including taxable benefits but excluding employer's pension contributions) of the Chairman who is also the highest paid Director, was £183,571 (1989-90 £68,280). Other Directors received remuneration (including taxable benefits but excluding employer's pension contributions) in the ranges:-

	<u>1990-91</u> Number	<u>1989-90</u> Number
£ 0 - £ 5,000	-	*11
£ 15,001 - £ 20,000	4	-
£ 55,001 - £ 60,000	-	1
£ 80,001 - £ 85,000	1	-
£ 85,001 - £ 90,000	1	-
£100,001 - £105,000	1	-
£135,001 - £140,000	1	-

* Includes ten who served for only part of the year.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1990-91</u> £m	<u>1989-90</u> £m
Taxation on profit for the year:		
UK corporation tax at 34% (1989-90 35%)	38.8	35.1
Tax on franked investment income at 25%	3.2	-
	<u>42.0</u>	<u>35.1</u>
Adjustment in respect of earlier years	(2.0)	-
	<u>40.0</u>	<u>35.1</u>

9 EXTRAORDINARY ITEMS

	<u>1990-91</u> £m	<u>1989-90</u> £m
Privatisation costs	5.2	2.0
Costs relating to the winding up of the Electricity Council	-	1.0
	<u>5.2</u>	<u>3.0</u>

NOTES TO THE ACCOUNTS (continued)

10 DIVIDENDS

	<u>1990-91</u> £m	<u>1989-90</u> £m
Proposed dividend of 10.81p per ordinary share payable on 9 October 1991	22.4	-
	<u>22.4</u>	<u>-</u>

11 CURRENT COST EARNINGS PER ORDINARY SHARE

Actual earnings per share are based on 207,264,000 ordinary shares treated as in issue throughout the year and earnings of £56.5m.

In view of the changes in the Group's capital structure, commercial and contractual environment and regulatory system which have taken place during the year (as stated in Note 2) actual earnings per share is not a reliable indicator of the future.

Pro forma earnings per ordinary share have been calculated by dividing pro forma profit on ordinary activities after taxation of £49.5m by 207,264,000 ordinary shares in issue. Pro forma profit on ordinary activities after taxation has been calculated by making adjustments to interest, gearing adjustment and taxation, on the basis that the new capital structure had been in place since 1 April 1990. The adjustments have been calculated on the same basis and by applying the same assumptions as for the profit forecast included in the prospectus. The effect of applying updated interest and tax rates to the pro forma adjustments would not have been material. Pro forma earnings are reconciled to actual earnings as follows:

	£m
Profit on ordinary activities after taxation (Actual earnings)	56.5
Interest adjustment	(17.2)
Tax credit	6.0
Gearing adjustment	4.2
Pro forma earnings	<u>49.5</u>

Earnings per ordinary share have not been presented for 1989-90 as the Group did not have ordinary shares in issue during the whole of that year and the application of pro forma adjustments to that period would, in the Directors' view, be subjective and inappropriate.

NOTES TO THE ACCOUNTS (continued)

12 TANGIBLE FIXED ASSETS

The Company's tangible fixed assets comprises of:

	<u>Distribution</u> £m	Non Operational Land & Buildings £m	<u>Other</u> £m	Deduct: Capital Contributions £m	<u>Total</u> £m
<u>Gross current cost</u>					
At 1 April 1990	2,773.3	44.2	84.7	(184.0)	2,718.2
Additions	53.4	7.8	14.4	(16.4)	59.2
Disposals	(45.8)	-	(2.0)	0.6	(47.2)
Adjustments arising on revaluation	31.3	(3.2)	3.4	(2.7)	28.8
At 31 March 1991	<u>2,812.2</u>	<u>48.8</u>	<u>100.5</u>	<u>(202.5)</u>	<u>2,759.0</u>
<u>Depreciation</u>					
At 1 April 1990	1,819.3	-	46.2	(61.0)	1,804.5
Disposals	(45.5)	-	(2.0)	0.6	(46.9)
Charge for the year	56.4	1.1	11.9	(5.3)	64.1
Adjustments arising on revaluation	19.7	(1.0)	1.8	(0.9)	19.6
At 31 March 1991	<u>1,849.9</u>	<u>0.1</u>	<u>57.9</u>	<u>(66.6)</u>	<u>1,841.3</u>
<u>Net Book Amount</u>					
At 31 March 1991	<u>962.3</u>	<u>48.7</u>	<u>42.6</u>	<u>(135.9)</u>	<u>917.7</u>
At 31 March 1990	<u>954.0</u>	<u>44.2</u>	<u>38.5</u>	<u>(123.0)</u>	<u>913.7</u>

The Group's tangible fixed assets also include capital expenditure incurred in the year by newly formed subsidiary companies on plant and machinery of £0.6m (1989-90 nil). There was no depreciation charged during the year.

The net book value of non-specialised non-operational buildings is based on open market valuation for existing use. Valuations of all such properties were carried out as at 31 March 1991 by Bernard Thorpe, Chartered Surveyors.

The historical cost value of fixed assets is shown in Note D.

NOTES TO THE ACCOUNTS (continued)

12 TANGIBLE FIXED ASSETS (continued)

The net book amount of non-operational land and buildings comprises:-

	<u>Group & Company</u>	
	<u>31 March</u>	<u>31 March</u>
	<u>1991</u>	<u>1990</u>
	<u>£m</u>	<u>£m</u>
Freehold	42.5	38.4
Long leasehold	3.7	3.7
Short leasehold	2.5	2.1
	<u>48.7</u>	<u>44.2</u>

Included in fixed assets at 31 March 1991 are assets in the course of construction amounting to £14.6m (31 March 1990 £13.4m) and land valued at £16.0m (31 March 1990 £17.3m) which is not depreciated.

13 FIXED ASSET INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
National Grid Holding plc	116.4	-	116.4	-
Scarcroft Insurance Ltd	-	-	2.0	2.0
	<u>116.4</u>	<u>-</u>	<u>118.4</u>	<u>2.0</u>

On 23 May 1990 the Company acquired, with effect from 1 April 1990, from the Secretary of State for Energy, 4,600 ordinary shares of £1 each in National Grid Holding plc (NGH). The issued share capital of NGH was 50,001 shares divided into 50,000 ordinary shares of £1 each and one special rights redeemable preference share of £1. On 31 October 1990 NGH restructured its capital and a bonus issue was made of 799 shares for each one share held, giving the Company a total of 36,800,000 ordinary shares now classified as 10p shares. The National Grid Company plc (NGC) is 100% owned by NGH. NGH has no other business. The Company's shareholding in NGH has been included in the current cost balance sheet at Directors valuation based on the dividend receivable.

A list of principal subsidiaries is included on page .

NOTES TO THE ACCOUNTS (continued)

14 STOCKS

	<u>Group and Company</u>	
	<u>31 March</u>	<u>31 March</u>
	<u>1991</u>	<u>1990</u>
	<u>£m</u>	<u>£m</u>
Raw materials and consumables	4.2	4.4
Work in progress	3.8	4.4
Finished goods and goods for resale	10.2	9.6
	<u>18.2</u>	<u>18.4</u>

15 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Amounts falling due within one year:-				
Trade debtors	121.9	104.0	121.9	104.0
Amounts owed by Group undertakings	-	-	3.4	1.4
Credit sale instalments not yet due	16.6	18.9	16.6	18.9
Other debtors	2.6	5.9	1.3	5.9
Prepayments and accrued income	6.9	9.2	6.9	9.1
Unbilled consumption	95.2	77.6	95.2	77.6
Dividends receivable	6.4	-	6.4	-
	<u>249.6</u>	<u>215.6</u>	<u>251.7</u>	<u>216.9</u>
Amounts falling due after more than one year:-				
ACT recoverable on proposed dividend	4.3	-	4.3	-
Credit sale instalments not yet due	14.7	15.4	14.7	15.4
	<u>268.6</u>	<u>231.0</u>	<u>270.7</u>	<u>232.3</u>

NOTES TO THE ACCOUNTS (continued)

16 CREDITORS

	<u>Group</u>		<u>Company</u>	
	31 March 1991 £m	31 March 1990 £m	31 March 1991 £m	31 March 1990 £m
Creditors (amounts falling due within one year)				
Payments received on account	11.4	8.1	11.4	8.1
Debenture loans	63.0	-	63.0	-
Short term loans	9.5	-	9.5	-
Purchase of electricity	42.0	92.5	42.0	92.5
Other trade creditors	12.6	13.5	12.6	13.5
Corporation tax	52.7	36.6	52.6	36.6
Taxation and social security	4.9	0.3	4.9	0.3
Other creditors	11.6	11.9	11.6	11.9
Accruals and deferred income	11.2	12.4	11.2	12.4
Over recovery of regulated income	17.8	-	17.8	-
Proposed dividend	22.4	-	22.4	-
	<u>259.1</u>	<u>175.3</u>	<u>259.0</u>	<u>175.3</u>
Creditors (amounts falling due after more than one year)				
Debenture loans	126.0	-	126.0	-
	<u>126.0</u>	<u>-</u>	<u>126.0</u>	<u>-</u>

Pursuant to a direction given by the Secretary of State for Energy under Section 71 of the Electricity Act 1989, the Company has issued a debenture to HM Treasury dated as of 22 October 1990, acknowledging indebtedness in the principal amount of £189m (the "Short-Term Debt") for which no proceeds were received. The Short-Term Debt is repayable in tranches in 1991, 1993 and 1994 between 22 March and 20 April in the relevant year. The first such tranche is of £63m (repaid on 20 April 1991), the second of £87m and the third of £39m. No interest is payable on the first tranche, interest accrues on the second and third tranches at the rates of 12.875% and 12.626% per annum respectively with effect from 30 September 1990 and is payable in arrears at six monthly intervals or on repayment of the relevant tranche.

The newly created debt has been offset against the Profit and Loss Account in the historical cost accounts. In the current cost accounts £177.7m of the debt, equivalent to the balance on the Company Profit and Loss Account at 1 April 1990, has been offset against the Profit and Loss Account. The balance of £11.3m has been offset against the realised element of the Current Cost Reserve.

NOTES TO THE ACCOUNTS (continued)

16 CREDITORS (continued)

Loans outstanding at 31 March 1991 are repayable as follows:-

	<u>Group and Company</u>	
	<u>Short Term</u>	<u>Debenture</u>
	<u>Loans</u>	<u>Loans</u>
	<u>£m</u>	<u>£m</u>
Within one year	9.5	63.0
Between one and two years	-	87.0
Between two and five years	-	39.0
	<u>9.5</u>	<u>189.0</u>

Short term loans are all repayable by 31 December 1991 at interest rates varying between 12.6% and 13.8% per annum

17 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Group</u>		<u>Company</u>	
	<u>Pensions</u>	<u>Other</u>	<u>Pensions</u>	<u>Other</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Balance at 1 April	-	11.8	-	10.6
Utilised/paid in year	-	(9.7)	-	(9.4)
Provided in the year				
- ordinary activities	2.6	5.2	2.6	4.1
- extraordinary activities	-	5.2	-	5.2
Balance at 31 March	<u>2.6</u>	<u>12.5</u>	<u>2.6</u>	<u>10.5</u>

Included within provisions are costs arising from claims which are not insured externally, accrued liability for holiday pay and estimated additional pension costs arising from the case of Barber v Guardian Royal Exchange (Note 22).

NOTES TO THE ACCOUNTS (continued)

18 DEFERRED TAXATION

No provision for deferred tax is required at 31 March 1991 (31 March 1990: Nil). Total potential deferred tax liabilities, for which no provision has been made, computed at the current rate of corporation tax of 33% (1989-90 35%) are as follows:-

	Group 31 March 1991 £m	Company 31 March 1991 £m	Group & Company 31 March 1990 £m
Capital allowances in excess of depreciation	122.5 (7.8)	122.5 (7.1)	125.0 (6.7)
Other timing differences	<u>114.7</u>	<u>115.4</u>	<u>118.3</u>

Current cost revaluations do not provide an appropriate basis for the provision of deferred taxation and, accordingly, no account has been taken of any potential liability arising if disposals took place at current cost valuations.

NOTES TO THE ACCOUNTS (continued)

19 CALLED UP SHARE CAPITAL

	31 March 1991 £m	31 March 1990 £m
Authorised:		
50,000 ordinary shares of £1 each	-	0.1
300,000,000 ordinary shares of 50p each	150.0	-
1 Special rights redeemable preference share of £1	0.0	-
	<u>150.0</u>	<u>0.1</u>
Allotted and fully paid:		
2 ordinary shares of £1 each	-	0.0
207,264,000 ordinary shares of 50p each	103.6	-
1 Special rights redeemable preference share of £1	0.0	-
	<u>103.6</u>	<u>0.0</u>
Allotted and partly paid:		
50,000 ordinary shares of £1 each - 25p paid	-	0.0
	<u>-</u>	<u>0.0</u>

On 1 April 1990 the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each. These were issued to the Secretary of State for Energy. On 20 November 1990 following capital restructuring the authorised share capital was increased to 300,000,000 ordinary shares of 50p each and one special rights redeemable preference share of £1. The redeemable preference share and 207,164,000 ordinary shares of 50p were issued, credited as fully paid, to the Secretary of State for Energy.

On 21 November 1990 the Secretary of State offered for sale 207,264,000 ordinary shares of 50p each. All the shares on offer were taken up and dealings in the shares commenced on the Stock Exchange in London on 11 December 1990.

The newly created share capital has been offset against the realised element of the Current Cost Reserve in the current cost accounts (Note 20) and the Profit and Loss Account in the historical cost accounts (Note H).

Employee Share Schemes

Under the arrangements put in place at the time of the Offer for Sale for employees the number of participants and the number of share options under each of the share schemes at 31 March 1991 were:

(a) Sharesave Scheme

Participants	3,727
Shares subject to options to purchase	7,162,187
Price per share	£1.75
Period of option	At the end of 5 years

NOTES TO THE ACCOUNTS (continued)

19 CALLED UP SHARE CAPITAL (continued)

Employee Share Schemes (continued)

(b) Executive Option Scheme

Participants	36
Shares subject to options to purchase	817,154
Price per share	£2.87
Period of option	3-10 years

(c) Shares Held in Trust

Under the Free and Matching Offer the shares are held in trust for two years (until December 1992) unless the employee ceases employment on account of injury, disability or redundancy or the employee reaches state pensionable age.

At 31 March 1991 there were 988,442 shares held in trust.

20 CURRENT COST RESERVE

	<u>Group and Company</u>	
	<u>31 March</u>	<u>31 March</u>
	<u>1991</u>	<u>1990</u>
	<u>£m</u>	<u>£m</u>
Balance at 1 April	861.3	844.5
Issue of share capital (Note 19)	(103.6)	-
Issue of debentures (Notes 16 & 21)	(11.3)	-
Adjustments in the year:		
Revaluation of net fixed assets	9.2	13.2
Revaluation of NGH	116.4	-
Cost of sales and stock revaluation	(0.1)	0.1
Monetary working capital	5.4	3.5
Gearing	(3.4)	-
Balance at 31 March	<u>873.9</u>	<u>861.3</u>
Of which: Realised	307.3	384.1
Unrealised	<u>566.6</u>	<u>477.2</u>

The realised element above represents the net cumulative total of the current cost adjustments which have been passed through the profit and loss account.

NOTES TO THE ACCOUNTS (continued)

21 PROFIT AND LOSS ACCOUNT

	Group		Company	
	31 March 1991 £m	31 March 1990 £m	31 March 1991 £m	31 March 1990 £m
Balance at 1 April	177.8	153.0	177.7	153.0
Issue of debentures (Notes 16 & 20)	(177.7)	-	(177.7)	-
Retained profit for the year	28.9	32.4	30.3	32.3
Adjustments arising on capital restructuring	-	(7.6)	-	(7.6)
Balance at 31 March	<u>29.0</u>	<u>177.8</u>	<u>30.3</u>	<u>177.7</u>

The current cost profit for the financial year dealt with in the accounts of the Company was £52.7m (1989-90 £32.3m). As allowed by Section 230(1) of the Companies Act 1985, the Company has not presented its own profit and loss account. The Company's current cost profit and loss account was approved by the Board on 1 July 1991.

22 PENSION COMMITMENTS

Most of the Group's employees are entitled to join the Electricity Supply Pension Scheme which provides pension and other related benefits based on final pensionable pay to employees throughout the Electricity Supply Industry. The assets of the Scheme are held in a separate trustee administered fund.

The pension cost to the Group for the year was £15.7m (1989-90 £12.7m). The latest actuarial valuation of the Group's Section of the scheme was carried out as at 31 March 1989. The attained age method was used for the valuation, the principal actuarial assumptions adopted being an investment return of 9% per annum, salary increases (exclusive of merit awards) of 7% per annum, pension increases of 5.5% per annum and equity dividend growth of 4.5% per annum. On this actuarial basis, the actuarial value placed on the assets of the Group's section of the scheme represented 100% of the actuarial value of the accrued benefits allowing for future salary rises.

The market value of the assets of the Group's share of the scheme at 31 March 1989 was £373m. Contributions payable by the Group to the Scheme during the year were £13.1m (1989-90 £12.7m).

The latest actuarial valuation was completed prior to the European Court of Justice's decision in the case of Barber V Guardian Royal Exchange, which related to equality. The full effect of this decision is still uncertain. An estimate of the liability which may arise has been calculated and is being charged to the profit and loss account over the average working lifetime of existing members and is included within provisions.

NOTES TO THE ACCOUNTS (continued)

23 LEASE OBLIGATIONS

The Group has the following annual commitments under operating leases for equipment and vehicles which expire:-

	Group and Company	
	31 March 1991	31 March 1990
	£m	£m
Within one year	0.3	0.4
In the second to fifth year inclusive	4.6	3.8
In more than five years	1.0	0.7
	<hr/> 5.9	<hr/> 4.9

Operating lease rentals charged to the profit and loss account were:-

	£m	£m
Land and buildings	1.0	0.7
Plant and machinery	6.0	4.6
	<hr/> 7.0	<hr/> 5.3

24 CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure authorised by the Board of Directors but not provided for at 31 March 1991 amounted to £40.3m (31 March 1990 £72.3m) in respect of which the Board of Directors has entered into contractual commitments of £5.2m (31 March 1990 £8.3m).

The Group has signed a turnkey contract of £90m with European Gas Turbine Co Ltd in connection with the Brigg project. The contract is contingent upon suitable financing being arranged. As part of the project, the Company has guaranteed the performance by a subsidiary of a contract signed with British Gas plc for the purchase of 137 million therms of gas per annum for 15 years. The contract is valued at £375m.

GROUP HISTORICAL COST PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1991

		<u>See Note 2</u>	
	<u>Note</u>	<u>1990-91</u> £m	<u>1989-90</u> £m
TURNOVER	3	1,242.5	1,258.1
COST OF SALES		893.2	969.8
GROSS PROFIT		<u>349.3</u>	<u>288.3</u>
Distribution costs		126.9	108.0
Administrative expenses		96.9	86.8
OPERATING PROFIT	B&4	<u>125.5</u>	<u>93.5</u>
Income from investment in NGH plc	5	12.8	-
Net interest (payable)/receivable	6	(3.7)	16.0
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>134.6</u>	<u>109.5</u>
Taxation	8	<u>40.0</u>	<u>35.1</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		94.6	74.4
Extraordinary items	9	5.2	3.0
PROFIT FOR THE FINANCIAL YEAR		<u>89.4</u>	<u>71.4</u>
Dividends	10	22.4	-
RETAINED PROFIT FOR THE YEAR	H	<u>67.0</u>	<u>71.4</u>
 EARNINGS PER ORDINARY SHARE	 C		
- ACTUAL		45.6p	-
- PRO FORMA		40.2p	-

HISTORICAL COST BALANCE SHEETS

		Group		Company	
	Note	31 March 1991 £m	31 March 1990 £m	31 March 1991 £m	31 March 1990 £m
FIXED ASSETS					
Tangible assets	D	468.0	436.6	467.4	436.6
Investments	E	71.7	0.0	73.7	2.0
		<u>539.7</u>	<u>436.6</u>	<u>541.1</u>	<u>438.6</u>
CURRENT ASSETS					
Stocks	F	18.3	18.3	18.3	18.3
Debtors	15	268.6	231.0	270.7	232.3
Money market investments		80.6	46.0	76.3	41.4
Cash at bank and in hand		4.6	17.1	4.6	17.1
		<u>372.1</u>	<u>312.4</u>	<u>369.9</u>	<u>309.1</u>
CREDITORS (amounts falling due within one year)	16	(259.1)	(175.3)	(259.0)	(175.3)
		<u>113.0</u>	<u>137.1</u>	<u>110.9</u>	<u>133.8</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES		652.7	573.7	652.0	572.4
CREDITORS (amounts falling due after more than one year)	16	(126.0)	-	(126.0)	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	(15.1)	(11.8)	(13.1)	(10.6)
		<u>511.6</u>	<u>561.9</u>	<u>512.9</u>	<u>561.8</u>
NET ASSETS					
CAPITAL AND RESERVES					
Called up share capital	19	103.6	0.0	103.6	0.0
Revaluation reserve	G	71.7	-	71.7	-
Profit and loss account	H	336.3	561.9	337.6	561.8
		<u>511.6</u>	<u>561.9</u>	<u>512.9</u>	<u>561.8</u>

The accounts on pages 24 to 31 were approved by the Board of Directors on 3 July 1991 and were signed on its behalf by:-

Chairman

Director

INDEF/AGD/NKH

GROUP HISTORICAL COST STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE
YEAR ENDED 31 MARCH 1991

	<u>1990-91</u> £m	<u>1989-90</u> £m
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	134.6	109.5
Extraordinary items	(5.2)	(3.0)
Adjustments for items not involving the movement of funds:		
Depreciation	27.3	22.9
Provisions charged	13.0	9.9
Total funds generated from operations	<u>169.7</u>	<u>139.3</u>
Funds from other sources:		
Capital Contributions	16.4	14.2
Proceeds on disposal of fixed assets	1.1	1.7
Total Source of Funds	<u>187.2</u>	<u>155.2</u>
APPLICATION OF FUNDS		
Fixed asset expenditure	76.2	82.0
Taxation paid	26.1	77.8
Capital restructuring	-	7.6
Provisions applied	9.7	7.6
NET SOURCE/(APPLICATION) OF FUNDS	<u>75.2</u>	<u>(19.8)</u>
Represented by:		
Increase/(decrease) in working capital:		
Stocks	0.0	3.3
Debtors	37.6	21.2
Creditors	25.0	(26.7)
Movement in net liquid funds:		
Increase/(decrease) in cash balances	(12.5)	1.5
Increase in money market investments	34.6	46.0
Increase in short term borrowings	(9.5)	-
Decrease in Electricity Council Funding Account	-	(65.1)
	<u>75.2</u>	<u>(19.8)</u>

NOTES TO THE HISTORICAL COST ACCOUNTS

A ACCOUNTING POLICIES

The historical cost accounts are prepared in accordance with the accounting policies set out in Note 1 to the current cost accounts except as noted below:-

(i) The historical cost accounts do not include a cost of sales adjustment, a monetary working capital adjustment, a depreciation adjustment or a gearing adjustment.

(ii) Tangible fixed assets are stated at cost less amounts provided to write off assets over their useful economic lives which are consistent with those used for the current cost accounts.

(iii) Fixed asset investments are stated at cost or valuation. Current asset investments are stated at the lower of cost and net realisable value.

(iv) Stocks are valued at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of labour plus appropriate overheads and the cost of materials.

B OPERATING PROFIT AND NET ASSETS

	<u>Operating Profit</u>	<u>Net Assets</u>
	1990-91	31 March 1991
	£m	£m
Electricity		
- Distribution	107.4	403.1
- 1st Tier Supply	14.2	96.6
	<u>121.6</u>	<u>499.7</u>
Other	3.9	124.1
	<u>125.5</u>	<u>623.8</u>
Less: non allocated Net Assets	-	(112.2)
	<u>125.5</u>	<u>511.6</u>

Historical cost operating profit is reconciled to current cost operating profit as follows:-

	<u>1990-91</u>	<u>1989-90</u>
	£m	£m
Historical cost operating profit	125.5	93.5
Less current cost adjustments:		
- Depreciation	36.0	35.5
- Cost of sales	0.1	0.0
- Monetary working capital	<u>5.4</u>	<u>3.5</u>
Current cost operating profit	<u>84.0</u>	<u>54.5</u>

The depreciation adjustment is mainly included in Distribution Costs, the Monetary working capital adjustment is included in Administration Expenses.

NOTES TO THE HISTORICAL COST ACCOUNTS (continued)

C HISTORICAL COST EARNINGS PER ORDINARY SHARE

Actual earnings per share are based on 207,264,000 ordinary shares treated as in issue throughout the year and earnings of £94.6m.

In view of the changes in the Group's capital structure, commercial and contractual environment and regulatory system which have taken place during the year (as stated in Note 2) actual earnings per share is not a reliable indicator of the future.

Pro forma earnings per ordinary share have been calculated by dividing pro forma profit on ordinary activities after taxation of £83.4m by the ordinary shares in issue. Pro forma profit on ordinary activities after taxation has been calculated by making adjustments to interest and taxation on the basis that the new capital structure had been in place since 1 April 1990. The adjustments have been calculated on the same basis and by applying the same assumptions as for the profit forecast included in the prospectus. The effect of applying updated interest and tax rates to the pro forma adjustments would not have been material. Pro forma earnings are reconciled to actual earnings as follows:

	£m
Profit on ordinary activities after taxation (Actual earnings)	94.6
Interest adjustment	(17.2)
Tax credit	6.0
	<hr/>
Pro forma earnings	83.4

Earnings per ordinary share have not been presented for 1989-90 as the Group did not have ordinary shares in issue for the whole of that year and the application of pro forma adjustments to that period would, in the Directors' view, be subjective and inappropriate.

NOTES TO THE HISTORICAL COST ACCOUNTS (continued)

D TANGIBLE FIXED ASSETS

The Company's tangible fixed assets comprises of:

	<u>Distribution</u>	<u>Operational Land & Buildings</u>	<u>Other</u>	<u>Deduct: Capital Contributions</u>	<u>Total</u>
	£m	£m	£m	£m	£m
<u>Cost</u>					
At 1 April 1990	713.0	51.0	70.2	(108.3)	725.9
Additions	53.4	7.8	14.4	(16.4)	59.2
Disposals	(2.6)	-	(0.9)	-	(3.5)
At 31 March 1991	<u>763.8</u>	<u>58.8</u>	<u>83.7</u>	<u>(124.7)</u>	<u>781.6</u>
<u>Depreciation</u>					
At 1 April 1990	269.5	8.5	34.3	(23.0)	289.3
Disposals	(2.6)	-	(0.9)	-	(3.5)
Charge for the year	19.1	1.8	10.7	(3.2)	28.4
At 31 March 1991	<u>286.0</u>	<u>10.3</u>	<u>44.1</u>	<u>(26.2)</u>	<u>314.2</u>
<u>Net book amount</u>					
At 31 March 1991	<u>477.8</u>	<u>48.5</u>	<u>39.6</u>	<u>(98.5)</u>	<u>467.4</u>
At 31 March 1990	<u>443.5</u>	<u>42.5</u>	<u>35.9</u>	<u>(85.3)</u>	<u>436.6</u>

The Group's tangible fixed assets also include capital expenditure incurred in the year by newly formed subsidiary companies on plant and machinery of £0.6m (1989-90 Nil). No depreciation was charged during the year.

NOTES TO THE ACCOUNTS (continued)

D TANGIBLE FIXED ASSETS (continued)

The net book amount of non-operational land and buildings comprises:-

	<u>Group & Company</u>	
	31 March 1991	31 March 1990
	£m	£m
Freehold	36.3	33.3
Long leasehold	8.5	8.3
Short leasehold	3.7	0.9
	<u>48.5</u>	<u>42.5</u>

Included in fixed assets at 31 March 1991 are assets in the course of construction amounting to £14.5m (31 March 1990 £13.1m) and land valued at £3.3m (31 March 1990 £3.1m) which is not depreciated.

E FIXED ASSET INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	31 March 1991	31 March 1990	31 March 1991	31 March 1990
National Grid Holding Plc	71.7	-	71.7	-
Scarcroft Insurance Ltd	-	-	2.0	2.0
	<u>71.7</u>	<u>-</u>	<u>73.7</u>	<u>2.0</u>

The Company's shareholding in NGH has been included in the historical cost balance sheet at £71.7m as a Directors' valuation based on the Company's share of NGC's pro forma historical cost net asset value at 31 March 1990.

A list of principal subsidiaries is included on page .

F STOCKS

	<u>Group and Company</u>	
	31 March 1991	31 March 1990
	£m	£m
Raw materials and consumables	4.2	4.4
Work in progress	3.8	4.4
Finished goods and goods for resale	10.3	9.5
	<u>18.3</u>	<u>18.3</u>

NOTES TO THE ACCOUNTS (continued)

G REVALUATION RESERVE

	£m
Balance at 1 April 1990	71.7
Revaluation of NGH	<u>71.7</u>
Balance at 31 March 1991	<u> </u>

H PROFIT AND LOSS ACCOUNT

	31 March 1991 £m	31 March 1990 £m
Balance at 1 April	561.9	498.1
Issue of share capital (Note 19)	(103.6)	-
Issue of debentures (Note 16)	(189.0)	-
Adjustments arising on capital restructuring	-	(7.6)
Retained profit for the year	67.0	71.4
	<u>336.3</u>	<u>561.9</u>
Balance at 31 March	<u> </u>	<u> </u>

DIRECTORS' REPORT

The Directors have pleasure in presenting their Report and Accounts for the year ended 31 March 1991.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the distribution and supply of electricity to industrial, commercial and domestic customers, appliance retailing, electrical contracting, largely in the geographical area defined in the Public Electricity Supply Licence.

A review of the business of the Company during the financial year, its position at the end of that year and its outlook for the future are given in the Chairman's Statement and in the Review of Operations.

RESULTS FOR THE YEAR AND DIVIDENDS

Profit before taxation and extraordinary items was £96.5m in current cost (CCA) terms, (£134.6m in historical cost (HCA) terms) which compares with the Prospectus forecast of £72.3m CCA (£115.6m HCA).

In line with the prospectus forecasts the Company did not pay an interim dividend and the Directors recommend a final dividend of 10.81p per share which, with the related tax credit at basic rate, represents a gross distribution of 14.41p per share. After charging the dividend it is proposed to transfer £28.9m CCA (£67.0m HCA) to reserves.

SHARE CAPITAL

On 1 April 1990 the authorised share capital of the Company was £50,000 divided into 50,000 ordinary shares of £1 each. These were issued to the Secretary of State for Energy. On 20 November 1990, following capital restructuring, the authorised share capital was increased to 300,000,000 ordinary shares of 50p each and one Special Rights Redeemable Preference Share of £1. The Redeemable Preference Share and 207,164,000 ordinary shares of 50p were issued to the Secretary of State for Energy.

On 21 November 1990 the Secretary of State offered for sale 207,264,000 ordinary shares of 50p each. All the shares on offer were taken up and dealings in the shares commenced on the Stock Exchange in London on 11 December 1990.

As at 1 July 1991 the Company had been informed that Prudential Portfolio Managers Limited had an interest in 3.42% of the ordinary share capital of the Company.

DIRECTORS

The Directors of the Company at 31 March 1991 were:-

Dr J Porteous	Chairman and Chief Executive
Mr J S Tysoe	Group Managing Director
Mr J M Chatwin	Group Commercial Director
Mr A W J Coleman	Group Financial Director
Mr G J Hall	Group Executive Director
Mr D B Clark)	
Lady Eccles of Moulton)	Non-Executive Directors
Mr J N Hardman)	
Mr J A Rigg)	

All the Directors above served throughout the year.

The Secretary of State for Energy was a shadow director from 1 April 1990 until 11 December 1990.

Mr D Wilebore was appointed a Group Executive Director from 1 June 1991 with responsibility for the Energy Supply Division.

DIRECTORS' INTERESTS IN CONTRACTS

The Board is not aware of any contract of significance (other than service contracts) in relation to the Company or its subsidiaries in which any Director has or has had a material interest. Service contracts are held by

Dr J Porteous, Mr J S Tysoe, Mr J M Chatwin, Mr A W J Coleman, Mr G J Hall and Mr D Wilebore. Each of these service contracts is terminable by the Company on 36 months' notice except for Dr Porteous' current contract which has 6 months remaining.

DIRECTORS' SHARE INTERESTS

On 1 April 1990, none of the Directors had any interest in the share capital of the Company or its subsidiaries. The interests of the Directors shown in the register maintained under the provisions of the Companies Act 1985 as at 31 March 1991 are set out below:-

	Beneficial Holdings		Share Options	
	Ordinary Shares		Executive Option Scheme	Sharesave Scheme
Dr J Porteous	7,140		119,190	5,100
Mr J S Tysoe	7,423		87,954	5,100
Mr J M Chatwin	7,128		52,457	5,100
Mr A W J Coleman	7,122		61,957	5,100
Mr G J Hall	7,426		52,505	5,100
Mr D B Clark	300			
Mr J N Hardman	250			

Options to purchase fully-paid ordinary shares were granted under the Yorkshire Electricity Group Sharesave Scheme on 11 December 1990 at £1.75 per share exercisable after 5 years and under the Executive Share Option Scheme on 23 January 1991 at £2.87 per share exercisable between 3 and 10 years after this date. There have been no changes in Directors' interests in shares during the period 1 April 1991 to 1 July 1991.

The Secretary of State for Energy, who ceased to be a shadow Director on 11 December 1990, is the beneficial holder of the Special Rights Redeemable Preference Share.

FIXED ASSETS

Changes in the fixed assets of the Company during the year are shown in note 12 on page 22 of the Accounts.

The Directors are of the opinion that the present market value of the Company's properties does not differ materially from the amounts at which they are stated in the current cost accounts.

ACQUISITIONS

On 8 January 1991 the Company, acting through its subsidiary Yorkshire Electric Power Limited, acquired the Berisford Bristar share in Regional Power Generators Limited. Regional Power Generators Limited became a wholly-owned subsidiary from this date.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations paid during the year amounted to £101,362. No political donations were made by the Company or its subsidiaries.

CLOSE COMPANY STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

EMPLOYEES

Employment policies provide equal opportunity, irrespective of sex, religion, race or marital status. Applications by persons with disabilities are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria for training and promotion apply to persons with disabilities as to any other employee. If employees become disabled, every effort is made to ensure their continued employment.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, team briefings and the Company newspaper. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of our employees.

SHARE OPTION SCHEMES

Information on share options granted to employees is given in Note 19 on page 24.

HEALTH AND SAFETY AT WORK

The Company promotes all aspects of safety throughout the Group in the interests of employees, customers and the public at large.

QUEENS BIRTHDAY AND NEW YEARS HONOURS

The Directors have pleasure in noting the appointment of Mr M N Eggleton, Group Technical and Safety Adviser, as an Officer of the Most Excellent Order of the British Empire in the 1990 Birthday Honours and the award of the British Empire Medal in the 1991 New Years Honours to Mr R Sunley, Foreman, Energy Supply Division, Humber and Wolds.

AUDITORS

Spicer & Oppenheim merged their practice with Touche Ross & Co on 20 August 1990 and now practise in the name of Touche Ross & Co. Accordingly, they have signed their audit report in their new name. A resolution to re-appoint Touche Ross & Co as auditors will be proposed at the Annual General Meeting.

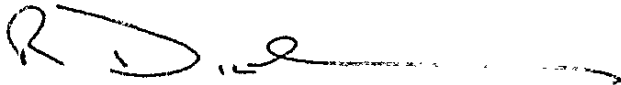
ANNUAL GENERAL MEETING

Full details of the Annual General Meeting to be held on Monday 16 September 1991 and explanations of the resolutions appear in the separate Notice of Annual General Meeting enclosed with this Report.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

During the year Directors' and Officers' liability insurance cover was in force.

By Order of the Board



ROGER DICKINSON
Company Secretary

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