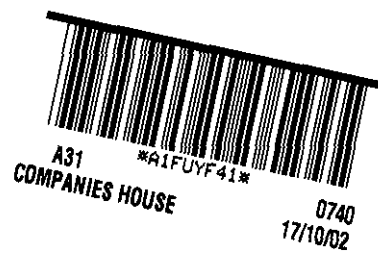


24 Seven Utility Services Ltd.

Financial statements for the year ended 31 December 2001
together with directors' and auditors' reports

Registered number: 3870728



Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2001.

Principal activities

The company was set up as a joint venture between the TXU Europe group and the London Electricity group, the purpose being to outsource the operation and maintenance of their distribution network systems.

The principal activity of 24 Seven Utility Services Ltd. is utility infrastructure management.

Business Review

The company was dormant from incorporation, on 3 November 1999, to the commencement of trade on 7 April 2000. Therefore the comparatives in the financial statements represent approximately nine months' trading activity.

Shortly after the year end the company became a 100% member of the London Electricity group. The directors expect the general level of activity to increase during 2002.

Results and dividends

The audited financial statements for the year ended 31 December 2001 are set out on pages 4 to 21. The group profit for the year after taxation was £9,952,047 (2000 - £9,237,917).

The directors recommend a final dividend of £9,952,047 to be paid on 31 March 2002.

Directors and their interests

The directors of the company who served during the year were as follows:

Philip George Turberville	(resigned 18 January 2002)
Paul Colin Marsh	(resigned 18 January 2002)
Homer Jarrell Gibbs	(resigned 18 January 2002)
Bruno Jean Lescoeur	(resigned 7 February 2002)
David George Jefferies	
Ian Roger Beament	
Gerald Langdon Wingrove	
Bernard Cottrant	(appointed 18 January 2002)
Vincent de Rivaz	(appointed 7 February 2002)

No director has any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Financial statements, including adoption of going concern basis

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing those financial statement, 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 financial statements.

Other matters

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

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Spilsby Road
Harold Hill
Romford
RM3 8UB

By order of the Board



Mark William Bullock
Company Secretary

15 March 2002

To the shareholders of 24 Seven Utility Services Ltd.

We have audited the consolidated financial statements of 24 Seven Utility Services Ltd. for the year ended 31 December 2001 which comprise the Profit and loss account, Balance sheets, Cash flow statement and the related notes numbered 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report and Statement of directors' responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

15 March 2002

Consolidated profit and loss account

For the year ended 31 December 2001

	Notes	Year ended 31 December 2001 £	Period ended 31 December 2000 £
Turnover	2	319,979,785	233,652,141
Cost of sales		(247,048,210)	(188,882,184)
Gross profit		<u>72,931,575</u>	<u>44,769,957</u>
Other operating expenses		(59,216,044)	(32,318,212)
Operating profit		<u>13,715,531</u>	<u>12,451,745</u>
Finance charges (net)	3	2,797,817	1,886,172
Profit on ordinary activities before taxation	4	<u>16,513,348</u>	<u>14,337,917</u>
Tax on profit on ordinary activities	6	(6,561,301)	(5,100,000)
Profit on ordinary activities after taxation		<u>9,952,047</u>	<u>9,237,917</u>
Dividends proposed on equity and non-equity shares	16	(9,952,047)	(9,237,917)
Retained profit for the year	15	<u>-</u>	<u>-</u>

There are no recognised gains or losses for this period other than those shown in the profit and loss account and therefore no consolidated statement of total recognised gains and losses has been prepared.

All the group's activities were derived from continuing operations in the year.


The accompanying notes are an integral part of this profit and loss account.

Consolidated balance sheet

31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	<u>20,998,963</u>	<u>19,251,087</u>
Current assets			
Stocks	10	4,796,962	9,848,400
Debtors : due within one year	11	167,006,584	130,675,233
due after one year	11	23,369,987	21,322,924
Cash at bank and in hand		<u>891,728</u>	<u>3,575,597</u>
		196,065,261	165,422,154
Creditors: Amounts falling due within one year	12	<u>(184,600,686)</u>	<u>(152,500,255)</u>
Net current assets		<u>11,464,575</u>	<u>12,921,899</u>
Total assets less current liabilities		32,463,538	32,172,986
Provisions for liabilities and charges	13	<u>(2,463,336)</u>	<u>(2,172,784)</u>
Net assets		<u>30,000,202</u>	<u>30,000,202</u>
Capital and reserves			
Called-up share capital	14	2,000,202	2,000,202
Share premium account	15	28,000,000	28,000,000
Profit and loss account	15	-	-
Total equity shareholders' funds	15	<u>30,000,202</u>	<u>30,000,202</u>
Shareholders' funds may be analysed as:			
Equity interests		30,000,002	30,000,002
Non-equity interests		<u>200</u>	<u>200</u>
		<u>30,000,202</u>	<u>30,000,202</u>

The financial statements were approved by the board of directors and signed on its behalf by


Gerald Langdon Wingrove

Director

15 March 2002

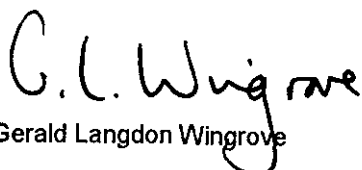
The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	20,725,227	18,676,244
Investments	9	2	2
		<u>20,725,229</u>	<u>18,676,246</u>
Current assets			
Stocks	10	4,796,962	3,035,616
Debtors : due within one year	11	177,091,196	135,814,049
due after one year	11	23,369,987	21,322,924
Cash at bank and in hand		517,495	3,228,866
		<u>205,775,640</u>	<u>163,401,455</u>
Creditors: Amounts falling due within one year	12	(188,387,236)	(147,029,970)
Net current assets		<u>17,388,404</u>	<u>16,371,485</u>
Total assets less current liabilities		38,113,633	35,047,731
Provisions for liabilities and charges	13	(2,406,636)	(2,172,784)
Net assets		<u>35,706,997</u>	<u>32,874,947</u>
Capital and reserves			
Called-up share capital	14	2,000,202	2,000,202
Share premium account	15	28,000,000	28,000,000
Profit and loss account	15	5,706,795	2,874,745
Total equity shareholders' funds	15	<u>35,706,997</u>	<u>32,874,947</u>
Shareholders' funds may be analysed as:			
Equity interests		35,706,797	32,874,747
Non-equity interests		200	200
		<u>35,706,997</u>	<u>32,874,947</u>

The financial statements were approved by the board of directors and signed on its behalf by


Gerald Langdon Wingrove

Director

15 March 2002

The accompanying notes are an integral part of this company balance sheet.

Consolidated cash flow statement

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Net cash inflow from operating activities	17	82,807,702	3,893,026
Returns on investments and servicing of finance	18	(4,756,070)	1,886,172
Taxation	18	(7,152,668)	(1,500,000)
Capital expenditure and financial investment	18	(12,913,139)	(703,801)
Management of liquid resources	18	(70,000,000)	-
Equity dividends paid	18	(1,737,917)	-
Cash outflow before management of liquid resources and financing		(13,752,092)	3,575,397
Financing	18	-	200
Decrease in net cash in the period		<u>(13,752,092)</u>	<u>3,575,597</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to accounts

For the year ended 31 December 2001

Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The group financial statements consolidate the accounts of 24 Seven Utility Services Ltd. and its subsidiary undertaking up to 31 December 2001. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In the company's accounts, investments in subsidiary undertakings are shown at cost less provision for impairment. Dividends received and receivable are credited to the company's profit and loss account.

No profit and loss account is presented for 24 Seven Utility Services Ltd. as permitted by section 230 of the Companies Act 1985. The company's result for the financial year, determined in accordance with the Act, was a profit after tax of £12,784,097.

c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant and machinery	5 Years
Office equipment, fixtures and fittings	5 Years
Computer equipment	5 Years

Assets are depreciated from the first full month after purchase or construction.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Assets acquired from members of the shareholders' groups on the first day of trading are being depreciated over their remaining useful lives of 2½ years.

Notes to accounts (continued)

1 Accounting policies (continued)

d) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents direct materials and labour and production overheads based on normal levels of activity. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs. Provision is made for obsolete, slow moving or defective items as appropriate.

e) Long-term contracts

Amounts recoverable on long-term connections contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including the profit and loss account turnover and related costs as contract activity progresses.

f) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted by the balance sheet date.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies for nil consideration.

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

Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are not recognised in the financial statements.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the asset and the gain or loss expected to arise on sale has been recognised in the financial statements.

Notes to accounts (continued)

1 Accounting policies (continued)

g) Pension costs

For defined benefit schemes the amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

h) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the rate of exchange prevailing at the period end or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

i) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

j) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

Profit is recognised on long-term connections contracts, if the final outcome can be assessed with reasonable certainty, by including the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

On long-term service contracts, revenue is recognised when it falls due, other than when the revenue is specifically in respect of work done or expenses incurred, in which case it is recognised in order to match the related costs.

2 Turnover and segmental analysis

All of the group's turnover in the year was generated within the United Kingdom. It is the opinion of the directors that the group's activities are confined to a single class of business, as described in the directors' report.

Notes to accounts (continued)

3 Finance charges (net)

	2001 £	2000 £
<i>Investment income</i>		
Interest receivable and similar income	<u>2,823,662</u>	<u>2,072,030</u>
<i>Interest payable and similar charges</i>		
Bank overdraft	<u>(25,845)</u>	<u>(185,858)</u>
Finance charges (net)	<u>2,797,817</u>	<u>1,886,172</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Depreciation	11,165,263	7,409,712
Auditors' remuneration		
- audit services	40,000	40,000
- non audit services	56,846	15,000
Operating lease rentals	<u>9,132,685</u>	<u>9,230,108</u>

5 Staff costs

Particulars of employees (including executive directors) are as shown below:

	2001 £	2000 £
Employee costs during the year amount to:		
Wages and salaries	79,343,205	61,570,012
Social security costs	6,312,092	4,335,740
Pension costs	<u>6,359,444</u>	<u>4,753,601</u>
	<u>92,009,741</u>	<u>70,659,353</u>

The average monthly number of employees (including directors) was as follows:

	2001 Number	2000 Number
Operations	1,515	1,521
Administration	<u>1,058</u>	<u>1,014</u>
	<u>2,573</u>	<u>2,535</u>

Notes to accounts (continued)

Directors' remuneration

The services of Messrs Lescoeur, Beament and Wingrove were provided by London Electricity Group plc and the services of Messrs Gibbs, Turberville and Marsh were provided by TXU Europe Group plc. No part of their remuneration is specifically attributed to their services to the 24 Seven Utility Services Ltd. group.

	2001 £	2000 £
Emoluments	<u>70,000</u>	<u>52,500</u>

6 Tax on profit on ordinary activities

The taxation charge comprises:

	2001 £	2000 £
Corporation tax at 30% (2000 - 30%)	5,508,633	5,100,000
Adjustment in respect of prior period corporation tax	<u>1,052,668</u>	<u>-</u>
	<u>6,561,301</u>	<u>5,100,000</u>

7 Dividends proposed on equity and non-equity shares

	2001 £	2000 £
Equity shares		
- final proposed of nil pence per H ordinary share (2000 - 86.99p)	-	868,959
- final proposed of nil pence per I ordinary share (2000 - 86.89p)	-	868,958
Non-equity shares		
- final proposed of £24,880 per H preference shares (2000 - £56,250)	7,464,035	5,625,000
- final proposed of £8,293 per I preference shares (2000 - £18,750)	<u>2,488,012</u>	<u>1,875,000</u>
	<u>9,952,047</u>	<u>9,237,917</u>

Notes to accounts (continued)

8 Tangible fixed assets

Group	Plant and machinery £	Office equipment fixtures and fittings £	Computer Equipment £	Assets in course of construction £	Total £
Cost					
At 1 January 2001	14,139,523	100,000	12,421,276	-	26,660,799
Additions	237,908	3,434	9,932,986	2,738,811	12,913,139
Disposals	-	-	-	-	-
At 31 December 2001	<u>14,377,431</u>	<u>103,434</u>	<u>22,354,262</u>	<u>2,738,811</u>	<u>39,573,938</u>
Depreciation					
At 1 January 2001	(3,673,215)	(30,000)	(3,706,497)	-	(7,409,712)
Charge	(5,611,530)	(40,000)	(5,513,733)	-	(11,165,263)
Disposals	-	-	-	-	-
At 31 December 2001	<u>(9,284,745)</u>	<u>(70,000)</u>	<u>(9,220,230)</u>	<u>-</u>	<u>(18,574,975)</u>
Net book value					
At 1 January 2001	10,466,308	70,000	8,714,779	-	19,251,087
At 31 December 2001	<u>5,092,686</u>	<u>33,434</u>	<u>13,134,032</u>	<u>2,738,811</u>	<u>20,998,963</u>

Company	Plant and machinery £	Office equipment fixtures and fittings £	Computer Equipment £	Assets in course of construction £	Total £
Cost					
At 1 January 2001	13,705,523	-	12,134,076	-	25,839,599
Additions	237,908	3,434	9,932,986	2,738,811	12,913,139
Disposals	-	-	-	-	-
At 31 December 2001	<u>13,943,434</u>	<u>3,434</u>	<u>22,067,062</u>	<u>2,738,811</u>	<u>38,752,738</u>
Depreciation					
At 1 January 2001	(3,543,015)	-	(3,620,340)	-	(7,163,355)
Charge	(5,434,130)	-	(5,430,026)	-	(10,864,156)
Disposals	-	-	-	-	-
At 31 December 2001	<u>(8,977,145)</u>	<u>-</u>	<u>9,050,366</u>	<u>-</u>	<u>(18,027,511)</u>
Net book value					
At 1 January 2001	10,162,508	-	8,513,736	-	18,676,244
At 31 December 2001	<u>4,966,286</u>	<u>3,434</u>	<u>13,016,696</u>	<u>2,738,811</u>	<u>20,725,227</u>

Notes to accounts (continued)

9 Fixed asset investments

a) Principal group investments

The parent company holds investments in the following subsidiary:

	Country of incorporation	Principal activity	Proportion of ordinary share capital held by the company
24 Seven Contract Services Ltd	England	Maintenance of utility infrastructure	100%

b) Investments in subsidiary undertaking

Company	2001 £	2000 £
Cost and net book value	<u>2</u>	<u>2</u>

10 Stocks

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Raw materials and consumables	4,796,962	3,035,616	4,796,962	3,035,616
Work in progress	-	6,812,784	-	-
	<u>4,796,962</u>	<u>9,848,400</u>	<u>4,796,962</u>	<u>3,035,616</u>

The replacement cost of raw materials and consumables held by the group at 31 December 2001 was not materially different to the amount at which they are stated in the financial statements.

11 Debtors

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Amounts falling due within one year:				
Trade debtors	83,971,532	130,081,214	82,805,968	128,635,102
Amounts due from subsidiary undertaking	-	-	11,355,379	6,640,952
Other debtors	11,978,521	117,323	11,873,318	61,299
Loans to related parties	70,000,000	-	70,000,000	-
Prepayments	1,056,531	476,696	1,056,531	476,696
	<u>167,006,584</u>	<u>130,675,233</u>	<u>177,091,196</u>	<u>135,814,049</u>
Amounts falling due after more than one year:				
Other debtors	23,369,987	21,322,924	23,369,987	21,322,924
	<u>190,376,571</u>	<u>151,998,157</u>	<u>200,461,183</u>	<u>157,136,973</u>

Amounts in trade debtors and other debtors include amounts receivable in respect of related parties as detailed in note 22.

Notes to accounts (continued)

12 Creditors: Amounts falling due within one year

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Bank overdraft	11,056,900	-	11,056,900	-
Payments received on account	505,853	3,068,000	-	-
Trade creditors	17,524,088	25,328,752	16,510,612	25,175,297
Corporation tax	3,008,633	3,600,000	3,008,633	3,600,000
Other taxation and social security	2,974,911	12,412,653	2,621,018	12,346,204
Other creditors	9,413,919	30,783,246	9,413,919	30,673,552
Accruals and deferred income	130,164,335	68,069,687	135,824,107	65,997,000
Proposed dividends	9,952,047	9,237,917	9,952,047	9,237,917
	<u>184,600,686</u>	<u>152,500,255</u>	<u>188,387,236</u>	<u>147,029,970</u>

13 Provisions for liabilities and charges:

Group	Provision for claims £	Loss making contracts £	Total £
At 1 January 2001	2,172,784	18,400	2,191,184
Charged to the profit and loss account	233,852	38,300	272,152
At 31 December 2001	<u>2,406,636</u>	<u>56,700</u>	<u>2,463,336</u>

Company

	Provision for claims £
At 1 January 2001	2,172,784
Charged to the profit and loss account	233,852
At 31 December 2001	<u>2,406,636</u>

Unrecognised deferred tax assets are as follows:

Group	2001 £	2000 £
Depreciation in excess of capital allowances	1,676,263	749,265
	<u>1,676,263</u>	<u>749,265</u>
Company		
Depreciation in excess of capital allowances	1,607,656	720,749
	<u>1,607,656</u>	<u>720,749</u>

Notes to accounts (continued)

14 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
25,000,000 H ordinary shares of £1 each	25,000,000	25,000,000
25,000,000 I ordinary shares of £1 each	25,000,000	25,000,000
300 H preference shares of 33 ¹ / ₃ pence each	100	100
300 I preference shares of 33 ¹ / ₃ pence each	100	100
	<u>50,000,200</u>	<u>50,000,200</u>
<i>Allotted, called-up and fully paid</i>		
1,000,001 H ordinary shares of £1 each	1,000,001	1,000,001
1,000,001 I ordinary shares of £1 each	1,000,001	1,000,001
300 H preference shares of 33 ¹ / ₃ pence each	100	100
300 I preference shares of 33 ¹ / ₃ pence each	100	100
	<u>2,000,202</u>	<u>2,000,202</u>

On 30 March 2001 the 100 H and I preference shares of £1 each were divided into 300 H and I shares of 33¹/₃ pence each.

The preference shares carry an entitlement to a cumulative preferential dividend of the following amounts:

H preference shares	75% of the profit after tax every financial year*
I preference shares	25% of the profit after tax every financial year*

*in this calculation profit after tax is limited to £10 million.

The company has the right to redeem the preference shares at any time for the sum of £1 each.

Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the payment in full of the preference share capital together with any arrears of dividends. They have no voting rights and are classified as non-equity interests.

Notes to accounts (continued)

15 Reserves

	Share Premium account £	Profit and loss account £	Total £
Group			
At 1 January 2001	28,000,000	-	28,000,000
Retained profit for the period	-	-	-
At 31 December 2001	<u>28,000,000</u>	<u>-</u>	<u>28,000,000</u>
Company			
At 1 January 2001	28,000,000	2,874,745	30,874,745
Retained profit for the period	-	2,832,048	2,832,048
At 31 December 2001	<u>28,000,000</u>	<u>5,706,793</u>	<u>33,706,793</u>

16 Reconciliation of movements in group shareholder's funds

	2001 £	2000 £
Profit for the financial year	9,952,047	9,237,917
Dividends proposed on equity and non-equity shares	(9,952,047)	(9,237,917)
Issue of ordinary shares	-	30,000,000
Issue of preference shares	-	200
Net addition to shareholder's funds	<u>-</u>	<u>30,000,200</u>
Opening shareholder's funds	30,000,202	2
Closing shareholder's funds	<u>30,000,202</u>	<u>30,000,202</u>

17 Reconciliation of operating profit to operating cash flows

	2001 £	2000 £
Operating profit	13,715,531	12,451,745
Depreciation charges	11,165,263	7,409,712
Decrease/(increase) in stocks	5,051,438	(5,805,400)
Decrease/(increase) in debtors	31,691,202	(151,998,157)
Increase in creditors	20,893,716	139,662,342
Increase in provisions	290,552	2,172,784
Net cash inflow from operating activities	<u>82,807,702</u>	<u>3,893,026</u>

Notes to accounts (continued)

18 Analysis of cash flows

	2001 £	2000 £
<i>Returns on investments and servicing of finance</i>		
Interest received	2,754,046	2,072,030
Interest paid	(10,116)	(185,858)
Preference dividends paid	(7,500,000)	-
Net cash (outflow)/inflow	(4,756,070)	1,886,172
<i>Taxation</i>		
UK corporation tax paid	(7,152,668)	(1,500,000)
Net cash outflow	(7,152,668)	(1,500,000)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(12,913,139)	(703,801)
Net cash outflow	(12,913,139)	(703,801)
<i>Management of liquid resources</i>		
Loan to shareholders	(70,000,000)	-
Net cash outflow	(70,000,000)	-
<i>Equity dividends paid</i>		
Equity dividends paid	(1,737,917)	-
Net cash outflow	(1,737,917)	-
<i>Financing</i>		
Issue of preference share capital	-	200
Net cash inflow	-	200

19 Analysis and reconciliation of net debt

	1 January 2001 £	Cash flow £	Exchange movement £	31 December 2001 £
Cash in hand, at bank	3,575,597	(2,695,192)	11,323	891,728
Overdrafts	-	(11,056,900)	-	(11,056,900)
Net cash/(debt)	3,575,597	(13,752,092)	11,323	(10,165,172)

Notes to accounts (continued)

19 Analysis and reconciliation of net debt (continued)

	2001 £	2000 £
Decrease in net cash in the year	(13,740,769)	3,575,597
Change in net debt resulting from cash flows	(13,752,092)	3,575,597
Change in net debt resulting from exchange movement	11,323	-
Movement in net debt in year	(13,740,769)	3,575,597
Net debt at 1 January	3,575,597	-
Net debt at 31 December	(10,165,172)	3,575,597

20 Financial commitments

Capital commitments are as follows:

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Contracted for but not provided for	580,561	5,586,812	580,561	5,586,812

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings	Other	Land and buildings	Other
Group				
Expiry date				
- within one year	110,000	2,355,860	158,320	262,275
- between two and five years	4,042,569	4,281,066	151,500	1,056,057
- after five years	-	1,039,282	3,348,610	5,112,016
	<u>4,152,569</u>	<u>7,676,208</u>	<u>3,658,430</u>	<u>6,430,348</u>
Company				
Expiry date				
- within one year	110,000	1,846,190	158,320	-
- between two and five years	4,042,569	3,435,087	151,500	-
- after five years	-	974,948	3,348,610	4,977,834
	<u>4,152,569</u>	<u>6,256,225</u>	<u>3,658,430</u>	<u>4,977,834</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Notes to accounts (continued)

21 Pension arrangements

Employees of the company participate in two pension schemes. 173 employees (2000 – 224) participated in a defined contribution arrangement, a Group Personal Pension Plan (GPPP) set up by the company. 2,166 employees (2000 – 2,303) employees are members of funded defined benefit arrangements, namely the TXU or London Electricity groups of the industry-wide Electrical Supply Pension Scheme (ESPS).

The employer's pension cost in relation to the GPPP amounted to £244,867 (2000 - £104,150).

Under the terms of the continuing participation in the ESPS agreed with TXU and London Electricity, the contribution rates, set at 12%, required from the company are equal to the regular cost and currently take no account of any deficit or surplus. For the purposes of FRS 17, although the scheme is a defined benefit scheme, the company is unable to identify its share of the underlying assets on a consistent and reasonable basis and as a result accounts for the contributions as if it were a defined contribution scheme. The employer's contributions amounted to £6,109,577 (2000 - £4,753,601). This arrangement may be reviewed if the shareholders decide to allocate the company its own group within ESPS. Details of the actuarial valuations of the principal schemes, conducted as at 31 March 1998 using the projected unit method, are as follows:

	London Electricity Group	TXU Group
<u>Main assumptions (% pa):</u>		
Investment return	8.75	8.5
General salary increases	6.5	5.0
Pension increases	4.5	4.5
<u>Results:</u>		
Market value of scheme's assets (£)	1,069.2	1,059.0
Level of funding (%)	110.0	108.5

The most recent actuarial valuation was conducted as at 31 March 2001. The results are due shortly and any change in the funding rate will be reflected in next year's accounts.

As set out in note 24, subsequent to the year end it is envisaged that the company's employees in the TXU group of the scheme will transfer to the London Electricity Group.

Notes to accounts (continued)

22 Related party transactions

The entire London Electricity group and TXU Europe group are deemed to be related parties by virtue of the fact that the company was jointly controlled by TXU Europe Group plc and London Electricity Group Holdings plc throughout the year.

During the year the group made the following related party transactions:

	With London Electricity group		With TXU group	
	2001 £	2000 £	2001 £	2000 £
Sales	96,761,180	74,994,439	125,798,565	111,708,186
Purchases (included within cost of sales)	4,359,899	5,081,244	-	-
Purchases (included within other operating costs)	6,603,052	8,760,178	4,406,094	17,288,291
Balances due to the group at the year end	88,111,883	67,788,198	98,546,432	108,527,352
Balances owed by the group at the year end	(6,888,914)	(23,771,767)	(1,654,376)	(30,838,236)
	<u>81,222,969</u>	<u>44,016,431</u>	<u>96,892,056</u>	<u>77,689,116</u>

Included within the balances above are fixed rate term loans to London Electricity and TXU of £35,000,000 each that commenced during the year.

There were no provisions for doubtful debts due from related parties as at 31 December 2001 (31 December 2000 - £nil). There were no amounts written off in either period in respect of debts due to or from related parties.

23 Controlling parties

At the balance sheet date the company was a 50:50 joint venture between TXU Europe Group plc and London Electricity Group Holdings plc.

24 Subsequent events

On 18 January 2002 TXU Europe Group plc sold its entire holding in the company to London Electricity Group plc. As a result the ultimate controlling party became Electricité de France, a state owned company of France.