EDF ENERGY NETWORKS (LPN) PLC
(formerly London Power Networks plc)
(DISTRIBUTION BUSINESS)

Regulatory Accounts

for the year ended 31 March 2003

EDF ENERGY NETWORKS (LPN) PLC – (formerly London Power Networks plc)

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EDF ENERGY NETWORKS (LPN) PLC – (formerly London Power Networks plc)

OPERATIONAL REVIEW
For the year ended 31 March 2003

Operation

EDF Energy Networks (LPN) plc - ("LPN"), formerly London Power Networks plc, distributes electricity to approximately 2.1million customers in the London area via a network of underground cables and overhead lines, taking power from the National Grid at high voltage and transforming it down before delivery to customer premises.

LPN's model consists of a small highly specialist team who manage the network using performance led contracts with fellow EDF Energy plc companies EDF Energy Networks Limited ("Networks"), formerly 24 Seven Utility Services Limited, and ECS Metering Services Limited ("ECS"). These relationships allow the Company to concentrate on the strategic governance of the network asset whilst Networks delivers network performance by providing an end-to-end service from network planning to repair and ECS provides a full range of metering services.

LPN now operates alongside EDF Energy plc's, formerly London Electricity Group plc's, other electricity distribution businesses, EDF Energy Networks (EPN) plc ("EPN"), formerly EPN Distribution Limited, and EDF Energy Networks (SPN) plc ("SPN"), formerly SEEBOARD Power Networks plc.

The Company employs 62 staff (2002: 62).

Ownership and company name

On 1 October 2001, the Secretary of State for Trade and Industry, using his powers under the Utilities Act 2000 approved a scheme to separate the property, rights and liabilities of the PES Licence holder EDF Energy plc, formerly London Electricity Group plc, into two separate legal entities; one holding a Standard Supply Licence and the other holding a Standard Distribution Licence. The effect of the transfer scheme was to transfer all assets and liabilities associated with the distribution business to LPN.

The Company's name was changed to EDF Energy Networks (LPN) plc on 30 June 2003.

Risks

The Company is exposed to both normal business risks and specific industry risks and it has a variety of mechanisms in place to minimise these risks.

LPN has an embedded risk awareness culture to understand and manage significant business risks in order to increase certainty of achieving strategic goals. This leads to a high level of risk management assurance for the distribution business executive team and the board of Directors.

During the year the business operated a risk and control self-assessment regime facilitated by a Risk Monitoring Committee ("RMC"). The RMC aids in monitoring, anticipating and responding to business risks by checking, challenging and monitoring the progress of the business in managing their risks.

The network is vulnerable to the effects of weather; this may include wind damage, flooding, snow and lightning strike. In addition, the network is vulnerable to damage through the actions of the construction industry, other utilities and road traffic accidents as well as general wear.

Health and safety

Programmes under the Company's 'Environment, Health & Safety' activity give rise to projects and initiatives designed to improve health & safety or reduce environmental impact. Some of the more important programmes are:

- replacement of oil-filled cables,
- provision of oil bunds at grid and primary substations,
- reduction in use of herbicides, and
- a commitment to amenity undergrounding.

These measures are those that are specifically attributed to health & safety and the environment. However, the capital investment that has been made in recent years is by no means representative of the total network investment in this area.

The health and safety of employees, customers and the public at large is the first consideration in each and every investment decision taken. Also vital is consideration for the environment which includes the protection of the climate, natural resources, natural habitats, wildlife and the amenity value of living and working environments.

OPERATIONAL REVIEW
For the year ended 31 March 2003

Network development and operation

The electrical network is managed by condition monitoring and risk assessment that, together with local development plans, enables the Company to determine the appropriate areas in which to invest to ensure that the network delivers a reliable and safe supply cost effectively. The Company is involved in new connections extending the network to provide supply to new commercial, industrial and domestic premises; diversions where, for example, it is necessary to move cables to allow for new developments; reinforcement of the network to increase the capacity of certain areas of the network to meet increased load demand; and asset replacement to replace equipment which is at the end of its serviceable life.

The Company is focussed on being a responsible neighbour with a care for the environment. Equipment is constantly monitored to ensure that it is operating as intended without detriment to the surrounding area.

Financial

The Company has net debt of £490.5m (2002: £469.9m) which represents approximately 52% (2002: 50%) of the Regulatory Asset Value of the Company. The net debt includes £68.0m (2002: £nil) drawn on a £100.0m Revolving Credit Facility, an inter-group debt of £0.4m (2002: £287.6m) and £447.9m Eurobonds (2002: £199.3m), which are partially offset by short-term cash balances. The inter-group debt reflects borrowings made by a parent company to finance the business and is supported by the network assets of the Company. The debt was secured at competitive fixed rates of interest and the weighted average interest rate is 5.7% (2002: 8.3%).

Short-term financing requirements are supported by a £100m revolving facility.

The Company receives interest on positive cash balances and pays interest on overdrafts. The Company does not invest directly but participates in a Group scheme whereby all of the funds are pooled to deliver more competitive interest rates. The Group Treasury department invests under strict procedures, which limit the amount and duration of investments, and only allows money to be deposited with investment grade banks.

The Company generates cash primarily from use of system charges which are payable within 14 days of the demand for payment. Payments to suppliers and contractors are made in accordance with negotiated terms. All employees are paid monthly. Other principal cash out flows include interest, taxation and dividends. The Company plans its working capital requirements to take account of expected cash inflows and outflows.

Comparison to price control

At the last price control, the Company submitted projections of the levels of operating and capital expenditure considered necessary to maintain a safe and reliable network. This formed the basis of negotiation with Ofgem but was not accepted by Ofgem. Instead, the Company was set challenging targets for the levels of operating and capital expenditure which have been accepted by the Company as a package, rather than as individual components. As a consequence any comparisons between actual performance and the price control are made at a total level only.

The Company is subject to price control that allows a rate of return on a notional valuation of the network referred to as the Regulatory Asset Value ("RAV"). The original RAV was based on a valuation of the Company derived from share prices following the flotation of the parent undertaking. This valuation has been increased through capital expenditure, revalued to current prices using RPI and reduced by a depreciation charge on the opening valuation and subsequent expenditure. The rate of return allowed is low to reflect Ofgem's view that Distribution businesses are very low risk.

At the last price control, allowed revenue was reduced by a one off reduction of 27% from 1 April 2000 and in subsequent years by 3% below RPI. Allowed revenue makes up a substantial proportion of total revenue. Additional revenue is earned from unregulated customers taking supply at extra high voltage and for certain rechargeable work. Whilst the Company has the expertise to earn revenue in other areas, its ability to do so is restricted by regulation.

Tariffs are set to recover allowed revenues with any under or over recovery carried forward to a later regulatory period. However, as tariffs are set up to five months in advance and generally apply for the year, the Company will under or over recover revenue if assumptions made differ from actual experience. At 31 March 2003 the Company has under recovered revenue by £1.3m (2002: £2.1m).

OPERATIONAL REVIEW
For the year ended 31 March 2003

Performance

Cumulative operational capital expenditure in the current price control (1 April 2000) was £216.8m against a price control allowance of £255.7m. Reasons for the cumulative underspend are difficult to determine as a robust breakdown of Ofgem's allowances is not available. However, savings have arisen from the introduction of an enhanced investment management process, better asset condition assessment, project design efficiency, procurement and efficiency savings. These and other initiatives have allowed the efficient deferral of some expenditure to future periods.

The weighted average cost of debt for the Company in the year was 7.2% and is the result of past efficient funding decisions.

Operating costs (including non-operational "capex") totalled £172.6m compared to a price control allowance of £209.5m. This underspend relates primarily to Non Trading Rechargeable ("NTR") activity (which includes cable damage cost recovery and chargeable diversions). NTR is now undertaken by an associated company, EDF Energy Networks Limited, formerly 24 Seven Utility Services Ltd , and NTR costs are included with their accounts. NGC exit charges, which are primarily a pass through cost, were £4.0m below the price control allowance.

Standard controllable costs were £20.1m below the allowance reflecting the benefit of measures put in place in order to achieve Ofgem's efficiency targets. The Company has delivered cost reductions through a restructuring program and through productivity improvements. However, LPN has experienced considerable cost increases in respect of increased levels of meter recertification activity not fully allowed for in price control allowances. Cost increases have also arisen in respect of streetworks costs, including "lane rental" charges, congestion charging and supplier bad debts.

The price control includes regulatory depreciation that assumes a 33 year cost recovery period for post-vesting assets. Actual asset lives, on average, exceed 40 years and this is reflected by a lower depreciation charge in the statutory and regulatory accounts. For the comparison to the price control only, depreciation has been restated to align with regulatory depreciation assumptions.

Ofgem has put in place financial incentives in respect of quality of supply and customer satisfaction performance. These include the number and duration of supply interruptions, and quality of telephone response. LPN was not impacted by the October 2002 storm.

Prospects

EDF Energy Networks (LPN) plc is involved in a major restructuring following the sale of the SEEBOARD Group to the London Electricity Group plc (renamed EDF Energy plc) on 29 July 2002 and EPN Distribution Limited on 18 January 2002. The restructuring involves the appointment of a new management team largely selected from all three Network businesses, the implementation of common business processes and consolidating activities onto fewer sites.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

The Directors of EDF Energy Networks (LPN) plc, formerly London Power Networks plc, are pleased to present their report and the audited regulatory accounts for the year ended 31 March 2003.

Principal activity and review of business

The principal activity of the Company is the distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal.

The assets, liabilities and business of the Licensed Distribution Business, which were previously owned and managed by EDF Energy plc, formerly London Electricity Group plc, were transferred to the Company on 1 October 2001 by an asset transfer scheme made pursuant to Part 1 of Schedule 7 to the Utilities Act 2000.

The Company changed its name from London Power Networks plc to EDF Energy Networks (LPN) plc on 30 June 2003.

The Company expects to continue its principal activity for the foreseeable future.

Results and dividends

The profit on ordinary activities before taxation was £90.2m (2002: £99.9m) and after taxation was £84.3m (2002: £73.5m).

Dividends of £75.0m (2002: £nil) were paid during the year.

These Regulatory Accounts are presented for the Licensed Distribution Business rather than for the Company, and accordingly are generally presented as if the Company had owned the Licensed Distribution Business throughout the year to 31 March 2002. The policies adopted are set out in the statement of Regulatory Accounting Policies on pages 14 to 16.

The Regulatory Accounts are not the Statutory Accounts of the Company, which are drawn up to 31 December annually.

Ultimate holding company

The Company's immediate holding company is EDF Energy plc.

Electricité de France ("EdF"), a French state owned company is LPN's ultimate parent company. Copies of EdF's accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

Share capital

Details of the authorised and issued share capital of the Company are set out in note 12 to the accounts on page 26.

Board of Directors

The Directors who held office during the year ended 31 March 2003, or who are Directors at the date of signing this report are as follows:

	Appointed	Resigned
Vincent de Rivaz (Chairman)		
Humphrey Cadoux-Hudson	25 June 2003	
Paul Cuttill		
Gerald Wingrove		30 September 2002
Kevin Morton		25 June 2003

Directors' interests

There were no notifiable interests of the Directors in office on 31 March 2003. Advantage has been taken of paragraph 3(1)(b) of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

Statement of Directors' responsibilities
Condition 42 of the Distribution licence requires the Directors to prepare regulatory accounts, for each accounting reference period, which give a true and fair view of the assets, liabilities, reserves and provisions of, or reasonably attributable to, separate businesses as defined for that purpose in the Licence and of the revenues, costs and cash flows of, or reasonably attributable to, those businesses for that period. In preparing the regulatory accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards or where different the Regulatory Accounting Guidelines have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare regulatory accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees
It is the policy of the Company that there shall be equal opportunities in the area of employment without discrimination on grounds of ethnic or racial origin, nationality, religion, gender or marital status in accordance with the appropriate legislation and Government guidelines.

The Company 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 Company 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 Company. The Company'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.

Payments to suppliers
It is the Company's policy in respect of its suppliers to:

- agree the terms of payment with suppliers when confirming the terms of each transaction;
- ensure that suppliers are made aware of such terms; and
- abide by such terms.

Otherwise the Company's policy is to make payment within 30 days from the date of receipt of the supplier's invoice.

Statutory Instrument 1997/571 requires that qualifying companies disclose the number of days that supplier invoices remained outstanding based on the year end trade creditor balance divided by the average value of daily invoices received by the Company. In accordance with the method of calculation prescribed, the creditor days for the regulatory year ended 31 March 2003 totalled 53 days (2002: 40 days).

Donations
The Company supports a number of community projects either in cash or in kind through its 'Electricity in Education' programme. The value of these contributions amounted to £6k (2002: £100k) in the period. The Company made no political donations during the period.

Going concern
The accounts have been prepared on the going concern basis. The Directors have considered the financial adequacy of the Company as required by condition 44 of the licence and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

Auditors
Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386, Companies Act 1985.

By order of the Board

R I Higson
Company Secretary
Date

REPORT ON CORPORATE GOVERNANCE
for the year ended 31 March 2003

Overview
LPN is part of EDF Energy and complies with the EDF Energy Corporate Governance Policy as outlined below:

Report on corporate governance

(i) Statement of compliance
The Combined Code introduced a requirement for listed companies that the effectiveness of the system of internal control, including financial, operational, compliance controls, and risk management, is reviewed by the Directors. In addition, the Internal Control: Guidance for Directors on the Combined Code (the Turnbull Report) was published in September 1999, to provide guidance to directors in respect of this requirement.

EDF Energy supports the principles set out in the Turnbull Committee Guidelines on risk management. Since EDF Energy is a wholly owned subsidiary there is no statutory compliance obligation to comply. However, the EDF Energy Board of Directors has decided to adopt the Turnbull Committee Guidelines and is committed to complying with these as best practice on a voluntary basis.

The risk and control framework is being reviewed and will be updated during 2003 to reflect the changes to Company structure. Risk Assurance and Process Assurance functions have been established in the Corporate branch. These report to Corporate Directors including the Director of Business Performance and to the Director, Technology and Business Performance.

(ii) Internal Control
The EDF Energy Board (through the Audit Committee) is responsible for the overall system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The key elements of the system of internal control include:

(i) Risk identification and control
The Corporate Head of Risk Assurance is responsible for maintaining an oversight of risk management, working closely with the branches and other corporate functions to ensure that their risk management activities complement each other, and enhance the overall position. The objectives are to provide assurance that management of risks is effectively managed and embedded in day to day activities, that risk management activity has sufficient visibility and that there is transparency around decision making processes.

The Corporate Head of Process Assurance is responsible for defining the quality assurance structure and policies and developing a consistent approach to quality.

The main interfaces are between Internal Audit and Risk Assurance whereby Risk Assurance will be primarily responsible for ensuring the identification of risks and their mitigation and Internal Audit will be responsible for review of the mechanisms that provide assurance.

Specific Risk Management Committees have been established where required and operate to address specific risk areas.

(*ii) Control environment*
EDF Energy is committed to the highest standard of business conduct. EDF Energy is appropriately structured according to business areas, which allows for the effective operations to achieve overall objectives. Lines of responsibility and levels of authority are formally documented.

(iii) Control activities
Control procedures have been implemented throughout EDF Energy and are designed to ensure complete and accurate accounting for financial transactions and to safeguard assets. There are control processes to establish budgets, financial and service targets in each business unit/subsidiary against which performance is monitored in detail and agreements under which relationships with partners in joint ventures are controlled. High level reporting is made by business units/subsidiaries and functional heads at corporate level to the Executive Committee and the Board. The Executive Committee defines authority given to individual officers of EDF Energy. The Committee also approves the operating plan and budget, authorises individual projects within that plan and approves the award of contracts either directly or by delegated authority within agreed limits. Membership of the Committee comprises the Chief Executive Officer of EDF Energy, Branch Chief Operating Officers and Corporate Directors.

(*iv) Information and communication*
Staff policies are in place to ensure that employees are competent, have appropriate skills and receive information required to effectively perform their roles. The Intranet is widely used to communicate information to staff.

(v) Monitoring and corrective action
Performance is continually monitored. Branch Chief Operating Officers and Managing Directors report regularly on operating performance.

The Audit Committee is a sub-committee of the Board with advisory responsibility for issues related to Corporate Governance, risk and control. This covers all aspects of risk management and the system of internal control including both financial and operational controls. The scope includes all EDF Energy companies but ultimate responsibility remains with the EDF Energy Board. The Audit Committee comprises the Chairman of EDF Energy, the Director of Audit (EDF), a Director of EDF Energy, a non executive Director of EDF Energy and a representative of the French Government.

The Internal Audit department reviews the operation of internal controls using a risk-based methodology. The Head of Internal Audit reports to the Director of Business Performance and to the Director, Technology and Business Performance. The Internal Audit department reports quarterly to the Executive Committee and half yearly to the Audit Committee. Assignments are determined by reference to the risk and control framework and discussions with senior management including members of the Executive Committee.

(vi) Effectiveness review
EDF Energy is continuously making improvements to the system of internal control. This specific effectiveness review forms part of that system. Following the significant changes in the structure arising from the acquisitions during the year there will be a review of risk management and internal control. This will combine the best elements of culture and process from the component parts of EDF Energy. The review will take due account of the criteria established in the Turnbull guidelines.

These criteria are:
- internal control should be truly risk based;
- control characteristics should be a core philosophy across the organisation;
- mechanisms should be in place to give the Board assurance in relation to how key risks are assessed and managed; and
- the Board is actively involved in reviewing the effectiveness of the system.

(vii) Material weaknesses
Significant weaknesses in internal control are reported to the Executive Committee and, if appropriate, to the Audit Committee.

Weaknesses in the processes of new domestic customer acquisition have resulted in regulatory fines being imposed on EDF Energy. Wide-ranging actions have been taken to improve processes in this area. This will be subject to ongoing review during 2003 to determine the effectiveness of the actions taken.

INDEPENDENT ACCOUNTANTS' REPORT TO THE OFFICE OF GAS AND ELECTRICITY MARKETS ("THE REGULATOR") AND EDF ENERGY NETWORKS (LPN) PLC ("THE COMPANY") for the year ended 31 March 2003

We have audited the Regulatory Accounts of EDF Energy Networks (LPN) Plc ("the Company") on pages 11 to 32 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes to the Regulatory Accounts.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the Regulatory License. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory License to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

Basis of preparation

The Regulatory Accounts have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with condition 42 of the Company's Regulatory Licence issued by the Regulator and the accounting policies set out in the statement of accounting policies.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of Generally Accepted Accounting Practice in the United Kingdom ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 1985.

Respective responsibilities of the Regulator, the Directors and auditors

The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The Directors' responsibilities for preparing the Regulatory Accounts in accordance with conditions 42 of the Regulatory Licence are set out in the statement of Directors' responsibilities on page 5.

Our responsibility is to audit the Regulatory Accounts in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 *'Reporting to Regulators of Regulated Entities'*.

We report our opinion as to whether the Regulatory Accounts present fairly, in accordance with condition 42 of the Company's Regulatory Licence and the accounting policies set out on pages 14 to 16, the results and financial position of the company. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Regulatory Accounts, and of whether the accounting policies are 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 Regulatory Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

INDEPENDENT ACCOUNTANTS' REPORT TO THE OFFICE OF GAS AND ELECTRICITY MARKETS ("THE REGULATOR") AND EDF ENERGY NETWORKS (LPN) PLC ("THE COMPANY")
for the year ended 31 March 2003

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory accounts of the Company on which we reported on 4 April 2003, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of the Company (our "Statutory" audit) was made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Opinion
In our opinion the Regulatory Accounts present fairly in accordance with condition 42 of the Company's Regulatory Licence and the accounting policies set out on pages 14 to 16, the state of the company's affairs at 31 March 2003 and of its profit and cashflow for the year then ended, and have been properly prepared in accordance with those conditions and accounting policies.

Ernst & Young LLP
London
Date

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2003

	Note	2003 £m	2002 £m
Turnover		**267.7**	268.9
Cost of sales		**(17.5)**	(20.5)
Gross profit		**250.2**	248.4
Net operating costs	1	**(113.4)**	(109.5)
Administrative expenses	1	**(12.2)**	(15.6)
Operating profit		**124.6**	123.3
Net interest payable	2	**(34.4)**	(23.4)
Profit on ordinary activities before taxation		**90.2**	99.9
Tax on profit on ordinary activities	4	**(5.9)**	(26.4)
Profit on ordinary activities after taxation		**84.3**	73.5
Dividends payable		**(75.0)**	-
Retained profit	13	**9.3**	73.5

The results of the year relate entirely to continuing operations.

Statement of Total Recognised Gains and Losses

There were no recognised gains or losses other than the profit for the regulatory year.

BALANCE SHEET
as at 31 March 2003

	Note	**2003** **£m**	2002 £m
Fixed assets			
Tangible assets	6	**1,004.7**	962.1
Current assets			
Debtors falling due within one year	7	**59.4**	52.3
Cash at bank and in hand		**25.4**	17.4
		84.8	69.7
Creditors (amounts falling due within one year)	8	**158.3**	156.6
Net current liabilities		**(73.5)**	(86.9)
Total assets less current liabilities		**931.2**	875.2
Creditors (amounts falling due after more than one year)	8	**448.3**	387.1
Provisions for liabilities and charges	11	**92.3**	106.8
Net assets		**390.6**	381.3
Capital and reserves			
Called up share capital	12	**10.0**	10.0
Profit and loss account	13	**380.6**	371.3
Equity shareholder’s funds		**390.6**	381.3

The accounts on pages 11 to 32 were approved by the Board of Directors on and were signed on its behalf by:

Humphrey A E Cadoux-Hudson
Director

CASH FLOW STATEMENT
for the year ended 31 March 2003

	Note	**2003 £m**	2002 £m
Reconciliation of operating profit to operating cash flows			
Operating profit		**124.6**	123.3
Non cash items	16a	**51.0**	50.3
Movement in working capital	16b	**25.9**	(23.4)
Net cash inflow from operating activities		**201.5**	150.2
Cash flow statement			
Cash flow from operating activities		**201.5**	150.2
Returns on investments and servicing of finance	16c	**(20.7)**	(23.0)
Taxation		**(33.9)**	(21.6)
Capital expenditure and financial investment	16d	**(90.7)**	(57.9)
Equity dividends paid		**(75.0)**	-
(Decrease)/increase in cash and cash equivalents		**(18.8)**	47.7
Transfers to corporate funds	16e	-	(36.5)
(Decrease)/increase in cash in the year		**(18.8)**	11.2
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 April		**(469.9)**	(194.2)
Net debt at 31 March	16f	**(490.5)**	(469.9)
Movement in net debt in the year		**(20.6)**	(275.7)
Arising from transfer scheme		-	286.7
Other non cash charges		**1.8**	0.2
(Decrease)/increase in cash in the year		**(18.8)**	11.2

ACCOUNTING POLICIES
for the year ended 31 March 2003

Purpose and basis of preparation of the accounts

The Regulatory Accounts are a primary source of audited financial information about the electricity distribution business. They have been prepared under the historical cost convention on a going concern basis in accordance with the Regulatory Accounting Guidelines ("RAGS"), defined here as those guidelines contained in Appendix 1 to the Electricity Distribution Business Working Paper, issued October 2003 by the Office of Gas and Electricity Markets ("OFGEM")

RAGS are a detailed framework of principles that enable a consistent approach to producing the regulatory accounts by licensed distribution network operators. The guidelines prescribed are, in most cases, consistent with UK GAAP, however the guidelines state that where UK GAAP and the guidelines are in conflict, then the guidelines will apply.

The Regulatory Accounting Guidelines require additional disclosure under FRS8 - Related Party Transactions. The Regulatory Accounting Guidelines require inter-business recharges to be on the basis of arms length trading, that no cross subsidy exists and that the services are provided at no extra cost than if they were provided from within the electricity distribution business. At a minimum they require:

- the distribution company pay reasonable prices for products and services;
- transfer prices being based on market price or less, or based on cost plus an appropriate rate of return on capital employed;
- market testing to establish market prices is required. If this is unavailable prices charged should be at cost; and
- a reasonable rate of return on capital employed, this being viewed as 6.5% by OFGEM.

As the related party contracts were entered into prior to the issue of Regulatory Accounting Guidelines, the terms of the guidelines have only partially been complied with. Contract prices are based on either cost, cost plus overhead or market rate. Services are provided at no extra cost than if they were provided from within the electricity distribution business. All contract prices are deemed reasonable. The use of market testing has not been used in the formulation of the contracts.

The accounting policies of the Company remain unchanged from last year and have been consistently applied.

Regulatory Accounts are separate to the audited Statutory Accounts prepared to 31 December each year.

Turnover

Turnover represents the value of electricity consumption during the year, including 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 sold and services provided, exclusive of value added tax.

Cost of sales, net operating costs and administrative expenses

Cost of sales includes costs incurred to the point of sale. Other costs are analysed between net operating costs and administrative expenses. Net operating costs, referred to by the Companies Act 1985 as distribution costs, include all other costs with the exception of finance and administrative expenses.

ACCOUNTING POLICIES
for the year ended 31 March 2003

Charges, allocations and apportionments
In preparing these statements, the Company has been charged with directly related revenues, costs, assets, liabilities and provisions.

Pension costs
The Company's pension contributions are defined by the Group and are fully expensed to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. 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.

The Company is unable to identify its share of the pension fund's underlying assets and liabilities or of any surplus or deficit arising from actuarial revaluations, hence the contributions are accounted for as if it was a defined contribution scheme

Deferred taxation
Deferred tax is recognised in respect of all 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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses;
- provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses; and
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Transfer scheme
Following the transfer of assets and liabilities made pursuant to Part 1 of Schedule 7 to the Utilities Act 2000, assets, liabilities, revenues and costs previously treated as corporate items such as debt, interest and tax, have been included in these accounts. Assets and liabilities transferred have been adjusted to reflect the adoption of FRS 19 in respect of deferred taxation.

ACCOUNTING POLICIES
for the year ended 31 March 2003

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation. The charge for depreciation is calculated on a straight-line basis, writing off assets over their estimated useful lives with no allowance for residual values.

The lives of each major class of asset are:

Overhead and underground lines	45 to 60 years
Other network plant and buildings	4 to 60 years
Fixtures, equipment and vehicles	4 to 15 years
Freehold land	Not depreciated

Customers' contributions are credited to network plant in the balance sheet and credited to the profit and loss account at the same rate as the network plant is depreciated (see note 6).

This is a departure from the Companies Act 1985, which requires fixed assets to be included at their purchase price or production cost, and contributions included as deferred income. However, as contributions relate directly to the cost of fixed assets used in the distribution network, it is the opinion of the Directors that the treatment adopted is necessary to give a true and fair view.

Non-refundable third party capital contributions are included within network assets. Refundable capital contributions are included in creditors until the conditions are met for repayment to be made. If refund is then not required, such contributions are, at that point, applied to reduce the value of related network plant.

One off payments for easements are capitalised and included within network expenditure, whilst all expenditure on wayleaves is charged to the profit and loss account as it is incurred.

Network expenditure is capitalised in accordance with FRS 15 where such expenditure enhances the network or extends its useful life. This includes replacement of unreliable plant, lines and cables. Finance costs are not capitalised.

One off or special items
The Directors believe that there are no one off or special items that require disclosure.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

1 Net operating costs and administrative expenses

		2003 £m	2002 £m
Net operating costs	- depreciation	**48.1**	50.1
	- other	**65.3**	59.4
		113.4	109.5
Administrative expenses		**12.2**	15.6
		125.6	125.1

Auditors' remuneration in respect of the regulatory accounts was £0.1m (2002: £0.1m).

2 Net interest payable

	2003 £m	2002 £m
Interest payable		
On amounts owed to group companies	**(2.6)**	(7.6)
On bonds	**(33.9)**	(16.9)
	(36.5)	(24.5)
Interest receivable	**2.1**	1.1
Net interest payable	**(34.4)**	(23.4)

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

3 Directors & employees

(a) Directors' emoluments

Vincent de Rivaz and Gerald Wingrove had service contracts with EdF or EDF Energy plc and received emoluments for their services to those companies. Kevin Morton and Paul Cuttill (w.e.f. 1 October 2002) had service contracts with EDF Energy Networks (LPN) plc and received the following emoluments from the Company.

	2003	2002
	£000	£000
Salary	**175**	100
Bonuses	**34**	30
Benefits	**12**	9
	221	139

The emoluments of the highest paid Director in office at the year-end were £164,652 (2002: £130,132), the pension contributions being £20,648 (2002: £15,200)

(b) Employment costs

The aggregate remuneration of all employees, including the Directors of the Company, comprised:

	2003	2002
	£m	£m
Wages and salaries	**2.7**	2.3
Social security costs	**0.2**	0.2
Pension costs	**0.3**	0.3
	3.2	2.8
Average number of employees	**62**	62

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

4 Tax on profit on ordinary activities

	2003 £m	2002 £m
(a) Analysis of tax charge for the year		
(i) Current tax		
UK corporation tax at 30% (2002 30%)	**23.3**	32.0
Total current tax charge for the year	**23.3**	32.0
(ii) Deferred tax		
Origination and reversal of timing differences	**4.7**	(2.6)
Increase in discount	**(22.1)**	(3.0)
Total deferred tax charge for the year	**(17.4)**	(5.6)
Tax on profit on ordinary activities	**5.9**	26.4

(b) Factors affecting current tax charge for the year

The tax assessed for the year on profit on ordinary activities before tax differs from the standard rate of corporation tax in the UK of 30%. The difference is explained below.

	2003 £m	2002 £m
Profit on ordinary activities before tax	**90.2**	99.9
Tax on profit on ordinary activities at 30%	**27.1**	30.0
Effect of		
Expenses not deductible for tax purposes	**0.9**	0.3
Capital allowances (in excess of)/lower than depreciation	**(5.6)**	1.7
Other timing differences	**0.9**	-
Total current tax charge for the year	**23.3**	32.0

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

5 Deferred tax

	2003 **£m**	2002 £m
(a) Movement in deferred tax provision during the year		
At 1 April	**106.8**	112.4
Credited to the profit and loss account	**(17.4)**	(5.6)
At 31 March	**89.4**	106.8
(b) Analysis of deferred tax balance at year end		
Short term timing difference	**(0.9)**	-
Capital allowances in excess of depreciation	**194.2**	188.6
Discount on timing differences	**(103.9)**	(81.8)
	89.4	106.8

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

6 Tangible fixed assets

(a) Summary

	Network	Non-network land & buildings	Fixtures & equipment	Customer contributions	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2002	1,659.5	189.1	70.7	(350.2)	1,569.1
Additions	127.3	2.1	2.1	(38.2)	93.3
Disposals	-	(3.6)	-	-	(3.6)
Reclassification	167.6	(167.6)	-	-	-
At 31 March 2003	1,954.4	20.0	72.8	(388.4)	1,658.8
Depreciation					
At 1 April 2002	574.6	66.4	53.3	(87.3)	607.0
Disposals	-	(1.0)	-	-	(1.0)
Charge for the year	36.8	2.9	16.9	(8.5)	48.1
Reclassification	63.4	(63.4)	-	-	-
At 31 March 2003	674.8	4.9	70.2	(95.8)	654.1
Net book amount					
At 31 March 2003	**1,279.6**	**15.1**	**2.6**	**(292.6)**	**1,004.7**
At 31 March 2002	1,084.9	122.7	17.4	(262.9)	962.1

(b) The net book amount of non-network land and buildings comprised:

	2003 **£m**	2002 £m
Freehold buildings	**12.4**	84.4
Freehold land	**2.7**	15.1
Long leasehold	**-**	14.0
Short leasehold	**-**	9.2
	15.1	122.7

(c) Included in fixed assets are:

	2003 **£m**	2002 £m
Assets in course of construction	**21.2**	14.5

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

7 Debtors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade debtors	**17.2**	12.6
Amounts owed by group undertakings	**31.0**	37.8
Other debtors	**0.5**	1.6
Prepayments and accrued income	**10.7**	0.3
	59.4	52.3

8 Creditors

	2003 £m	2002 £m
(a) Amounts falling due within one year:		
Bonds	-	99.8
Revolving credit facility	**68.0**	-
Payments received on account	**13.9**	-
Trade creditors	**8.4**	10.2
Amounts owed to group undertakings	**40.6**	23.3
Corporation tax	**0.5**	11.1
Other creditors	**4.3**	6.1
Accruals and deferred income	**22.6**	6.1
	158.3	156.6
(b) Amounts falling due after more than one year:		
Bonds	**447.9**	99.5
Amounts owed to group undertakings	**0.4**	287.6
	448.3	387.1

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

9 Related party transactions

(a) The Company is a wholly owned subsidiary of EDF Energy plc

(b) Transactions during the year

	2003 £m	2002 £m
(i) Charges out		
Distribution of electricity		
EDF Energy plc	**153.8**	153.8
(ii) Charges in		
Distribution network operation		
EDF Energy Networks Limited	**94.0**	89.4
Purchase, operation and maintenance of meters		
ECS Metering Services Limited	**16.0**	18.6
Insurance		
EDF Energy plc	**2.7**	2.0
Rent		
EDF Energy plc	**1.6**	1.5
Corporate Governance		
EDF Energy plc	**1.8**	5.2
IT Support		
EDF Energy plc	**0.8**	1.3
Interest on loan		
EDF Energy plc	**2.6**	7.6

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

9 Related party transactions (continued)

(c) Related party balances at 31 March

	2003 £m	2002 £m
(i) Amounts receivable		
London Energy plc	**30.7**	30.2
EDF Energy (Services) Limited	**-**	5.0
EDF Energy Networks Limited	**-**	2.6
Other group companies	**0.3**	-
	31.0	37.8
(ii) Amounts payable – falling due within one year		
EDF Energy Networks Limited	**38.2**	16.2
ECS Metering Limited	**1.1**	2.4
EDF Energy plc	**1.1**	3.5
EDF Energy (Services) Limited	**0.2**	1.2
	40.6	23.3
(iii) Amounts payable – falling due after more than one year		
EDF Energy plc	**0.4**	286.7
Other group companies	**-**	0.9
	0.4	287.6

EDF Energy plc was formerly known as London Electricity Group plc, EDF Energy Networks Limited was formerly known as 24Seven Utility Services Limited, London Energy plc was formerly known as London Electricity plc and EDF Energy (Services) Ltd was formerly known as London Electricity Services Limited.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

10 Derivatives and financial instruments

The Company's funding, liquidity and exposure to interest rate risks are managed by the Company's immediate parent undertaking, EDF Energy plc, formerly London Electricity Group plc. Treasury operations are conducted within a framework of policies and guidelines authorised by the EDF Energy plc.

As permitted by FRS 13 – 'Derivatives and other Financial Instruments: Disclosures', short-term debtors and creditors have been excluded from disclosures.

(a) Interest rate and currency risk
All of the Company's long term debt has been issued at fixed rates of interest. Exposure to short term interest rate movements is limited to short-term investments and borrowings resulting from working capital surpluses and deficits. The Company does not have any direct material exposure to foreign currencies.

(b) Interest rate profile
All debt outstanding at 31 March 2003 incurs interest at a fixed rate to the date of maturity. The total debt outstanding at 31 March 2003 was £447.9m (2002: £199.3m). The weighted average interest rate was 5.7% (2002: 8.3%) and the weighted average period for which the rate is fixed was 21.1 years (2002: 2.3 years). Long-term debtors and other long-term creditors were predominantly non-interest bearing.

(c) Bonds costs and fair value

LPN's Eurobonds at 31 March 2003:

			Balance Sheet Creditor £m	Capital £m	Price	Fair Value £m
8.625%	-	repayable 26 October 2005	99.7	100.0	1.10	110.4
6.125%	-	repayable 9 June 2027	197.7	200.0	1.05	209.5
3.125%	-	repayable 9 June 2032	150.5	150.0	1.00	150.5
			447.9	**450.0**		**470.4**

The fair value of long-term debtors and other long-term creditors is considered to be the same as book value.

(d) Maturity of borrowings

	2003 £m	2002 £m
Unsecured loans outstanding at the year end were repayable as follows:		
in less than one year	-	99.8
in more than two years but not more than five years	**99.7**	99.5
in more than five years	**348.2**	-
	447.9	199.3

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

11 Provisions for liabilities and charges

	Deferred tax £m	Other £m	Total £m
At 1 April 2002	106.8	-	106.8
Released during the year	(17.4)	-	(17.4)
Provided in the year	-	2.9	2.9
At 31 March 2003	**89.4**	**2.9**	**92.3**

12 Called up share capital

	Number (million)	**£m**
Authorised, allotted and fully paid		
Ordinary shares of £1 each at 1 April 2002 and 31 March 2003	**10.0**	**10.0**

13 Reconciliation of movements in shareholder's funds

	Share capital £m	Profit & loss account £m	Equity share holder's funds £m
At 1 April 2002	10.0	371.3	381.3
Retained profit for the year	-	9.3	9.3
At 31 March 2003	**10.0**	**380.6**	**390.6**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

14 Pension costs

(a) Pension schemes

The original pension scheme available to employees of LPN was the EDF Energy plc Group's, formerly London Electricity Group's, section of the Electricity Supply Pension scheme ("ESPS"), which provides pensions and other related benefits based on the final pensionable pay to employees throughout the Electricity Supply Industry. The assets of the scheme are held in a separate trustee administered fund and a full actuarial valuation of the scheme is carried out on a triennial basis, the latest full actuarial valuation being carried out at 31 March 2001.

The Company's contributions are defined by the Group and are fully expensed to the profit and loss account. The Company is unable to identify its share of the pension fund's underlying assets and liabilities or of any surplus or deficit arising from actuarial revaluations, hence the contributions are accounted for as if it were a defined contribution scheme. Pension costs charged to the profit and loss account during the year amounted to £0.3m (2002 £0.3m).

Since April 1994, new employees have been offered membership of the EDF Energy, formerly London Electricity, 1994 Retirement Plan, a defined contribution pension scheme. The Company's contributions are charged against profits in the year in which contributions are made.

(b) SSAP 24 - Accounting for pension costs

The Group has continued to account for pension costs in accordance with Statement of Standard Accounting Practice (SSAP) 24 – 'Accounting for Pension Costs'. The latest full actuarial valuation of EDF Energy's section of the ESPS was carried out as at 31 March 2001.

The projected unit method was used for the valuation. The principal assumptions used to assess the long-term funding target under SSAP 24 are set out below.

	31 March 2001
Post retirement discount rate	5.3%
Pre retirement discount rate	6.5%
Inflation rate	2.3%
Increase to pensions	2.5%
Increase to deferred benefits	2.5%
Salary increases	3.8%

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

14 Pension costs (continued)

(c) FRS 17 – Retirement benefits – transitional disclosures
Whilst the accounts for the year ended 31 March 2003 continue to include a pension charge calculated under the principles of SSAP 24, due to the Accounting Standards Board deferring the date for full adoption of FRS 17 to the year ended 31 December 2005, transitional arrangements for the adoption of FRS 17 require the disclosures set out below.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation of EDF Energy's section of the ESPS at 31 March 2001, updated to assess the liabilities of the Scheme at 31 March 2003. Scheme assets are also stated at their market value as at 31 March 2003. The other pension schemes have been treated as defined contribution schemes for FRS 17 disclosure purposes.

(i) The principal financial assumptions used to calculate ESPS liabilities under FRS 17 are set out below:

	2003	2002
Discount rate	**5.4%**	6.0%
Inflation rate	**2.5%**	2.9%
Increase to pensions	**2.5%**	2.8%
Increase to deferred benefits	**2.5%**	2.8%
Salary increases	**3.5%**	3.8%

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2001, which determined the Group's contribution rate for future years.

(ii) The assets and liabilities in EDF Energy's section of the ESPS and the expected rate of return are set out below.

	Long-term rate of Expected return		Market value	
	2003	2002	**2003 £m**	2002 £m
Equities	**8.0%**	8.3%	**595.7**	860.0
Gilts	**4.5%**	5.3%	**254.1**	282.0
Cash	**4.0%**	5.3%	**27.3**	20.7
Property	**6.5%**	n/a	**4.7**	-
Total market value of scheme assets			**881.8**	1,162.7
Present value of scheme liabilities			**(1,212.5)**	(1,137.8)
(Deficit)/surplus in the scheme			**(330.7)**	24.9
Related deferred tax asset/(liability)			**99.2**	(7.5)
Net pension (liability)/asset			**(231.5)**	17.4

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

14 Pension costs (continued)

(iii) Movement in surplus during the year

	2003 £m
Surplus in scheme at 1 April 2002	**24.9**
Net charge to the profit and loss account	
Amounts that would be charged to operating profit under FRS 17	
Current service cost	**(21.0)**
Curtailment cost	**(2.0)**
Total operating charge	**(23.0)**
Amounts that would have been included as other finance income under FRS 17	
Expected return on pension assets	**86.0**
Interest on pension liabilities	**(67.0)**
Net return	**19.0**
Net charge to the profit and loss account	**(4.0)**
Contributions	**7.8**
Amounts that would have been recognised in the statement of 'Total recognised gains and losses' (STRGL) under FRS 17	
Annual return less expected return on pension scheme assets	**(322.4)**
Experience gain on pension liabilities	**22.0**
Change in financial assumptions underlying pension scheme liabilities	**(59.0)**
Actuarial loss recognised in STRGL	**(359.4)**
Deficit in the scheme at 31 March 2003	**(330.7)**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

14 Pension costs (continued)

(iv) History of experience gains and losses

	2003
(a) Difference between actual and expected return on scheme assets	
Amount (£m)	**(322.4)**
Percentage of scheme assets	**36.6%**
(b) Experience gains on scheme liabilities	
Amount (£m)	**22.0**
Percentage of present value of scheme liabilities	**1.8%**
(c) Total actuarial loss	
Amount (£m)	**(359.4)**
Percentage of present value of scheme liabilities	**29.6%**

15 Capital and contingent liabilities

The Company has a material commitment relating to outsourced operations. The Company has a contract with EDF Energy Networks Limited, a fellow subsidiary company of EDF Energy plc for the operation of its distribution system.

Other capital investment in respect of which the Company has entered into contractual commitments but which was not provided for as at 31 March 2003, amounted to £0.3m (2002: £1.5m).

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 EDF Energy plc Group, formerly London Electricity Group, sites are contaminated, clean up costs may be incurred in the future, however, it is not currently possible to calculate a reliable estimate of such costs. Full provision has been made, however, where a problem has been identified and quantifiable liability established.

Following the acquisition of the Company on 29 July 2002, EDF Energy announced a restructuring programme. The cost of restructuring to the Company has not been established and accordingly no provision has been made in these accounts.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

16 Notes to the cash flow statement

	2003 £m	2002 £m
(a) Non cash items		
Depreciation	**48.1**	50.1
Loss on sale of fixed assets	-	0.2
Increase in provisions	**2.9**	-
	51.0	50.3
(b) Movement in working capital		
Decrease in stocks	-	2.0
(Increase)/decrease in debtors	**(7.0)**	64.0
Increase/(decrease) in creditors	**32.9**	(89.4)
	25.9	(23.4)

Analysis of cash flows for headings netted in the cash flow statement

	2003 £m	2002 £m
(c) Returns on investments and servicing of finance		
Interest paid	**(22.7)**	(23.0)
Interest received	**2.0**	-
	(20.7)	(23.0)
(d) Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(131.5)**	(109.2)
Customers' contributions	**38.2**	48.8
Receipts from sales of tangible fixed assets	**2.6**	2.5
	(90.7)	(57.9)
(e) Transfers to corporate funds		
Transfer to corporate funds	-	(36.5)
	-	(36.5)

(f) Analysis of net debt

	Balance at 1 April 2002 £m	Cash flow £m	Non Cash £m	**Balance 31 March 2003 £m**
Cash at bank and in hand	17.4	8.0	-	**25.4**
Short term borrowing	-	(68.0)	-	**(68.0)**
Loans - less than one year	(100.2)	100.4	(0.2)	**-**
- more than one year	(387.1)	(59.2)	(1.6)	**(447.9)**
	(469.9)	(18.8)	(1.8)	**(490.5)**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

17 Ultimate holding company and ultimate controlling company

The ultimate holding company and the largest group for which consolidated accounts are prepared is Electricité de France, a French state-owned company. Copies of that company's consolidated accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

EDF Energy plc holds a 100% interest in EDF Energy Networks (LPN) plc and is considered to be the immediate parent company. This is the smallest group for which consolidated accounts are prepared.