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Companies House regrets that the microfiche record for this company contain some documents which are illegible.

This has been noted but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

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# SEEBOARD

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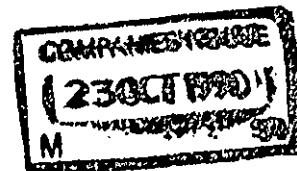
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BOARD OF DIRECTORS AS AT 31 MARCH 1990

Chairman & Chief Executive  
G A Squair, CEng, FIEE, CBIM.

Managing Director  
D A Lovesey, BSc(Eng), ACGI, CEng, MIEE, MBIM.

Finance Director  
J B Quin, FCMA.

Commercial Director  
T J Ellis, CEng, MIEE, FBIM.

Operations Director  
L Jones, OBE, CEng, MIEE, MBIM.

Corporate Strategy Director  
T A Boley, BSc(Eng), MSc(Econ), ACGI, CEng, FIEE.

Administration Director & Company Secretary  
S M Wide, MA, FBIM.

NON-EXECUTIVE DIRECTORS

R H C Aldred, FCA

R A Cox, CBE, FCA, FCMA, FCISI.

Sir Ian McLeod, JP, AGIS.

Sir Keith Stuart, MA, FCIT, CBIM.

J A Walmsley, FCA.

SEEBOARD plc  
Registered Office  
Grand Avenue  
Hove  
East Sussex BN3 2LS  
Telephone: (0273) 724522  
Fax: (0273) 21705  
Telex: 87230

**FINANCIAL ADVISERS**

Morgan Grenfell & Co Limited  
23 Great Winchester Street  
London EC2P 2AX

**PRIVATISATION ADVISERS**

Price Waterhouse  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

**LEGAL ADVISERS**

Herbert Smith  
Watling House  
35-37 Cannon Street  
London EC4M 5SD

**BANKERS**

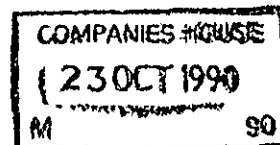
Midland Bank plc  
1 Broadwater Street West  
Worthing  
West Sussex BN14 9BP

**AUDITORS**

KPMG Peat Marwick McLintock  
1 Puddle Dock  
Blackfriars  
London EC4V 3PD

**PUBLIC RELATIONS ADVISERS**

Valin Pollen plc  
18 Grosvenor Gardens  
London SW1W 0DH





This, the first Annual Report to be published by SEEBOARD plc, marks a year of major transformation of our industry. After more than 40 years in the public sector, we have begun the process of fundamental change which are intended to lead to fully quoted company status later this year. On 31 March 1990, at the end of our financial year, the property, rights and liabilities of the South Eastern Electricity Board were vested in SEEBOARD plc.

I believe we have established a foundation for the company that should allow us to flourish in our new status as a plc at the same time as managing a complex and successful company and this speaks highly for the commitment and support of all of those who have been involved.

## RESULTS

Turnover for the year was £982.1m compared with £907.9m for 1988/89. Profit before tax, on an historical cost accounting (HCA) basis, was £57.6m, compared with £57.9m last year. On a current cost accounting (CCA) basis, profit before tax was £30.4m compared with £29.3m last year. Our results are explained in more detail in the Financial Review.

We have a large proportion of domestic sales and once again, demand has been affected by the mild weather. This year, above average temperatures have been prolonged which, together with the general slowing of economic growth, has affected profits. Notwithstanding this, total unit sales of electricity at 16,830 GWh were 1.7% higher than last year, though growth was variable between market sectors as indicated in the Financial Review.

In keeping with our aim of remaining a competitive supplier of electricity to the benefit of our customers, we have paid close attention to costs within our control but, as I indicated in my statement in last year's Annual Report and Accounts, inflationary pressure is intensifying in a number of cost areas.

## A STRONG CUSTOMER BASE

We are one of the largest companies wholly based within our licensed area of supply, and as such we strive to work in partnership with a wide and diverse range of commercial and industrial concerns to assist them in practical and often new ways of using electricity wisely and efficiently. Notably, we secured one of our largest contracts for a supply network for Translink, the Channel Tunnel contractors. Overall, our energy marketing

George Squair, Chairman and Chief Executive of SEEBOARD, demonstrates SEEBOARD's commitment to customer care. He is pictured here with Mrs Alice Morrey, Managing Director of Sonic Blinds, a company which won one of SEEBOARD's two PEP awards last year with the introduction of their specialised cleaning system.





efforts have been directed to increasing market share of the most profitable high load factor applications.

We have relocated appliance retailing management to an office adjoining our central appliance store at Timbridge Wells. This has helped us to control the operation more effectively and provide a better service to our customers which should enable us to make significant cost-savings. We have improved our appliance delivery service and have embarked on a programme of refurbishment of our retail outlets in order to maintain our position in the competitive high street environment.

### MANAGING THE CHANGE

During the year, we have all dedicated much effort to preparing our company for one of the most challenging events in SEEBOARD's history. Amongst the many preparations for the restructuring of the industry and our planned flotation, I would like to single out two key areas.

- From 31 March 1990, we faced a new system for purchasing electricity. Whilst most of our supplies will be purchased from the electricity spot market, also known as "the pool", there will be new arrangements for determining the cost to SEEBOARD of these supplies and further opportunities for buying power from other sources such as combined heat and power schemes from within our region. To manage this essential part of our core business, we have established within our Commercial Directorate a professional team which includes economists, statisticians and computer specialists.

We have illustrated that we are prepared to compete aggressively in the new environment through a team of skilled negotiators. More details of our support to the regional business and commercial infrastructure are given in the Review of Operations which follows.

- The new world as a public limited company calls for a different emphasis on the financial function. To this end, financial planning is being enhanced and an improved management information system is being developed to be implemented in the coming year. In addition, the new functions of corporate strategy and planning, treasury, taxation and shareholder relations have been established.

### THE BOARD OF DIRECTORS

I am delighted that all the executive directors mentioned in last year's Annual Report continue to serve the company. I am fortunate to have an

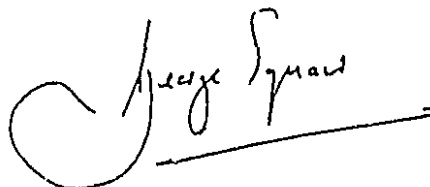
executive team with the management skills and expertise to assist me in the management of the company through its transition to a quoted plc. Two of our non-executive directors, Sir Ian McLeod and Roy Cox, will provide the continuity and, through their long association with SEEBOARD, the guidance and experience that we need as we enter these changing times. Joining them on the board, and bringing with them valuable and useful experience to our deliberations will be Ralph Aldred, former Managing Director of Freemans, Sir Keith Stuart, Chairman of Associated British Ports, and John Walmsley, Managing Director, Finance and Business Development, of Enterprise Oil. I believe we have a team of directors which will help to ensure the smooth progression of SEEBOARD into the private sector and to guide us in the prudent management of the business thereafter.

I would like to acknowledge the considerable contributions made over the years by Mike Calvert, Alex Ferry, Nick Hawkins, Commander Harry Marland and Dame Margaret Weston, the five non-executive members of the South Eastern Electricity Board who retired during the year.

#### THE STORMS

I cannot end without paying tribute to all the SEEBOARD staff who performed so magnificently during the severe weather conditions of the latter part of January. During the afternoon and evening of 25 January 1990, we experienced some of the highest wind speeds ever recorded in our area. The resultant loss of supply to over 350,000 customers triggered our established emergency procedures. As with the hurricane of 1987, we received assistance from area boards less affected by the weather and to them and all our helpers I extend my deep gratitude.

We witnessed what I regard as an outstanding example of commitment and professionalism. The loyalty and dedication of our staff are essential to the attainment of our future plans and strategies. I have no doubt that their energy and skills will help us to meet the challenges of operating in the private sector and I am proud to be leading such a team into the post-privatisation world.



Chairman and Chief Executive





# BOARD OF DIRECTORS AS AT 31 MARCH 1990



**Chairman & Chief Executive**  
G A Squair,  
CEng FIEE, CBIM.



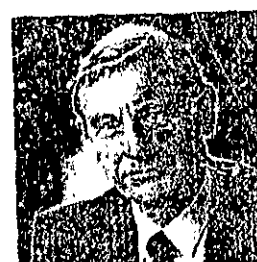
**Managing Director**  
D A Lovelace,  
BSc (Eng), ACGI, CEng,  
MIEE, MBIM.



**Finance Director**  
J B Quin,  
FCMA



**Commercial Director**  
T J Ellis,  
CEng, MIEE, MBIM.



**Operations Director**  
L Jones,  
CBE, CEng, MIEE, MBIM

## NON-EXECUTIVE DIRECTORS



**R H C Aldred,**  
FCA.



**R A Cox,**  
CBE, FGA, FCMA, FCBIS.



**Sir Ian McLeod,**  
JP, ACIS.



**Sir Keith Stuart,**  
MA, FCI, CBIM.

Detailed biographies are shown in the Report of Directors

# FACTS AND MAP OF THE REGION

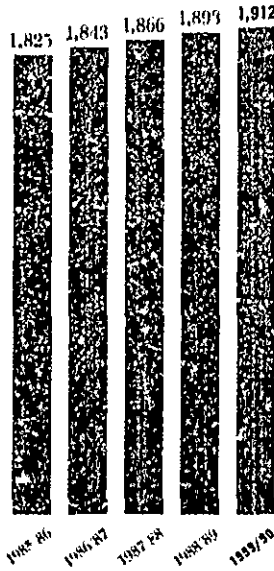


**Corporate Strategy Director**  
**T A Boley,**  
 BSc(Eng), MSc(Econ), ACGL,  
 CEng, FIEE.

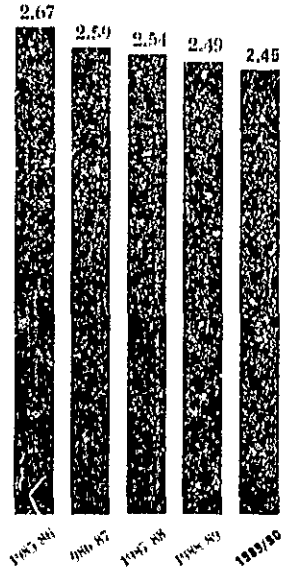


**Administration Director &  
 Company Secretary**  
**S M Wide,**  
 MA, FRIM.

**Number of Customers  
 in thousands**

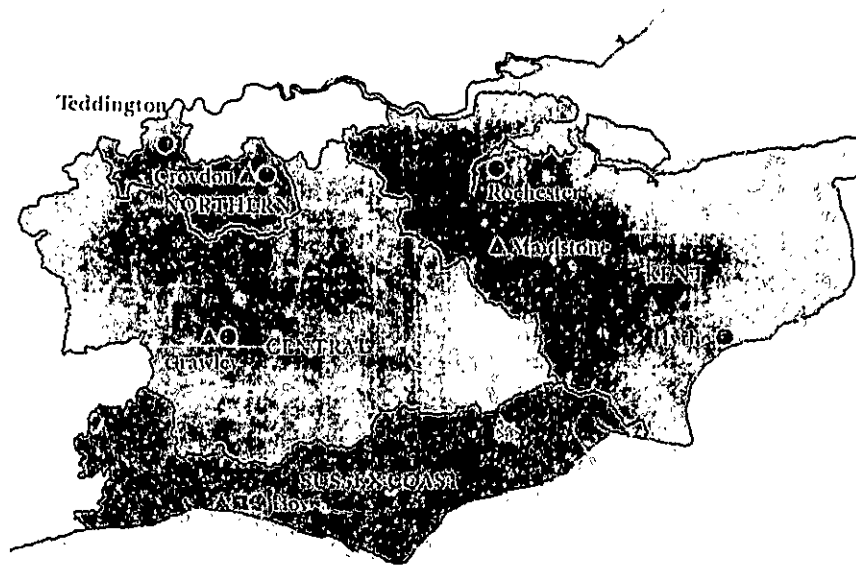


**Number of Employees  
 per 1000 customers**



**J A Walmsley,**  
 FGA.

■ Head Office    ▲ Divisional Offices    ● Customer Service Units



## ELECTRICITY BUSINESS

Turnover for the year was £982.1m, of which 92% was from sales of electricity. The second successive mild winter and the slowdown in the economy limited overall growth in unit sales to 1.7%.

Sales to domestic customers, which are particularly sensitive to weather, have historically accounted for almost half of SEEBOARD's electricity sales. The mild weather, which was prolonged, and the reduction in new housing starts, restricted domestic growth to 0.5%.

Sales to commercial customers continued to show appreciable unit growth at 6.4%. Part of this growth is attributable to the construction of the Channel Tunnel. Units sold to industrial customers fell by 0.7%.

SEEBOARD has set a tariff level which last year led to a gross margin of 19.9%. Tariffs were increased on 1 April 1989 by an average 6.3% to meet the Government's target return on the expectation of stable economic conditions and what was then considered to be normal weather conditions. In the event, these conditions did not occur, and profits were affected accordingly.

Operating costs continued to be closely monitored despite a higher than expected rate of inflation and the costs of the January storms.

HCA operating profit from the electricity business was £46.1m, compared with £50.0m in 1988/89. On a CCA basis, operating profit was £20.6m compared with £23.8m in 1988/89.

## TRADING BUSINESSES

The slowdown in the economy affected the Retailing and Contracting businesses. Turnover in the Retailing business decreased by £1m to £54.9m leading to an HCA operating profit of £1.1m in 1989/90 against £2.0m in 1988/89.

Contracting turnover increased by £1m to £22.2m in 1989/90 but pressure on margins resulted in an HCA operating profit of £1.5m in 1989/90 compared with £1.6m in 1988/89.

## TOTAL BUSINESS

Overall, HCA operating profit was £48.7m compared with £53.6m in 1988/89. In CCA terms, this amounted to £22.8m, compared with £27.2m in 1988/89. The CCA return on assets was 2.88% compared with the Government target of 1.75%.

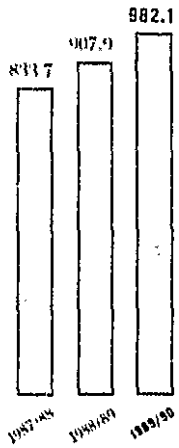
Interest received benefited from the high level of interest rates prevailing during the year. The HCA profit before tax decreased to £57.6m from £57.9m in 1988/89 (CCA profit before tax increased to £30.4m from £29.3m in 1988/89).

## FINANCIAL HIGHLIGHTS

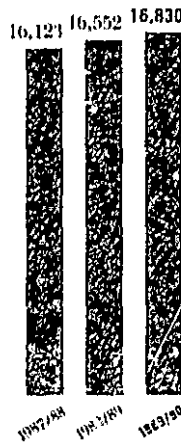
		1989/90	1988/89
Turnover	£m	982.1	907.9
Operating profit before MWCA			
HCA	£m	48.7	53.6
CCA	£m	22.8	27.2
Profit before tax			
HCA	£m	57.6	57.9
CCA	£m	30.4	29.3
Gross capital expenditure	£m	66.5	54.4
Unit Sales	million	16,830	16,552
Customers at year end	000s	1,912	1,893

## FINANCIAL HIGHLIGHTS

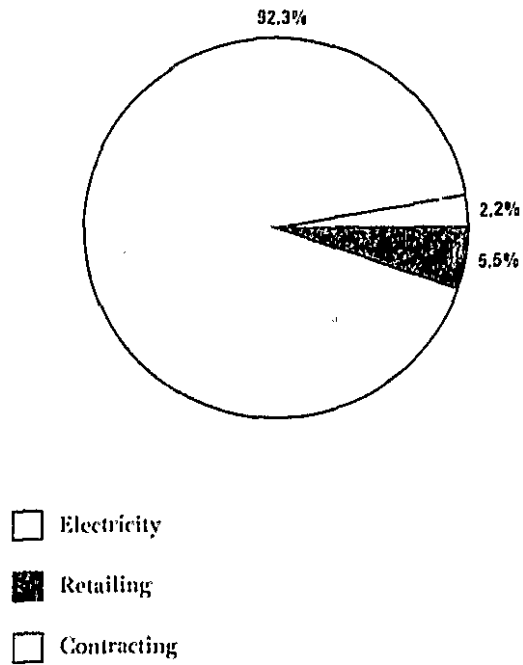
Turnover (excluding intra-activity sales)



Unit Sales million units



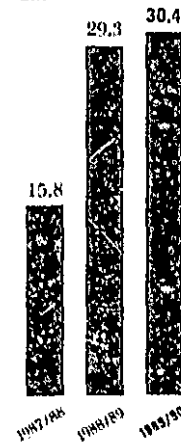
Analysis of turnover



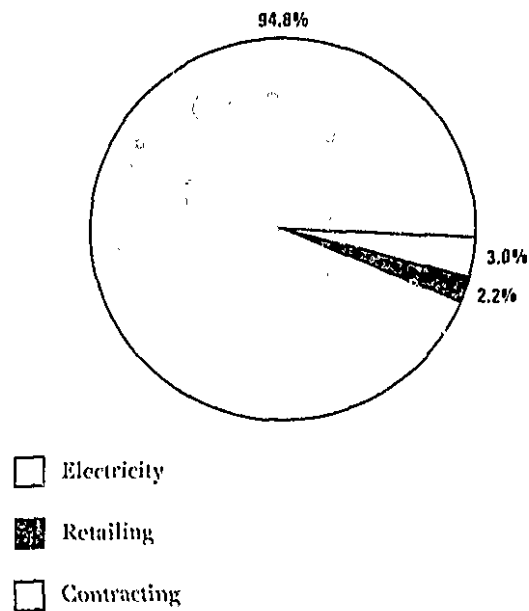
HCA profit before tax £m



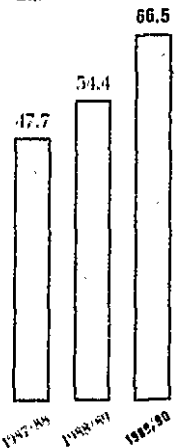
CCA profit before tax £m



Sources of HCA operating profit

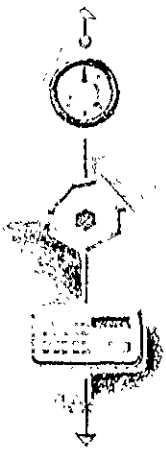


Capital expenditure (gross) £m



CCA operating profit before MWCA £m





On 31 March 1990, SEEBOARD plc inherited the business of the South Eastern Electricity Board, primarily encompassing the distribution and supply of electricity. All its shares are presently owned by the Secretary of State for Energy.

The Twelve Regional Electricity Companies are licensed to supply electricity anywhere in their respective areas, and will continue to own and operate the local distribution networks through which electricity is delivered to consumers. Through a holding company, they also jointly own The National Grid Company plc which operates the high voltage system of electricity transmission and links the generating stations with the local distribution network.

The new structural and commercial arrangements for the industry have facilitated the development of competitive markets in electricity generation and supply, whilst protecting security of supply to consumers. These activities, together with distribution and transmission, operate under a licensing and regulatory regime overseen by the Office of Electricity Regulation.

SEEBOARD plc retains its existing local monopoly in electricity distribution, while price regulation allows consumers to share the benefits of efficiency improvements. The prices it charges for the supply of electricity are regulated too, though there will be a progressive move to full competition in electricity supply. Transitional arrangements have been made to ensure that this takes place in an orderly fashion, and to allow the industry and its customers to adapt to the new market.

These changes to the structure and operation of the industry are far reaching and challenging. SEEBOARD plc is committed to taking the opportunities they present for maintaining and improving the quality of its service to customers, both now and after November when it is the Government's intention to offer shares for sale to the public.

#### A YEAR OF CUSTOMER SERVICE

We continue to seek ways of improving our service to customers in many areas of our operations whether domestic or industrial, commercial or retail. The new structure of the industry will, we believe, allow us more freedom to develop key areas of business, and we anticipate greater scope for growth. However, our customers will also have higher expectations and we will continue to face further external challenges such as competition from other energy suppliers.

SEEBOARD has a clear commitment to meet our customers' expectations and we have set out in a Customer Charter the high standards which we aim to achieve. This commitment has been reinforced through the appointment this year of a Customer Standards Manager. His role includes ensuring that SEEBOARD is well prepared to meet the expected responsibilities towards all its customers laid down by the Director General of Electricity Supply.

This involves a closer monitoring of standards through which we are raising staff awareness of the importance of customer service. A monthly assessment of customer service has been carried out since the introduction of our Customer Charter in 1988. Now we have instituted a job-by-job monitoring system to evaluate the time delay between the receipt of a customer request and the fulfilment of that request.

As part of our Customer Charter, we have doubled the value, from £5 to £10, of the voucher given to domestic customers should we fail to attend on a pre-agreed appointment.

Another move to improve our service to customers is the development of a new computer system which should help us to provide a faster response to customer requests for quotations. We have simplified procedures and set ourselves the





target of dealing fully with requests for a new or altered service within a ten day period.

We have also introduced a training scheme for selected craftsmen and women designed to broaden their individual skills. This means that meter changes and service/literation work which previously involved up to three visits by different members of staff can now, in many cases, be undertaken on a single visit.

## OUR CUSTOMERS

### Domestic Customers

Last year, we sought further ways by which our domestic customers could make energy savings through greater energy efficiency.

In the new home market, we continued during the year our Medallion programme, an award scheme which encourages the construction of energy-efficient all-electric homes. In the context of a fall in the number of housing starts within the region, we increased the proportion of Medallion houses built that year.

A joint venture with the housebuilders, Barratt, resulted in the construction of two high technology homes at Ewel, near Epsom. These houses, opened in November 1989 by Christopher Chope, Under Secretary of State for the Environment, incorporate very high standards of thermal insulation, with heat recovery systems and automatically controlled electric heating. They are equipped with control systems which can monitor fire and home security, operate lights and curtains and control many other domestic appliances.

We assisted in the development of sheltered homes in the London Borough of Sutton, where a high specification was required in order to provide comfortable living conditions. We also advised Shepway District Council, which had reviewed its heating policy, on the installation of electric space and water heating at a development of flats in the heart of Folkestone.

As a result, the Council are prepared to employ the "all electric" heating solution in further flat developments.

### Industrial and Commercial Customers

The year saw the continued expansion of our services to industry, aimed at encouraging the use of electricity for heating and power.

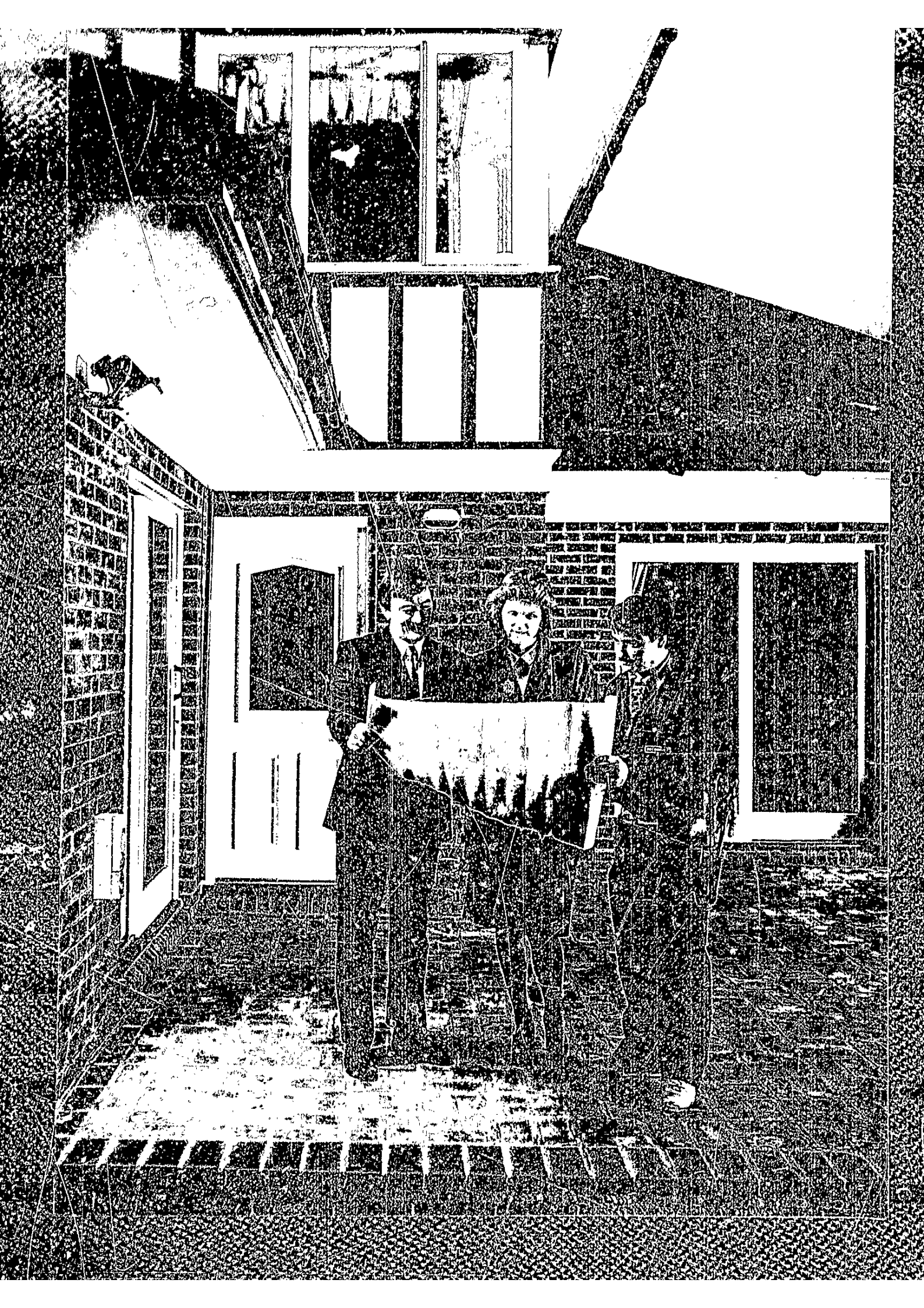
- The size of the Industrial Energy Efficiency Centre (IEEC) at Welham Green, Hertfordshire has been doubled. This centre, jointly funded by SEEBOARD in association with our neighbouring regional electricity companies, can now offer industrialists throughout the South East an advisory service in the design and development of electrical process applications.
- We launched a Technology Transfer Unit to assist the competitiveness of industrial businesses in our region. This Unit was involved in discussions on projects such as that which aided Smith Kline Beecham in Worthing to produce antibiotics more effectively, and organising "Industry Comes Clean" seminars for industrialists which covered techniques for pollution control.

An important facet of service to customers is the promotion of more efficient use of electricity - both to cut costs and to improve productivity. SEEBOARD's Power for Efficiency and Productivity (PEP) and building energy efficiency (BETA) awards are designed to recognise our customers' achievements in these areas.

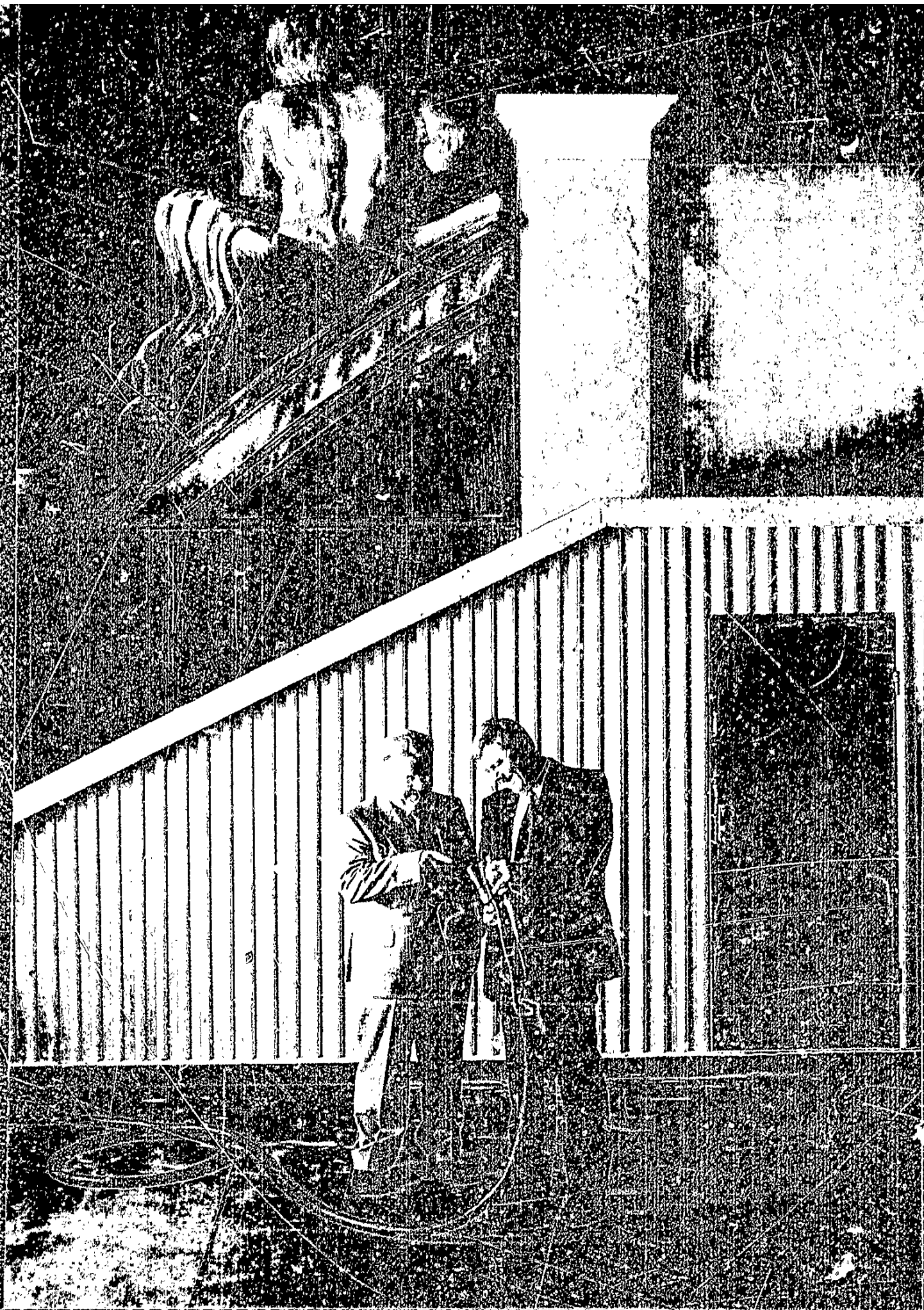
The year's PEP award winners were Sonic Blind Services of Croydon (in the category for companies with up to 100 employees), and Allenwest Electrical of Brighton (over 100 employees). These winners demonstrate that our service to commerce and industry is available to *all* SEEBOARD customers, large and small.

We continued to expand our services to

SEEBOARD has helped Shopperton film studios modernise its generating equipment and to introduce a sophisticated monitoring system which regulates electricity usage in each studio. Tony Bignell, Senior Engineer (Energy Sales), Northern Division is pictured with Studio Manager Paul Oliver on the set of a forthcoming movie.

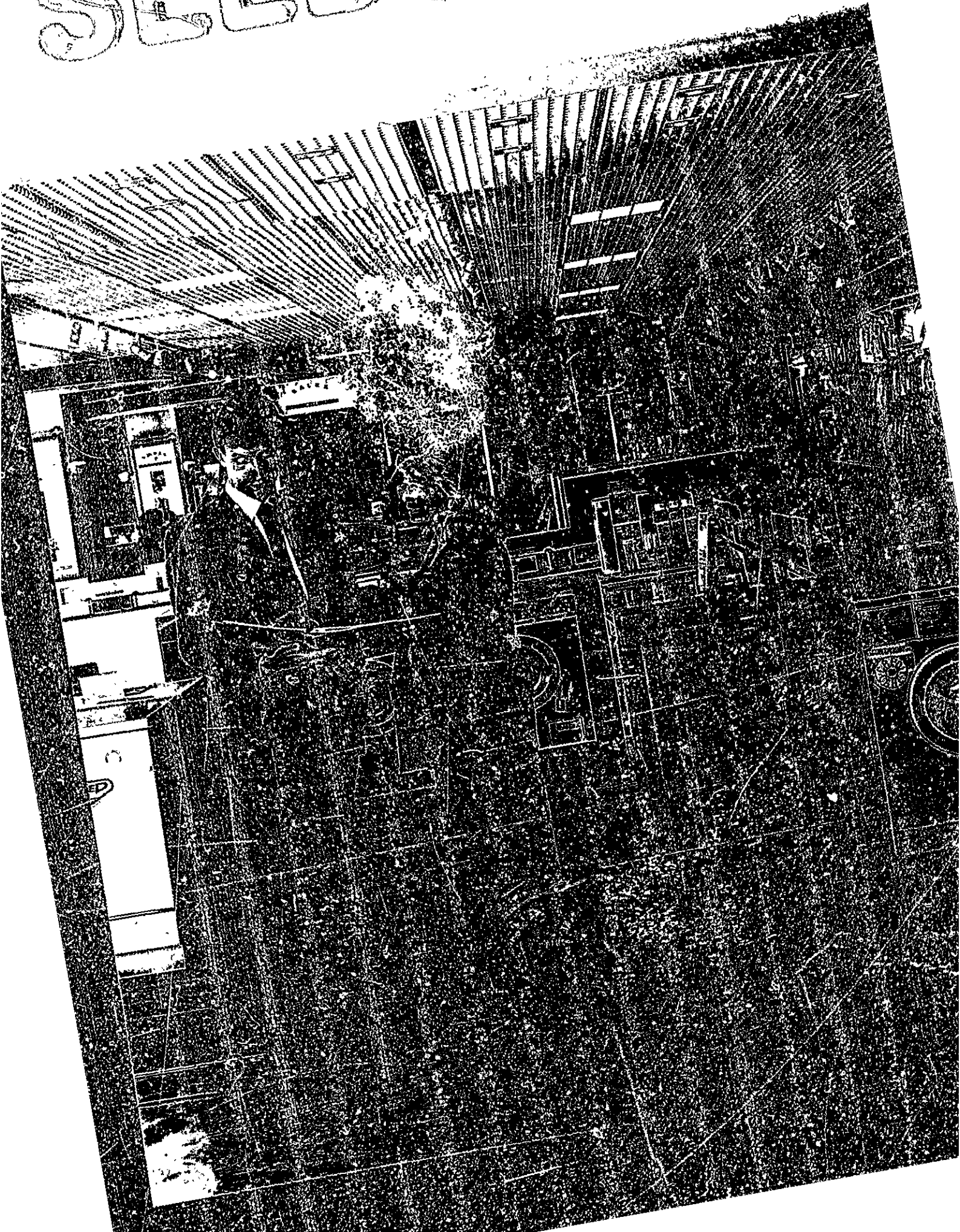








# SEEBOARD



commercial customers through the promotion of the Energy Efficient Design (EED) specification. This focuses on highly insulated buildings and emphasises the efficient use of electricity.

Eastbourne architects, Boyce Kemp and Bion won the BETA award in the category for smaller buildings for their modern, purpose-designed office building constructed to the new EED specification. Winners in the large building category were Biwater Ltd, a specialist firm of water engineers, for their Head Offices in Dorking. They use electric heat pumps to provide a comfortable working environment.

### TRADING BUSINESSES

#### SEEBOARD Shops

This has been a difficult trading year for our retail business, affected like other high street retailers by high interest rates. In goods, such as free-standing cookers and washing machines, we increased our market share in our area.

During the year, the retail business was also centred in one management unit in Tunbridge Wells to reduce operating costs, while maintaining and improving the level of customer service.

A major programme of refurbishment and modernisation was launched beginning with our Chatham shop. We aim to offer shoppers a wider choice and a better shopping environment with more efficient merchandising layout and stock management.

#### Contracting

SEEBOARD remains one of the largest electrical contractors wholly based in our licensed supply area, employing over 300 contracting electricians. Despite the general slowing down of the economy, turnover in our contracting services increased by 4.7% over the year.

Notable amongst the major projects undertaken were the installation of a stand-by private generation system with "uninterruptible" power

supply for the European headquarters of a large international company, the design and installation of low voltage switchgear and rectification equipment for Shepperton film studios, and the extension of the high voltage system and low voltage switchpanel for Chessington World of Adventures in Surrey.

### DISTRIBUTION NETWORK

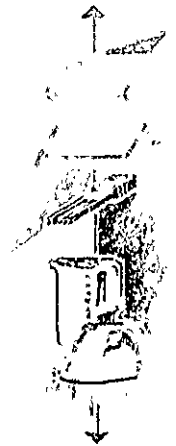
Our operational capital expenditure programme of £52.6m was devoted to new business, responding to the needs of developers and providing reinforcement where existing customer demand placed increased load on our distribution network. In return, SEEBOARD received some £14m in capital contributions from developers and customers.

Some £15.8m was spent on non load related reinforcement, which included £8.5m in replacing assets such as switchgear, transformers, overhead lines and cables which have become obsolete or time-expired through usage.

At the end of December 1989, ahead of its target completion date, a large sub-station complex designed and built by SEEBOARD went into operation just eleven months after start of construction. Grovehurst grid sub-station was built to meet an 80 MVA demand from two large pulp mills north of Sittingbourne in Kent.

We secured our largest ever installation contract, with Translink. As part of a £30m plus order to provide an electricity supply to the Channel Tunnel, we expect to install the longest run of underground 132 kV cables in the SEEBOARD area, from Sellindge to Cheriton in Kent. Underground cabling will help to minimise the impact on the environment.

Work on the project has started and full supplies are planned to be available in June 1992. The supply system, we estimate, will have



Chatham was the first of SEEBOARD's shops to undergo a major refurbishment and modernisation programme. Here Store Manager Tony Rowe speaks to a customer, Ann King.



an installed capacity greater than the demand of the Brighton conurbation.

We also tendered successfully, in partnership with ESB International, a subsidiary of the Electricity Supply Board, Ireland to install the supply network within the Tunnel's Folkestone terminal. In November 1989, as a result of the Channel Tunnel contract, we were, in turn, able to place our largest-ever single contract – a £20m plus order with BICC Cables Limited, based at Erith in Kent, for the manufacture and installation of the necessary cables.

We continue to seek opportunities to win other contracts associated with the Channel Tunnel. Indeed the prospect of increased trade with mainland Europe and a growing tourism industry, linked with the opening of the Channel Tunnel in the next few years, is stimulating considerable commercial development in many parts of SEEBOARD's area.

#### BUYING AND SELLING ELECTRICITY

During the year, the average cost of electricity bought by SEEBOARD from the Central Electricity Generating Board was 4.0p per unit, a rise of 0.24p from the previous year. The cost was based on the bulk supply tariff; new arrangements, described elsewhere in this report, are now in force. This average cost reflects the high domestic demand within our region which tends to occur during the daytime at peak winter periods when electricity is at its most expensive. The average unit price charged to customers was 5.34p.

We maintained our arrangements to sell low cost, off-peak energy under the Economy 7 tariff. Equally, we continued to sell energy under special terms to over 2,900 commercial, industrial, agricultural and domestic customers whose patterns of demand avoided peak periods and to over 20 large customers who were able to

reduce their demand for electricity on instructions from SEEBOARD by operating our load management arrangements.

To meet the challenges of the new regime, we have assembled two teams under Commercial Director Jim Ellis. The Power Purchasing Team is responsible for settlements, contract management, system economic and trading. The Tariff and Contracts Team formulate tariffs, set supply policy, negotiate supply contracts and determine our profitability by tariff group and by customer.

We have installed computer systems to receive and validate pool price data from The National Grid Company plc. From this data we can analyse SEEBOARD's total demands and costs on a half-hourly basis. These systems in addition help us to administer option contracts, outside the pooling system, in order to establish the basis of payments to and from the generators.

Staff from SEEBOARD visited our large commercial and industrial customers whose maximum demand for electricity exceeded 1 MW. Presentations, which covered privatisation and its implications in terms of future contracts for individual supplies, tariff options and arrangements for payment, highlighted the benefits of remaining a SEEBOARD customer and outlined a number of our added value services.

SEEBOARD is keen to promote competition in electricity generation as it is expected this will benefit our future shareholders and customers by exerting downward pressure on costs and electricity prices. We therefore wish to encourage independent generators and we have been involved with a number of further feasibility studies for power stations in the SEEBOARD area. These studies examined in a variety of potential technologies, plant sizes and locations.



### STORM DAMAGE

The gales which swept the South of England at the end of January provided a major test of our ability to respond to emergencies. Winds - gusting up to 100 mph - sent trees and debris crashing into overhead lines, causing widespread power breakdowns, and leaving many customers without supplies.

The dedication of our staff who worked on the repair operation with colleagues from four other Electricity Boards, the Central Electricity Generating Board, the Royal Engineers and private contractors, meant that over 90% of homes were reconnected within 24 hours.

Hampered by further gale-force winds, lightning and rainstorms, the repair teams worked for nearly six days to clear up the damage. Having finished the task in the SEEBOARD region, staff also helped repair teams in other areas, where networks had been even more extensively damaged by winds.

### THE ENVIRONMENT

We have a responsibility, as a major retailer of electrical white goods, to minimise any dangers from CFC gases. All fridges and freezers traded in through SEEBOARD shops are now being made environmentally safe by extracting and recovering the gases when the appliances are scrapped.

SEEBOARD shops are now stocking new-model fridges and freezers with reduced CFC contents, as they become available from manufacturers. Staff are briefed to provide advice to customers on those appliances which are more "ozone friendly".

We have now installed about 60 km of overhead lines consisting of a single bunch of wires replacing up to four separate wires. As these new wires are less vulnerable to damage, the quality of service to rural customers is expected to improve.

### ACTIVITY IN THE COMMUNITY

We continued to support a variety of initiatives within the community. One such was the appointment and sponsorship of a former employee in the role of Director of the Technology Transfer Service. This seeks to promote the application of new technologies in industry in south east England.

Our commitment to the efficient use of energy was demonstrated by the continued sponsorship of a Teaching Fellow at Kingston Polytechnic, to teach electro-heat technology to tomorrow's industrial Manufacturing and Mechanical Engineers.

A further initiative was the secondment of a member of our head office staff to be organiser of the Alchemist Project. This venture, by a group called PACT (People and Churches Together), collects surplus materials and equipment from business and industry, and makes them available to community organisations.

### STAFF ACHIEVEMENT

It is gratifying to note two awards in Her Majesty the Queen's Honours List. In June 1989, Len Jones, SEEBOARD's Operations Director received the OBE. The citation recognised his services to SEEBOARD and the electricity supply industry, particularly in the aftermath of the 1987 hurricane. This January, Tom Buckett, an electrician at Croydon, was awarded a BEM for services to the community and to SEEBOARD.





The directors have pleasure in presenting their first Annual Report and the audited accounts of SEEBOARD plc ("the Company") for the year ended 31 March 1990.

#### INCORPORATION AND VESTING

SEEBOARD plc was incorporated on 1 April 1989 as a public limited company to succeed to the business of the South Eastern Electricity Board (the Area Board). The vesting of the property, rights and liabilities of the Area Board in the Company took place under the terms of the Electricity Act 1989 (the Act) and took place on 31 March 1990. The Act requires that for the purposes of preparing the Company's accounts, the vesting of the property, rights and liabilities of the Area Board in the Company is taken to have been effected immediately after the end of the financial year ended 31 March 1989.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are the distribution and supply of electricity to industrial, commercial and domestic consumers, electrical contracting and retailing.

A review of the business of the Company during the financial year, its position at the end of that year and its outlook for the future is given in the accompanying Chairman's statement together with information about the Company's development activities.

The results for the financial year to 31 March 1990 showed an historical cost (HCA) profit before taxation of £57.6m (£30.4m in current cost (CCA) terms).

The directors do not recommend the payment of a dividend.

After providing for taxation and extraordinary items, the retained profit for the year amounted to £37.6m HCA (£10.4m CCA) which was transferred to reserves.

#### SHARE CAPITAL AND BORROWINGS

##### Authorised share capital

The authorised share capital of the Company on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each.

##### Issued share capital

On incorporation, two ordinary shares of £1 each were subscribed for at par by nominees of the Secretary of State for Energy. On 8 February 1990, the two subscriber shares were transferred to the Secretary of State and the Solicitor for the affairs of Her Majesty's Treasury (as nominee for the Secretary of State). The remaining 49,998 ordinary shares then authorised were issued to the Secretary of State against payment in cash as to one quarter of the nominal amount of each share.

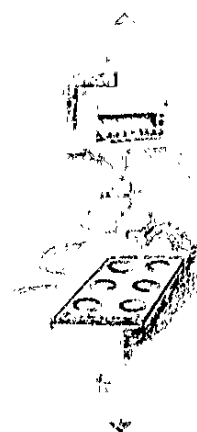
#### DIRECTORS AND THEIR INTERESTS

The directors of the Company as at 31 March 1990 were:

■ G A Squair, Chairman and Chief Executive has been Chairman of SEEBOARD since 1983. He began his career in the electricity supply industry as an apprentice electrical fitter. During a 37-year career with SEEBOARD's neighbouring Southern Electricity Board, he rose to engineer, district manager and then area manager. He became an executive member of the Board in 1976 and was appointed Deputy Chairman in 1978.

■ D A Lovesey, Managing Director joined SEEBOARD as Deputy Chairman in 1987. He worked in distribution and commercial engineering with the London Electricity Board for 10 years until 1965 when he moved to SEEBOARD to become a senior engineer in the tariffs and economics section. He returned to the London Board three years later, holding senior engineering and managerial posts before becoming Commercial Director in 1981.

■ J B Quin, Finance Director joined SEEBOARD as Finance Director in February 1989. He was





formerly Financial Director of FMAP plc, a leading UK publishing company. Much of his earlier career was spent in the electrical engineering business, including 7 years with GEC, 4 years as Financial Director of Petbow Holdings and several years as Financial Director of the Hornby Group.

■ **T J Ellis**, Commercial Director was appointed in 1985 as Commercial Director. He joined the Yorkshire Electricity Board in 1958 as a student apprentice and held various posts until joining SEEBOARD's tariffs and economics section in 1967. He was appointed head of the Economic Intelligence Unit in 1969 and in 1972, became a District Commercial Engineer. From 1976 to 1981, he was responsible for energy marketing and tariffs and economics as Assistant Commercial Manager until being appointed Marketing Manager in February 1981.

■ **L Jones OBE**, Operations Director joined SEEBOARD in October 1983 as Chief Engineer. He joined the Midlands Electricity Board as a student apprentice and held a variety of engineering posts until 1965. After 2 years with the East Midlands Electricity Board, he transferred to the Southern Electricity Board in 1967, holding a series of managerial posts culminating in his appointment as Manager of the Portsmouth area in 1977.

■ **T A Boley**, Corporate Strategy Director was appointed to SEEBOARD in September 1988. After 2 years with Metropolitan Vickers, he joined the London Electricity Board as a graduate trainee in 1959. In 1966 he joined the Planning Department of the Central Electricity Generating Board, later moving to the Economics and Forecasting branch of the Electricity Council. He was appointed Corporate Planning Manager in 1978 and in 1985 he became Central Director heading the Corporate Development Department.

■ **S M Wide**, Administration Director and Company Secretary was appointed Secretary of

SEEBOARD in August 1981. He spent 21 years in the gas industry, rising from graduate trainee to Deputy Secretary of the North Thames Gas Board and Deputy Secretary of North Thames Region of the British Gas Corporation. He joined SEEBOARD in 1979 as Deputy Secretary.

■ **R H C Aldred**, Non-executive Director has wide experience with public limited companies and considerable knowledge of retailing. He joined Free range plc in 1961 and became Managing Director in 1971, a post he held until 1988.

■ **R A Cox CBE**, Non-executive Director, made a non-executive member of the South Eastern Electricity Board in 1983, joined the Alliance Building Society as Secretary in 1965 and from 1970 to 1985 he was Chief General Manager. In 1976 he was appointed a Director of what is now the Alliance & Leicester Building Society. He was Chairman of the Building Societies' Association from 1985 to 1987 having been Deputy Chairman from 1980 to 1985.

■ **Sir Ian McLeese**, Non-executive Director made a non-executive member of the South Eastern Electricity Board in August 1983. He was appointed a Justice of the Peace on the Croydon Bench in 1977. A former councillor and deputy mayor of Croydon, Sir Ian has been active on the voluntary side of the Conservative Party. He chaired the Conservative Party Conference in Brighton in 1988.

■ **Sir Keith Stuart**, Non-executive Director is Chairman of Associated British Ports Holdings PLC. He is also Chairman of several of the company's subsidiaries including Associated British Ports, the ports operating group. He is a non-executive director of BAA plc.

■ **J A Walmsley**, Non-executive Director has been Managing Director, Finance and Business Development, of Enterprise Oil plc since 1988. He was previously a partner with Arthur Andersen & Co. He has wide financial experience and has been involved with Enterprise Oil from its flotation, becoming Finance Director in 1984.

He is also a non-executive director with AMI Healthcare Group plc.

All the directors listed were appointed to the Board of the Company on 8 March 1990.

The first directors of the Company were Mark Andrew Higson and David Frederick Haslam who were appointed on incorporation and resigned on 8 March 1990.

None of the Directors was at any time during the financial year, interested in any shares of the Company.

During and as at the end of the financial year, none of the Directors was materially interested in any contract, other than service contracts, which was significant in relation to the business of the Company.

#### FIXED ASSETS

Changes in the fixed assets of the Company during the year are shown in note 9 to the CCA accounts and note C to the HCA accounts.

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

#### CHARITABLE AND POLITICAL DONATIONS

The Company donated £31,973 to charitable organisations. No political contributions were made.

#### DISABLED EMPLOYEES

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled

persons should, as far as possible, be identical with that of other employees.

#### EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company newspaper includes a special section on the annual accounts. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Bonus schemes exist for staff engaged in energy sales and the retail business.

#### AUDITORS

The Directors will place a resolution before the annual general meeting to re-appoint KPMG Peat Marwick McLintock as auditors for the ensuing year. KPMG Peat Marwick McLintock have expressed their willingness to be re-appointed as auditors of the Company.

Registered office:  
Grand Avenue, Hove  
East Sussex BN3 2LS

26 June 1990

By order of the Board

*S. M. Wilde*

S M Wilde MA FBIM

Administration Director and  
Company Secretary



## CONTENTS

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REPORT OF THE AUDITORS TO THE MEMBERS  
OF SEEBORD plc

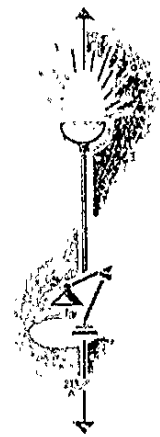
We have audited the accounts on pages 26 to 44 in accordance with Auditing Standards.

In our opinion the accounts on pages 26 to 39, which have been prepared under the current cost accounting principles as described in note 1, give, under those principles, a true and fair view of the state of affairs of the Company at 31 March 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the historical cost accounts on pages 40 to 44 give, under the historical cost convention, a true and fair view of the state of affairs of the Company at 31 March 1990 and of its profit and source and application of funds for the year then ended.

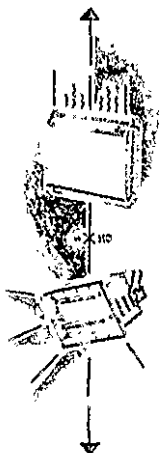
KPMG Peat Marwick McLintock  
Chartered Accountants  
London

26 June 1990



**CURRENT COST PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1990**

	1989/90	1988/89	Note
	£m	£m	
Turnover	982.1	907.9	2
Cost of sales	775.7	717.8	
Gross profit	206.4	190.1	
Distribution costs	29.1	90.9	
Administrative expenses	24.5	72.0	
Current cost operating profit before monetary working capital adjustment	22.8	27.2	3
Monetary working capital adjustment	1.3	2.2	3
Current cost profit on ordinary activities before interest and taxation	21.5	25.0	
Net interest	(8.9)	(1.3)	4
Current cost profit on ordinary activities before taxation	30.4	26.3	5 & 6
Taxation on profit on ordinary activities	15.8	17.9	7
Current cost profit on ordinary activities after taxation	14.6	11.4	
Extraordinary items	4.2	—	8
Retained profit for the year	10.4	11.4	19



## CURRENT COST BALANCE SHEET

31 MARCH 1990

	31 March 1990 £m	31 March 1989 £m	Note
Fixed assets			
Tangible assets	761.9	731.6	9
Investments	0.0	—	10
	<u>761.9</u>	<u>731.6</u>	
Current assets			
Stocks	12.6	14.0	11
Debtors	155.5	155.8	12
Electricity Council Funding Account	—	45.0	
Investments	67.9	—	13
Cash at bank and in hand	3.2	4.4	
	<u>239.2</u>	<u>219.2</u>	
Creditors (amounts falling due within one year)	<u>165.2</u>	<u>143.4</u>	14
Net current assets	<u>74.0</u>	<u>75.8</u>	
Total assets less current liabilities	835.9	807.4	
Creditors (amounts falling due after more than one year)	1.6	3.1	14
Provisions for liabilities and charges	6.5	4.9	16
Net assets	<u>827.8</u>	<u>799.4</u>	
Capital and reserves			
Called up share capital	0.0	—	17
Current cost reserve	701.7	677.6	18
Profit and loss account	126.1	121.8	19
	<u>827.8</u>	<u>799.4</u>	

The accounts on pages 26 to 39 were approved by the Board of Directors on 23 June 1990 and were signed on its behalf by:

G A Squair  
Chairman and Chief Executive

J B Quin  
Finance Director

*G. A. Squair*  
*J. B. Quin*



# CURRENT COST STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 MARCH 1990

	1989/90 £m	1988/89 £m
Source of funds	30.4	29.3
Current cost profit on ordinary activities before taxation	(4.2)	—
Extraordinary items		
Adjustments for items not involving the movement of funds:	43.9	41.9
Depreciation	0.2	0.1
Cost of sales adjustment	1.3	2.2
Monetary working capital adjustment	1.6	(8.9)
Movements in provisions	73.2	64.6
Total funds from operations		
Funds from other sources:	14.0	14.4
Consumers' contributions	0.9	0.6
Proceeds on disposals of fixed assets	88.1	79.6
Total source of funds		
Application of funds	6.1	—
Adjustments arising on capital restructuring	66.5	54.5
Fixed asset expenditure	48.7	—
Taxation paid	(33.2)	25.1
Net sources of funds		
Represented by:		1.5
Working capital increase/(decrease)	(1.4)	(6.3)
Stocks, net of revaluation	(0.3)	(4.5)
Debtors	(53.2)	
Creditors	(1.2)	0.5
Movement in net liquid funds:	67.9	—
Increase/(decrease) in cash balances		
Increase in short term investments	(45.0)	33.9
Increase/(decrease) in Electricity Council Funding Account	(33.2)	25.1



## NOTES TO THE ACCOUNTS 31 MARCH 1990

## 1 ACCOUNTING POLICIES

**Basis of preparation**

The accounts have been prepared using current cost accounting principles and conform with the Companies Act 1985. Provision is made in the accounts for the effects of specific price changes on the resources necessary to maintain the operating capability of the business.

The accounts include the results of South Eastern Electricity Board up to and including 30 March 1990. On 31 March 1990 the property, rights and liabilities of the South Eastern Electricity Board were vested in the Company. In accordance with the Electricity Act 1989 vesting in the Company is taken to have been effected immediately after the end of the financial year ended 31 March 1989.

Comparative amounts relate to South Eastern Electricity Board and have not been adjusted to bring them to 1989/90 price levels.

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

- (i) Depreciation is calculated on the basis of the current cost of tangible fixed assets as distinct from their original historical cost.
- (ii) A cost of sales adjustment (COSA) is made to allow for the impact of price changes on stock consumed in the year.
- (iii) A monetary working capital adjustment (MWCA) is charged against the year's results to represent the amount of additional internally generated finance needed for monetary working capital as a result of changes in the input prices of goods and services used and financed by the Company.

The cost of sales adjustment and the monetary working capital adjustment are calculated principally using standard prices or by applying appropriate indices to historical cost. These indices may be subject to continuing revision as more information becomes available. The component parts of indices are periodically reviewed. A gearing adjustment is not appropriate to industries in public ownership.

**Turnover**

Turnover represents the value of electricity consumed by customers during the year, including an estimate of the sales value of electricity 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.

Credit sales charges are apportioned in the contracting and retailing accounts over the period of the sales agreements.

Turnover includes attributable profit on long term contracts after adjusting for foreseeable losses.

**Recognition of profits on contracts**

Profit is taken on contracts whilst the contract is in progress, having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made for all foreseeable future losses.

**Tangible fixed assets and depreciation**

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

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

The charge for depreciation is calculated to write off assets over their estimated useful lives. No allowance is made for residual values.



## NOTES TO THE ACCOUNTS — 31 MARCH 1990 *continued*

### 1 ACCOUNTING POLICIES *continued*

The lives of each major class of depreciable asset are taken as follows:

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

Freehold land is not depreciated.

Consumers' contributions are credited to the profit and loss account over a 40 year period at a rate of 3% for the first 20 years followed by 2% for the remaining 20 years. Contributions are indexed with the related assets.

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

#### Stocks

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

#### Research and development

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

#### Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision for deferred taxation, using the liability method, is made to the extent that it is probable that the liability or asset will crystallise in the foreseeable future.

#### Pension costs

Contributions to the Electricity Supply Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the 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.

Financing costs in relation to unfunded pension obligations are charged to net interest.

#### Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.



## 2 TURNOVER

Turnover, which is all in respect of sales to United Kingdom customers, is attributable to the following activities:

	1989/90	1988/89
	£m	£m
Electricity	910.1	836.2
Contracting	22.2	21.2
Retailing	54.9	55.9
	<u>987.2</u>	<u>913.3</u>
Less: intra-activity sales	<u>5.1</u>	<u>5.1</u>
	<u>982.1</u>	<u>907.9</u>

## 3 OPERATING PROFIT

	Electricity		Contracting		Retailing		Total	
	1989/90	1988/89	1989/90	1988/89	1989/90	1988/89	1989/90	1988/89
	£m	£m	£m	£m	£m	£m	£m	£m
Operating profit before MWCA	20.6	23.8	1.3	1.5	0.9	1.0	22.8	27.2
MWCA	<u>1.1</u>	<u>1.9</u>	<u>-</u>	<u>0.3</u>	<u>0.2</u>	<u>-</u>	<u>1.3</u>	<u>2.2</u>
Operating profit after MWCA	<u>19.5</u>	<u>21.9</u>	<u>1.3</u>	<u>1.2</u>	<u>0.7</u>	<u>1.0</u>	<u>21.5</u>	<u>25.0</u>

Income and costs are allocated specifically to the activity to which they relate wherever possible; however, because of the integrated nature of the Company's activities it is necessary to apportion or recharge certain costs between activities.

The financial target set by the Government was a return for 1989/90 of 4.75% (1988/89 3.75%), defined as the operating profit before monetary working capital adjustment, expressed as a percentage of average net assets excluding corporation tax liability and current asset investments, valued at current cost. The actual return achieved for the year 1989/90 was 2.88% (1988/89 3.47%).

## 4 NET INTEREST

	1989/90	1988/89
	£m	£m
Interest payable on loans and overdrafts wholly repayable within five years	1.7	1.1
Interest receivable	<u>(10.6)</u>	<u>(5.4)</u>
	<u>(8.9)</u>	<u>(4.3)</u>

## 5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1989/90	1988/89
	£m	£m
Employee costs (Note 6)	85.4	78.9
Depreciation	43.9	41.9
Other operating lease rentals	3.7	3.4
	<u>£000</u>	<u>£000</u>
Auditors' remuneration	<u>60.0</u>	<u>41.0</u>



# NOTES TO THE ACCOUNTS — 31 MARCH 1990 continued

## 6 DIRECTORS AND EMPLOYEES

Total employee costs during the year amounted to

	1989/90	1988/89
	£m	£m
Wages and salaries	83.3	75.8
Social security costs	6.4	5.8
Other pension costs	12.0	14.5
	<u>101.7</u>	<u>96.1</u>
Less: charged as capital expenditure	16.3	14.3
Charged to profit and loss account	<u>85.4</u>	<u>78.9</u>

The average number of employees during the year was:

	1989/90	1988/89
	Number	Number
Managerial and higher executive	42	41
Technical and scientific	612	592
Administrative and sales	2,429	2,475
Industrial	3,157	3,248
Technical trainees and apprentices	103	92
	<u>6,343</u>	<u>6,448</u>

The number of employees (including senior executive management prior to their appointment as Directors of the Company and excluding Directors and Non-Executive Directors of the Company and Members and Non-Executive Members of South Eastern Electricity Board) who received remuneration in the following ranges was:

	1989/90	1988/89
	Number	Number
£30,001 – £35,000	128	42
£35,001 – £40,000	35	18
£40,001 – £45,000	8	6
£45,001 – £50,000	2	—
£50,001 – £55,000	4	—
£65,001 – £70,000	1	—

### Directors' emoluments

Directors' emoluments including those emoluments relating to the Members of South Eastern Electricity Board prior to vesting were:

	1989/90	1988/89
	£000	£000
Fees	28	27
Remuneration as executives	128	102
Pension contributions	19	15
	<u>175</u>	<u>144</u>

The remuneration (excluding pension contributions) of the Chairman, who is also the highest paid Director, was £60,906 (1988/89 £56,624). Other Directors including Members of South Eastern Electricity Board, received remuneration (excluding pension contributions) in the ranges:

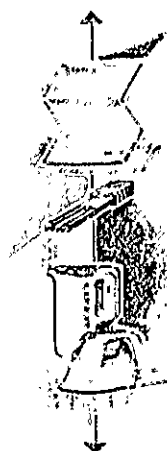
	1989/90	1988/89
	Number	Number
£ 0 – £ 5,000	15	7
£45,001 – £50,000	—	1
£50,001 – £55,000	1	—

# 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989/90 £m	1988/89 £m
Taxable profit for the year:		
UK corporation tax on profit assessed to tax at 35% (1988/89 35%)	17.0	14.8
Adjustment to taxation in respect of prior years profits	(1.2)	3.1
Taxation charged for the year	15.8	17.9

# 8 EXTRAORDINARY ITEMS

	1989/90 £m	1988/89 £m
Privatisation costs	2.7	—
Cost relating to the winding up of the Electricity Council	1.5	—
	4.2	—



NOTES TO THE ACCOUNTS - 31 MARCH 1990 continued

9 TANGIBLE FIXED ASSETS

	Distribution	Land & non operational buildings	Fixtures & fittings	Vehicles & mobile plant	Deduct: Con- sumers' contribu- tions	Total
	£m	£m	£m	£m	£m	£m
<b>Current cost</b>						
At 1 April 1989	1,795.8	145.0	33.9	14.8	(226.2)	1,763.3
Additions	52.4	4.0	6.5	3.6	(14.0)	52.5
Disposals	(9.7)	(0.4)	(0.8)	(1.7)	-	(12.6)
Adjustment arising on revaluation	41.1	13.6	(0.6)	1.3	(3.8)	51.6
<b>At 31 March 1990</b>	<b>1,879.6</b>	<b>162.2</b>	<b>39.0</b>	<b>18.0</b>	<b>(244.0)</b>	<b>1,854.8</b>
<b>Depreciation</b>						
At 1 April 1989	1,065.8	38.2	18.2	7.1	(97.6)	1,031.7
Disposals	(9.7)	(0.3)	(0.8)	(1.2)	-	(12.0)
Charge for the year	41.1	2.0	4.4	2.5	(5.8)	44.2
Adjustment arising on revaluation	26.4	3.6	(0.1)	0.7	(1.6)	29.0
<b>At 31 March 1990</b>	<b>1,123.6</b>	<b>43.5</b>	<b>21.7</b>	<b>9.1</b>	<b>(105.0)</b>	<b>1,052.9</b>
<b>Net book amount at current cost</b>						
At 31 March 1990	756.0	118.7	17.3	8.9	(139.0)	761.9
At 31 March 1989	790.0	106.8	15.7	7.7	(128.6)	791.6

NOTE. The historical cost amounts are set out in Note C to the historical cost accounts.

Non-operational buildings have been revalued by Knight Frank and Rutley, Chartered Surveyors, as at 31 March 1990 on the basis of open market value for existing use. The amounts disclosed by the valuation were not materially different from book value at current cost.

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

	31 March 1990	31 March 1989
	£m	£m
Freehold	114.6	103.3
Long leasehold	0.8	0.6
Short leasehold	3.3	2.9
	<b>118.7</b>	<b>106.8</b>

Included in fixed assets are assets at 31 March 1990 in the course of construction amounting to £15.2m (31 March 1989 £15.5m) and land valued at £29.9m (31 March 1989 £27.5m) which is not depreciated.

10 INVESTMENTS

The company has acquired 20,000 fully paid, £1 shares in Electricity Pension Trustee Ltd.



## 11 STOCKS

	31 March 1990	31 March 1989
	£m	£m
Raw materials and consumables	4.7	5.2
Work in progress	1.6	2.0
Finished goods and goods for resale	6.3	6.8
	<u>12.6</u>	<u>14.0</u>

## 12 DEBTORS

	31 March 1990	31 March 1989
	£m	£m
Amounts falling due within one year:		
Trade debtors	63.1	60.4
Credit sales instalments not yet due	10.0	8.1
Other debtors	5.7	1.8
Prepayments and accrued income	1.5	6.2
Unbilled consumption	71.4	75.0
	<u>151.7</u>	<u>151.5</u>
Amounts falling due after more than one year:		
Credit sales instalments not yet due	3.8	4.3
Total debtors	<u>155.5</u>	<u>155.8</u>

## 13 CURRENT ASSET INVESTMENTS

	31 March 1990	31 March 1989
	£m	£m
Money market investments	67.9	—

## 14 CREDITORS

	31 March 1990	31 March 1989
	£m	£m
Creditors (amounts falling due within one year):		
Payments received on account	2.4	1.7
Amounts owing to Electricity Association	0.3	—
Amounts owing to GEGB and successors	112.3	62.5
Other trade creditors	24.0	18.6
Corporation tax (Note 15)	18.3	51.2
Taxation and social security	2.0	2.8
Other creditors	3.5	4.0
Accruals and deferred income	2.4	2.6
	<u>165.2</u>	<u>143.4</u>
Creditors (amounts falling due after more than one year):		
Other creditors	1.6	3.1



## NOTES TO THE ACCOUNTS — 31 MARCH 1990 continued

## 15 TAXATION

Corporation tax	31 March 1990 £m	31 March 1989 £m
Movements in corporation tax were as follows:		
Balance at 1 April 1989	31.2	32.3
Taxation paid	(65.7)	-
Transferred from profit and loss account	15.6	17.9
Balance at 31 March 1990	11.1	55.2

The balance at 1 April 1989 represented the amount which it was estimated would become payable either as a contribution towards the industry's tax liability or a payment to the CEEB under Section 89 of the Electricity Act 1989. The tax losses of the CEEB for periods up to 31 March 1989 are now expected to be such that no tax will be payable by the industry for those periods. However, the Secretary of State made an Order under Section 89 which required a payment of £48.7 million on 20 March 1990 to the CEEB for the use of tax losses. That amount has been shown as the taxation paid. To the extent not required, the balance of the provision brought forward has been written back to profit and loss account.

## Deferred tax

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

	31 March 1990 £m	31 March 1989 £m
Capital allowances in excess of depreciation	94.7	90.4
Other timing differences	(4.8)	(2.7)
	89.9	87.7

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

## 16 PROVISIONS FOR LIABILITIES AND CHARGES

	Holidays in suspense £m	Other £m	Total £m
Balance at 1 April 1989	1.8	3.1	4.9
Paid in the year	(0.1)	(2.3)	(2.4)
Transferred from profit and loss account	0.2	3.8	4.0
Balance at 31 March 1990	1.9	4.6	6.5



**17 CALLED UP SHARE CAPITAL**

Authorised:

50,000 ordinary shares of £1.00 each

Allotted and fully paid:

2 ordinary shares of £1.00 each

Allotted and partly paid:

49,998 ordinary shares of £1.00 each, 25 pence paid.

The company was incorporated on 1 April 1989. On incorporation two £1 ordinary shares were subscribed for at par. On 8 February 1990 these shares were transferred to nominees of the Secretary of State for Energy and the remaining 49,998 ordinary shares then authorised were issued against payment in cash as to one quarter of their nominal amount.

**18 CURRENT COST RESERVE**

	31 March 1990	31 March 1989
	£m	£m
Balance at 1 April 1989	677.6	636.3
Adjustments in year:		
Revaluation of net fixed assets	22.6	39.0
Cost of sales and stock revaluation	0.2	0.1
Monetary working capital	1.3	2.2
Balance at 31 March 1990	701.7	677.6
Of which: Realised	285.4	257.5
Unrealised	416.3	420.1

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

**19 PROFIT AND LOSS ACCOUNT**

	31 March 1990	31 March 1989
	£m	£m
Balance at 1 April 1989	121.8	110.4
Retained profit for the year	10.4	11.4
Adjustments arising on capital restructuring (Note 23)	(6.1)	-
Balance at 31 March 1990	126.1	121.8

# NOTES TO THE ACCOUNTS -- 31 MARCH 1990 continued

## 20 PENSION COMMITMENTS

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

The formalities for the unitisation of the Scheme were required to enable the Scheme to operate as an industry wide scheme post vesting. The Scheme was unitised with effect from 31 March 1989. The actuarial valuation as at this date included a separate valuation of each section of the Scheme to relate to successor bodies to the Area Boards.

The pension cost to the Company for the year was £12.0m (1988/89 £11.6m). The latest full actuarial valuation of the Company's share of the Scheme was carried out by Bacon and Woodrow, consulting actuaries, as at 31 March 1989 and the results of this valuation have been used as the basis for assessing pension cost. The attained age method was used for the valuation and the principal actuarial assumptions adopted were that the investment return would exceed salary increases by 2% per annum (exclusive of merit awards) and exceed future pension increases by 3.5% per annum.

The valuation showed that the actuarial value of the assets of the Company's section of the Scheme as at 31 March 1989 represented 100% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service completed to date for active members, allowing for future salary rises.

The total market value of the assets of the Scheme at 31 March 1989 was £7,766m of which £345m represented the section of the Scheme which relates to the members and beneficiaries of the Company. Contributions payable by the Company to the Scheme during the year were £12.9m (1988/89 £18.2m) inclusive of £0.5m (1988/89 £8.3m) in respect of ex-gratia pensions.

## 21 LEASE OBLIGATIONS

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

	31 March 1990	31 March 1989
	£m	£m
Within one year	0.2	0.6
In the second to fifth year inclusive	1.2	0.8
	<u>1.4</u>	<u>1.4</u>

The Company has the following annual commitments under operating leases for land and buildings which expire:

	31 March 1990	31 March 1989
	£m	£m
Within one year	-	-
In the second to fifth year inclusive	0.2	0.2
In more than five years	2.2	1.9
	<u>2.4</u>	<u>2.1</u>

## 22 CAPITAL AND OTHER COMMITMENTS

Capital expenditure authorised by the Board of Directors but not provided for at 31 March 1990 amounted to £63.0m (31 March 1989 £34.7m) in respect of which the Board of Directors has entered into contractual commitments of £12.1m (31 March 1989 £8.3m).

## 23 CAPITAL RESTRUCTURING

An amount of £6.1m has been written-off directly to reserves in respect of capital restructuring adjustments associated with the reorganisation of the Industry. The amount comprises contributions towards the premiums payable on early repayment of the Electricity Council's loans (£1.3m), the clearance of the Electricity Council's loan liabilities (£5.8m) offset by a refund of the Electricity Council's Central Guarantee Fund (£1.0m).

## 24 POST BALANCE SHEET EVENTS

### Debt Injection

The Secretary of State for Energy has indicated his intention to convert a proportion of the reserves into debt. The amount and terms have yet to be agreed.

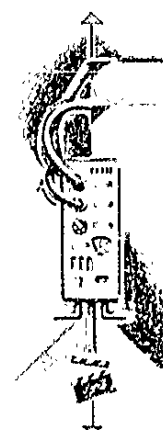
### Acquisition of Shares in the National Grid Holding plc ("NGH")

On 23 May 1990 the Company acquired by way of gift from the Secretary of State for Energy 3,652 ordinary shares of £1 each in NGH, paid up as to one quarter. The issued share capital of NGH is 50,001 shares divided into 50,000 ordinary shares of £1 each and one special rights redeemable preference share of £1.

The National Grid Company plc ("NGC") is 100% owned by NGH. NGH has no other business.

The Secretary of State for Energy has the intention to convert a proportion of the reserves of NGC into debt; the amount and terms have yet to be agreed. In view of this, no valuation can yet be ascribed to the Company's shareholding in NGH.

The financial position of NGC as at 31 March 1990 is described in their accounts (a copy of which may be obtained from the NGC Company Secretary).





**HISTORICAL COST PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 1990**

	1988/89 £m	1987/88 £m	Note
Turnover	982.1	907.9	2
Cost of sales	775.5	717.7	
Gross profit	206.6	190.2	
Distribution costs	73.4	64.6	
Administrative expenses	84.5	72.0	
Operating profit	48.7	53.6	B
Net interest	(8.9)	(4.3)	4
Profit on ordinary activities before taxation	57.6	57.9	6
Tax on profit on ordinary activities	15.8	17.9	7
Profit on ordinary activities after taxation	41.8	40.0	
Extraordinary items	4.2	—	8
Retained profit for the year	37.6	40.0	E



# HISTORICAL COST BALANCE SHEET

31 MARCH 1990

	31 March 1990 £m	31 March 1989 £m	No e
<b>Fixed assets</b>			
Tangible assets	345.6	312.2	C
Investments	0.0	—	10
	<u>345.6</u>	<u>312.2</u>	
<b>Current assets</b>			
Stocks	12.6	14.0	D
Debtors	155.5	155.8	12
Electricity Council Funding Account	—	45.0	
Investments	67.9	—	13
Cash at bank and in hand	3.2	4.4	
	<u>239.2</u>	<u>219.2</u>	
<b>Creditors (amounts falling due within one year)</b>	<u>165.2</u>	<u>143.4</u>	14
<b>Net current assets</b>	<u>74.0</u>	<u>75.8</u>	
<b>Total assets less current liabilities</b>	<u>419.6</u>	<u>388.0</u>	
<b>Creditors (amounts falling due after more than one year)</b>	<u>1.6</u>	<u>3.1</u>	14
<b>Provisions for liabilities and charges</b>	<u>6.5</u>	<u>4.9</u>	16
<b>Net assets</b>	<u>411.5</u>	<u>380.0</u>	
<b>Capital and reserves</b>			
Called up share capital	0.0	—	17
Profit and loss account	411.5	380.0	E
	<u>411.5</u>	<u>380.0</u>	

The accounts on pages 40 to 44 were approved by the Board of Directors on 26 June 1990 and were signed on its behalf by:

G A Squair  
Chairman and Chief Executive

J B Quin  
Finance Director

*G. A. Squair*  
*J. B. Quin*



**HISTORICAL COST STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 MARCH 1990**

	1989/90 £m	1988/89 £m
<b>Source of funds</b>		
Historical cost profit on ordinary activities before taxation	57.6	57.9
Extraordinary items	(4.2)	--
Adjustments for items not involving the movement of funds:		
Depreciation	18.2	15.6
Movements in provisions	1.6	(8.9)
<b>Total funds from operations</b>	<b>73.2</b>	<b>64.6</b>
<b>Funds from other sources:</b>		
Consumers' contributions	14.0	14.4
Proceeds on disposals of fixed assets	0.9	0.6
<b>Total source of funds</b>	<b>88.1</b>	<b>79.6</b>
<b>Application of funds</b>		
Adjustments arising on capital restructuring	6.1	--
Fixed asset expenditure	66.5	54.5
Taxation paid	48.7	--
<b>Net sources of funds</b>	<b>(33.2)</b>	<b>25.1</b>
<b>Represented by:</b>		
Working capital increase/(decrease)		
Stocks	(1.4)	1.5
Debtors	(0.3)	(6.3)
Creditors	(53.2)	(4.5)
<b>Movement in net liquid funds:</b>		
Increase/(decrease) in cash balances	(1.2)	0.5
Increase in short term investments	67.9	--
Increase/(decrease) in Electricity Council Funding Account	(45.0)	33.9
	<b>(33.2)</b>	<b>25.1</b>

## NOTES TO THE HISTORICAL COST ACCOUNTS - 31 MARCH 1990

## A ACCOUNTING POLICIES

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

- (i) The historical cost information does not include a cost of sales adjustment or a monetary working capital adjustment.
- (ii) Tangible fixed assets are stated at cost less amounts provided to write off assets over their useful economic lives which are consistent with those used for the current cost accounts.
- (iii) Stocks are valued at the lower of cost and net realisable value. The valuation of work in progress is based on the cost of labour plus appropriate overheads and the cost of materials. Progress invoices are deducted in arriving at the amounts stated.

## B OPERATING PROFIT

	1989/90	1988/89
	£m	£m
Electricity	46.1	50.0
Contracting	1.5	1.6
Retailing	1.1	2.0
	<u>48.7</u>	<u>53.6</u>

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

	1989/90	1988/89
	£m	£m
Historical cost operating profit	48.7	53.6
Less current cost adjustments:		
Depreciation	25.7	26.3
Cost of sales	0.2	0.1
Monetary working capital	1.3	2.2
Current cost operating profit	<u>21.5</u>	<u>25.0</u>

## C TANGIBLE FIXED ASSETS

	Distribution £m	Land & non operational buildings £m	Fixtures & fittings £m	Vehicles & mobile plant £m	Deduct: Con- sumers' contribu- tions £m	Total £m
Cost						
At 1 April 1989	522.8	46.2	28.6	11.4	(110.4)	498.6
Additions	52.4	4.0	6.5	3.6	(14.0)	52.5
Disposals	(1.7)	—	(0.4)	(1.1)	—	(3.2)
At 31 March 1989	<u>573.5</u>	<u>50.2</u>	<u>34.7</u>	<u>13.9</u>	<u>(124.4)</u>	<u>547.9</u>
Depreciation						
At 1 April 1989	186.3	6.9	13.6	4.6	(25.0)	186.4
Disposals	(1.7)	—	(0.4)	(0.7)	—	(2.8)
Charge for the year	14.3	0.7	4.8	2.1	(3.2)	18.7
At 31 March 1990	<u>198.9</u>	<u>7.6</u>	<u>18.0</u>	<u>6.0</u>	<u>(28.2)</u>	<u>202.3</u>
Net book amount						
At 31 March 1990	<u>374.6</u>	<u>42.6</u>	<u>16.7</u>	<u>7.9</u>	<u>(96.2)</u>	<u>345.6</u>
At 31 March 1989	<u>336.5</u>	<u>39.3</u>	<u>15.0</u>	<u>6.8</u>	<u>(85.4)</u>	<u>312.2</u>



NOTES TO THE HISTORICAL COST ACCOUNTS — 31 MARCH 1990 continued

C TANGIBLE FIXED ASSETS continued

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

	31 March 1990	31 March 1989
	£m	£m
Freehold	40.0	37.7
Long leasehold	0.3	0.1
Short leasehold	1.7	1.5
	<u>42.6</u>	<u>39.3</u>

Included in fixed assets at 31 March 1990 are assets in the course of construction amounting to £15.2m (31 March 1989 £15.5m) and land valued at £6.9m (31 March 1989 £6.9m) which is not depreciated.

D STOCKS

	31 March 1990	31 March 1989
	£m	£m
Raw materials and consumables	4.7	5.2
Work in progress	1.6	2.0
Finished goods and goods for resale	6.3	6.8
	<u>12.6</u>	<u>14.0</u>

E PROFIT AND LOSS ACCOUNT

	31 March 1990	31 March 1989
	£m	£m
Balance at 1 April 1989	380.0	310.0
Adjustments arising on capital restructuring (Note 23)	(6.1)	—
Retained profit for the year	37.6	40.0
Balance at 31 March 1990	<u>411.5</u>	<u>380.0</u>

