

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Report and Accounts

for the year ended 31 December 2001

Registered Number: 3042795

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Registered Office:

Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9BH



SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Report of Directors

The directors of SEEBOARD Energy Gas Limited (*formerly Beacon Gas Limited*) are pleased to present their report and the audited accounts for the year ended 31 December 2001.

The Company changed its name from Beacon Gas Limited to SEEBOARD Energy Gas Limited on 29 November 2001.

Principal Activity

The principal activity of the Company is the supply of gas to domestic customers within the United Kingdom.

Trading Results and Dividends

The Company made a loss on ordinary activities before taxation of £432,000 (2000 loss £627,000).

On 1 January 2002, the shareholder loans payable to SEEBOARD Natural Gas Limited of £21,424,000 were waived. On the same date, SEEBOARD Natural Gas Limited sold its interest in the Company to SEEBOARD Energy Limited, a subsidiary of SEEBOARD plc.

In August 2000, £3,530,000 of the shareholder loan payable to SEEBOARD Natural Gas Limited was waived and credited in full to the profit and loss account. This credit was offset by the write-off of customer set-up costs, previously deferred.

The directors do not propose the payment of a dividend (2000 £nil).

Ultimate Holding Company

CSW UK Holdings is the ultimate UK holding company. The ultimate holding company is American Electric Power Company Inc. ("AEP"), of Columbus, Ohio.

Parent Company Support

CSW International Inc., a subsidiary of AEP, has confirmed that it will continue to provide financial and other support to the extent necessary to enable SEEBOARD Energy Gas Limited to continue to trade and meet its liabilities as and when they fall due.

Share Capital

Details of the authorised and issued share capital of SEEBOARD Energy Gas Limited are set out in note 9 to the accounts on page 10.

Directors

The directors who served during the year, none of whom received any emoluments for their services as directors of SEEBOARD Energy Gas Limited, were as follows:

T J Ellis CBE	(Chairman)
J Weight	
M J Pavia	
H A E Cadoux-Hudson	(appointed 29 November 2001)
P S Hofman	(appointed 29 November 2001)

The directors and their families have no beneficial interests in either the share capital of the Company or any company within the AEP Group of UK companies. The directors are not aware of any contract of significance, other than service contracts with SEEBOARD plc and SEEBOARD Energy Limited, in relation to the Company, in which any director has, or has had, a material interest.

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Report of Directors (continued)

Payment 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;
- 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 daily invoices received by the Company. In accordance with the method of calculation prescribed, the creditor days for the Company for the year ended 31 December 2001 totalled 12 days.

Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each accounting reference period, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements 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 which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors

Deloitte & Touche have expressed their willingness to continue as auditors and a resolution proposing the firm's re-appointment and the determination of fees will be made at the General Meeting before which the accounts are presented.

By order of the Board



M A Nagle
Company Secretary

3 April 2002

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEEBOARD ENERGY GAS LIMITED

We have audited the financial statements of SEEBOARD Energy Gas Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 11. These financial statements have been prepared under the policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

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



Deloitte & Touche
Chartered Accountants
and Registered Auditors

Hill House
1 Little New Street
London EC4A 3TR
3 April 2002

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Profit and Loss Account for the year ended 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover		103,260	80,656
Cost of sales		<u>(94,232)</u>	<u>(70,128)</u>
Gross profit		9,028	10,528
Distribution costs		<u>(7,824)</u>	<u>(9,510)</u>
Administrative expenses		<u>(410)</u>	<u>(440)</u>
Operating profit	1	794	578
Net interest payable	3	<u>(1,226)</u>	<u>(1,205)</u>
Loss on ordinary activities before taxation		<u>(432)</u>	<u>(627)</u>
Tax on loss on ordinary activities	4	259	-
Loss for the financial year	10	<u>(173)</u>	<u>(627)</u>

Recognised gains or losses

There were no recognised gains or losses other than the loss for the financial year (2000 £nil).

Turnover and loss were derived from continuing operations.

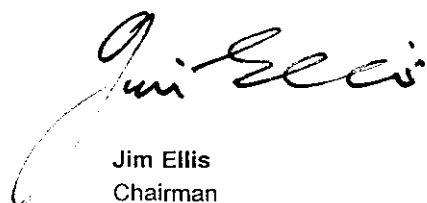
SEEBOARD Energy Gas Limited

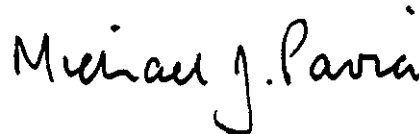
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Balance Sheet as at 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets	5	<u>922</u>	<u>1,418</u>
Current assets			
Debtors falling due within one year		36,282	23,513
Less securitisation of trade debtors		(13,700)	(11,400)
Net debtors falling due within one year	6	22,582	12,113
Cash at bank and in hand		16,887	14,043
		<u>39,469</u>	<u>26,156</u>
Current liabilities			
Creditors (amounts falling due within one year)	7	44,824	31,834
Net current liabilities		<u>(5,355)</u>	<u>(5,678)</u>
Total assets less current liabilities		<u>(4,433)</u>	<u>(4,260)</u>
Creditors (amounts falling due after more than one year)	7	10	10
Net liabilities		<u>(4,443)</u>	<u>(4,270)</u>
Capital and reserves			
Called up share capital	9	6,010	6,010
Profit and loss account	10	(10,453)	(10,280)
Shareholder's funds		<u>(4,443)</u>	<u>(4,270)</u>

The accounts on pages 5 to 10 were approved by the Board of Directors on 3 April 2002 and were signed on its behalf by:


Jim Ellis
Chairman


Michael J Pavia
Director

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards.

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary.

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions and balances on the grounds that it is a wholly-owned subsidiary.

Going concern

These financial statements have been prepared on a going concern basis on the assumption that the Company will continue in operational existence for the foreseeable future. CSW International Inc., a subsidiary of AEP, has confirmed that it will continue to provide financial and other support to the extent necessary to enable the Company to continue to trade and meet its liabilities as and when they become due.

Turnover

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

Cost of sales

Cost of sales includes the purchase cost of gas for actual and estimated units purchased to the year end and all other costs incurred to the point of sale.

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 to write off fixtures, fittings and computer equipment over their estimated useful lives of 4 years.

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

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Notes to the Accounts

1. Operating profit

Operating profit is stated after charging:	2001	2000
	£000	£000
Depreciation	<u>496</u>	<u>685</u>

Auditors' remuneration relating to SEEBOARD Energy Gas Limited of £10,300 (2000 £10,000) was met by SEEBOARD plc.

In August 2000, £3,530,000 of the shareholder loan payable to SEEBOARD Natural Gas Limited was waived and credited in full to the profit and loss account. This credit was offset by the write-off of customer set-up costs, previously deferred in prepayments and deferred expenditure.

2. Directors and employees

a) Directors' emoluments

The directors of the Company did not receive any emoluments in respect of their services to SEEBOARD Energy Gas Limited.

b) Employment costs

The Company had no employees during the year. Employment costs were met by SEEBOARD plc and SEEBOARD Energy Limited and charged to the Company by way of a service charge.

3. Net interest payable

	2001	2000
	£000	£000
Bank interest receivable	<u>1</u>	<u>63</u>
Interest payable:		
On loans from parent company	(1,012)	(1,268)
Bank charges	(215)	-
	<u>(1,227)</u>	<u>(1,268)</u>
Net interest payable	<u>(1,226)</u>	<u>(1,205)</u>

4. Tax on (loss)/profit on ordinary activities

	2001	2000
	£000	£000
Group relief receivable	<u>259</u>	<u>-</u>

At 31 December 2001, the Company had accumulated tax losses of £2,723,000 (2000 £3,799,000), of which £300,000 have been utilised against current taxable profits. Current tax losses for the year of £864,000 have been surrendered by way of group relief to another group company for consideration of £259,000.

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Notes to the Accounts (continued)

5. Tangible fixed assets

	Fixtures & equipment £000
Cost	
At 1 January 2001 and 31 December 2001	<u>3,310</u>
Depreciation	
At 1 January 2001	1,892
Charge for the year	496
As at 31 December 2001	<u>2,388</u>
Net book amount at 31 December 2001	<u>922</u>
Net book amount at 31 December 2000	<u>1,418</u>

6. Debtors

	2001 £000	2000 £000
Amounts falling due within one year:		
Trade debtors	13,700	11,441
Less: securitisation	(13,700)	(11,400)
Net trade debtors	-	41
Amounts owed by group undertaking	20,952	10,683
Other debtors	1,630	1,389
	<u>22,582</u>	<u>12,113</u>

At 31 December 2001, SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited had entered into a securitisation programme involving the sale of billed and unbilled trade debtors to a trust. This programme replaced that entered into by SEEBOARD plc and SEEBOARD Energy Gas Limited in 2000. Interest is charged on trade debtors securitised at a margin above LIBOR and is payable monthly. SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited are not obliged to support any losses suffered by the trust as a result of the securitisation, nor do they intend to do so. At the year end, the current excess of securitisation proceeds over the current billed debt sold to the trust of £7,200,000 (2000 £nil) has been included within creditors falling due within one year.

7. Creditors

	2001 £000	2000 £000
Amounts falling due within one year:		
Trade creditors	15,835	9,983
Securitisation (see note 6)	7,200	-
Amounts owed to parent undertaking	21,414	20,382
Other creditors	95	979
Accruals and deferred income	280	490
	<u>44,824</u>	<u>31,834</u>
Amounts falling due after more than one year:		
Amounts owed to parent undertaking	<u>10</u>	<u>10</u>

SEEBOARD Energy Gas Limited

(formerly Beacon Gas Limited)

Notes to the Accounts (continued)

7. Creditors (continued)

The amount falling due after more than one year is a loan of £10,000 repayable to SEEBOARD Natural Gas Limited. Interest is charged on the loan at a fixed rate of 6% per annum.

On 1 January 2002, the shareholder loans payable to SEEBOARD Natural Gas Limited of £21,424,000 were waived. On the same date, SEEBOARD Natural Gas Limited sold its interest in the Company to SEEBOARD Energy Limited, a subsidiary of SEEBOARD plc.

8. Derivatives and financial instruments

Risk management

The Company's funding, liquidity and exposure to interest rate risks are managed by SEEBOARD plc, a group undertaking. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board of SEEBOARD plc.

Committed facilities

On 14 November 2000, SEEBOARD plc and SEEBOARD Energy Gas Limited entered into a £250m receivables securitisation facility. The facility expires on 14 November 2005. On 1 October 2001, SEEBOARD plc's interest under the facility was transferred to SEEBOARD Energy Limited, following the restructuring under the Utilities Act 2000. On 31 December 2001, £145m of receivables had been securitised under the facility, of which £124.1m relates to SEEBOARD Energy Limited and £20.9m to SEEBOARD Energy Gas Limited. Interest is charged on securitised trade debtors at a margin above LIBOR.

9. Called up share capital

	2001 £000	2000 £000
Authorised, allotted and fully paid:		
6,000,000 ordinary shares at £1 each	6,000	6,000
10,000 6% cumulative non voting preference shares at £1 each	10	10
	<u>6,010</u>	<u>6,010</u>

10. Reconciliation of movements in shareholder's funds

	Share capital £000	Profit and loss account £000	Share- holder's funds £000
Balance at 1 January 2001	6,010	(10,280)	(4,270)
Retained loss for the year	-	(173)	(173)
Balance at 31 December 2001	<u>6,010</u>	<u>(10,453)</u>	<u>(4,443)</u>

11. Ultimate holding company and ultimate controlling company

The ultimate UK holding company at 31 December 2001 is CSW UK Holdings incorporated in Great Britain and registered in England and Wales. The ultimate holding company and ultimate controlling company is American Electric Power Company Inc. and financial statements may be obtained from Investor Services Division, American Electric Power, 1 Riverside Plaza, Columbus, Ohio 43215-2373.