EDF ENERGY

EDF ENERGY NETWORKS (SPN) PLC
(FORMERLY SEEBOARD POWER NETWORKS PLC)

Registered Number 3043097

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

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Directors

Vincent de Rivaz
Paul Cuttill
Humphrey A E Cadoux-Hudson

Company Secretary

Robert I Higson

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2003. The Company changed its name from SEEBOARD Power Networks plc to EDF Energy Networks (SPN) plc on 30 June 2003.

Principal activity and review of the business

The Company's principal activity during the year continued to be the distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal. On 1 October 2003, the Company outsourced its network operation, maintenance and renewal activities to EDF Energy Networks Limited, as part of a group restructure.

Results and dividends

The profit on ordinary activities before taxation was £50.2m (2002: restated profit of £40.3m). Profit for the financial year was £40.0m (2002: restated profit of £28.8m). The Directors do not recommend payment of a dividend (2002: £nil).

Directors and their interests

Directors who held office during the year and subsequently were as follows:

Vincent de Rivaz	
Paul Cuttill	(Appointed 25 June 2003)
Michael Pavia	(Resigned 25 June 2003)
Jim Tame	(Resigned 25 June 2003)
Humphrey A E Cadoux-Hudson	

None of the Directors had a service contract with the Company at the end of the year. They are all employed by the intermediate parent company, EDF Energy plc (formerly London Electricity Group plc), and have service contracts with that company.

There were no contracts of significance during or at the end of the financial year in which a Director of the Company was materially interested.

None of the Directors who held office at the end of the financial year had an interest in the shares of the Company or any other Group company.

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £6,100 (2002: £18,187) and no political contributions.

Creditors payment policy

Following the Company's restructure on 1 October 2003, there are no longer any significant trade creditors. Prior to this the Company's policy concerning the payment of its trade creditors and other suppliers was to:

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;
- ensure that those creditors/suppliers were made aware of the terms of payment by inclusion of the relevant terms in contracts;
- pay in accordance with its contractual and other legal obligations.

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

DIRECTORS' REPORT Continued

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 year ended 31 December 2002 totalled 30 days. No calculation has been made for the year ended 31 December 2003 as there were no significant trade creditors at the year end.

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy plc (formerly London Electricity Group plc) group of companies. This is carried out in a number of ways, including formal and informal briefings, departmental meetings, regular reports in staff newsletters and on the Group intranet.

Equal opportunities

The Company is fully committed to ensuring that all current and potential future employees and customers are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Company provides equal opportunities for employment, training and development, having regard to particular aptitudes and abilities. In the event of employees becoming disabled during employment, where possible, assistance and retraining is given so that they may attain positions compatible with their ability.

Employee safety

The Company has a dedicated Health & Safety department and continues to be committed to the safety of its employees. The Company has maintained safety awareness through regular training programmes for employees, health and safety forums and features in the staff newspaper and has established a safety helpline.

By order of the Board

Robert I Higson
Company Secretary

30 APR 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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; and
- prepare the financial statements on the 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY NETWORKS (SPN) PLC (FORMERLY SEEBOARD POWER NETWORKS PLC)

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY NETWORKS (SPN) PLC (FORMERLY SEEBOARD POWER NETWORKS PLC) Continued

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
30/4/2004

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Turnover	2	**214.0**	215.0
Cost of sales		**(19.5)**	(22.1)
Gross profit		**194.5**	192.9
Distribution costs		**(107.8)**	(113.1)
Administrative expenses		**(4.3)**	(2.4)
Operating profit	3	**82.4**	77.4
Interest receivable	6	**0.4**	0.5
Interest payable	7	**(32.6)**	(37.6)
Profit on ordinary activities before taxation		**50.2**	40.3
Tax on profit on ordinary activities	8	**(10.2)**	(11.5)
Profit retained for the financial year	19	**40.0**	28.8

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Profit for the financial year		**40.0**	28.8
Total recognised gains and losses relating to the year		**40.0**	28.8
Prior year adjustment - change in accounting policy	24	**(83.0)**	
Total recognised gains and losses since last annual report		**(43.0)**	

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

BALANCE SHEET
AT 31 DECEMBER 2003

	Note	2003 £m	Restated 2002 £m
Fixed assets			
Tangible assets	9	**785.9**	729.2
Current assets			
Stocks	10	**-**	5.0
Debtors falling due within one year	11	**45.9**	27.7
Debtors falling due after more than one year	12	**1.1**	3.1
Cash at bank and in hand		**19.6**	1.1
		66.6	36.9
Creditors (amounts falling due within one year)	13	**(107.1)**	(60.8)
Net current liabilities		**(40.5)**	(23.9)
Total assets less current liabilities		**745.4**	705.3
Creditors (amounts falling due after more than one year)	14	**(449.8)**	(454.2)
Provision for liabilities and charges	17	**(170.6)**	(166.1)
Net assets		**125.0**	85.0
Capital and reserves			
Called up share capital	18	**0.1**	0.1
Profit and loss account	19	**124.9**	84.9
Equity shareholders' funds		**125.0**	85.0

Prior year figures have been restated to show the effect of the change in accounting policy (note 24).

The financial statements on pages 7 to 24 were approved by the Board of Directors on 30 APR 2004 and were signed on its behalf by:

Paul Cuttill
Director

Humphrey A E Cadoux Hudson
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

In preparing the financial statements for the current year, the Company has discontinued its policy of discounting deferred tax assets and liabilities. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3. Further details are given in note 24.

The Group is following the transitional arrangements of FRS 17 'Retirement benefits'. The required disclosures are shown in note 21. Full adoption of the standard is required by the year ended 31 December 2005.

Fundamental accounting concepts

The financial statements have been prepared under the going concern concept because EDF Energy plc (formerly London Electricity Group plc), the intermediate parent company, has agreed to continue to support the company financially and not to recall amounts advanced to the company until the claims of all creditors have been met.

Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group which produces publicly available financial statements.

Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of acquisition of each asset evenly over its expected useful life, as follows:

Overhead and underground lines	–	45 to 60 years
Other network plant and buildings	–	20 to 60 years
Fixtures and equipment	–	5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

Customers' contributions towards distribution network assets are credited to the profit and loss account at the same rate as the network is depreciated. The unamortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 1985, which requires fixed assets to be included at their purchase price or production cost and hence the contribution would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the directors that the treatment adopted is necessary to give a true and fair view. The value of the contributions is shown in note 9.

NOTES TO THE FINANCIAL STATEMENTS Continued

1. Accounting policies continued

Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress includes the cost of direct materials and labour plus attributable overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions are made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

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

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.

- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on an undiscounted basis. Previously deferred tax was measured on a discounted basis. Comparative figures have been restated as required (note 24).

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS *Continued*

1. Accounting policies continued

Pensions

The Company participates in both a defined contribution pension scheme and defined benefit pension scheme. Contributions in respect of the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The cost of providing pensions in respect of the defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The pension cost is assessed in accordance with the advice of qualified actuaries.

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom from continuing activities and represents the value of electricity distributed during the year and the invoice value of other goods and services provided. This includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the year end.

3. Operating profit

This is stated after charging:	**2003 £m**	2002 £m
Depreciation of owned assets	**27.0**	26.5
Operating lease on land and buildings	**0.3**	0.3

Auditors' remuneration for the year was £10,000 (2002: £10,000) for audit services and £60,000 (2002: £60,000) for the audit of regulatory returns.

NOTES TO THE FINANCIAL STATEMENTS Continued

4. Directors' emoluments

	2003 £000	2002 £000
Emoluments	**118.7**	281.0
Company contribution paid to defined benefit pension scheme	**11.9**	17.3

	2003 Number	2002 Number
Members of defined benefit pension scheme	**1**	1

	2003 £000	2002 £000
Emoluments payable to the highest paid director were as follows:		
Aggregate emoluments	**118.7**	281.0
Company contribution paid to defined benefit pension scheme	**11.9**	17.3

5. Staff costs

	2003 £m	2002 £m
Wages and salaries	**30.4**	35.2
Social security costs	**2.2**	2.9
Pension costs	**6.3**	6.0
	38.9	44.1
Less: capitalised expenditure	**(17.9)**	(23.9)
	21.0	20.2

Included within the pension cost is a charge of £3.9m (2002: £2.8m) representing the Company's share of additional contributions towards funding the deficit in the various Electricity Supply Pension Schemes to which current and former employees of the Company are members.

The monthly average number of employees during the year was as follows:

	2003 Number	2002 Number
Employees	**1,197**	1,218
	1,197	1,218

On 1 October 2003, the Company outsourced its network operation, maintenance and renewal activities to EDF Energy Networks Limited, as part of a group restructure. The average number of employees disclosed in 2003 represents the average up to this date. From 1 October 2003 the monthly average number of employees was nil.

NOTES TO THE FINANCIAL STATEMENTS Continued

6. Interest receivable

	2003 £m	2002 £m
Other interest receivable	**0.4**	0.5

7. Interest payable

	2003 £m	2002 £m
On loans wholly repayable within five years	**8.5**	8.5
On external loans repayable in whole or in part after five years	**11.1**	-
On long term loans from parent company repaid during the year (2002: repayable in whole or in part after five years)	**13.0**	30.4
	32.6	38.9
Interest capitalised	**-**	(1.3)
	32.6	37.6

NOTES TO THE FINANCIAL STATEMENTS Continued

8. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

UK current tax

	2003 £m	2002 £m
UK corporation tax at 30% (2002: 30%)	**5.2**	0.5
Total current tax charge for the year	**5.2**	0.5

UK deferred tax

	2003 £m	Restated 2002 £m
Origination and reversal of timing differences	**10.0**	11.0
Adjustment in respect of prior year	**(5.0)**	-
Total deferred tax charge for the year	**5.0**	11.0
Tax charge on profit on ordinary activities	**10.2**	11.5

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2003 £m	2002 £m
Profit on ordinary activities before tax	**50.2**	40.3
Tax on profit on ordinary activities at standard UK rate of corporation tax of 30% (2002: 30%)	**15.0**	12.1
Effect of:		
Disallowed expenses and non-taxable income	**0.2**	-
Capital allowances in excess of depreciation	**(10.6)**	(11.6)
Other	**0.6**	-
Current tax charge for the year	**5.2**	0.5

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Tangible fixed assets

(a)	Network	Non-network land & buildings	Fixtures & equipment	Vehicles & mobile plant	Customers' contributions	**Total tangible assets**
	£m	£m	£m	£m	£m	**£m**
Cost						
At 1 January 2003	1,501.6	6.9	45.7	11.8	(388.3)	**1,177.7**
Additions	104.2	-	0.6	0.1	(21.2)	**83.7**
Disposals	-	-	-	(0.2)	-	**(0.2)**
At 31 December 2003	**1,605.8**	**6.9**	**46.3**	**11.7**	**(409.5)**	**1,261.2**
Depreciation						
At 1 January 2003	514.6	0.9	40.7	7.3	(115.0)	**448.5**
Charge for the year	32.4	0.1	1.9	1.5	(8.9)	**27.0**
Disposals	-	-	-	(0.2)	-	**(0.2)**
At 31 December 2003	**547.0**	**1.0**	**42.6**	**8.6**	**(123.9)**	**475.3**
Net book value						
At 31 December 2003	**1,058.8**	**5.9**	**3.7**	**3.1**	**(285.6)**	**785.9**
At 31 December 2002	987.0	6.0	5.0	4.5	(273.3)	729.2

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

	2003	2002
	£m	£m
Freehold - land	**0.3**	0.3
- buildings	**4.0**	4.0
Short leasehold	**1.6**	1.7
	5.9	6.0

(c) Included in fixed assets at 31 December 2003 are assets under development amounting to £30.1m (2002: £25.3m).

(d) Interest capitalised in the year amounted to £nil (2002: £1.3m). At 31 December 2003, the total amount of interest capitalised, since assets were transferred to the Company, was £1.7m (2002: £1.7m).

NOTES TO THE FINANCIAL STATEMENTS Continued

10. Stocks

	2003 £m	2002 £m
Raw materials and consumables	-	3.9
Work in progress	-	1.1
	-	5.0

11. Debtors falling due within one year

	2003 £m	2002 £m
Trade debtors	14.4	3.9
Amounts owed by group undertakings	25.7	16.3
Credit sale instalments not yet due	3.4	2.6
Deferred expenditure	-	1.3
Other debtors	-	0.2
Prepayments and accrued income	2.4	3.4
	45.9	27.7

12. Debtors falling due after more than one year

	2003 £m	2002 £m
Credit sale instalments not yet due	1.1	3.1

13. Creditors: amounts falling due within one year

	2003 £m	Restated 2002 £m
Payments received on account	-	17.3
Trade creditors	0.1	3.1
Amounts owed to group undertakings	75.0	5.3
Corporation tax	10.2	5.0
Other taxation and social security	-	2.6
Other creditors	1.8	8.0
Accruals and deferred income	20.0	19.5
	107.1	60.8

NOTES TO THE FINANCIAL STATEMENTS Continued

14. Creditors: amounts falling due after one year

	2003 £m	2002 £m
Borrowings (note 15)	**445.8**	99.8
Amounts owed to parent undertakings (note 15)	**-**	350.0
Other creditors	**4.0**	4.4
	449.8	454.2

15. Borrowings

	2003 £m	Restated 2002 £m
Amounts falling due after more than one year		
£100m 8.5% Bonds due October 2005	**99.8**	99.8
£50m 3.053% Index Linked Bonds due June 2023	**49.7**	-
£300m 5.5% Bonds due June 2026	**296.3**	-
Loan due to parent company	**-**	350.0
	445.8	449.8

16. Derivatives and financial instruments

Risk Management

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

As permitted by FRS 13 'Derivatives and other financial instruments: disclosures', short-term debtors and creditors have been excluded from the disclosures.

(a) Interest rate and currency risk

All of the Company's long term debt has been issued at fixed rates of interest with the exception of the floating rate bond described below. Exposure to short term interest rate movements is limited to short-term investments and borrowings resulting from working capital surpluses and deficits. The Company does not have any direct material exposure to foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS Continued

16. Derivatives and financial instruments continued

(b) Interest rate profile

The Company has no financial assets other than cleared sterling cash deposits of £23.5m (2002: £nil), which are part of the financing arrangements of the Company.

The interest rate profile of the Company's financial liabilities was as follows: -

		Borrowings		Fixed Rate Borrowings	
	Total	**Floating rate**	**Fixed rate**	**Weighted average interest rate**	**Weighted average fixed period**
	£m	**£m**	**£m**	**%**	**Years**
As at 31 December 2003	**445.8**	**49.7**	**396.1**	**6.25**	**17.8**
As at 31 December 2002	449.8	-	449.8	8.67	18.3

The interest rate on floating rate financial liabilities (bond 2023: £49.7m) is based on 3.053% index linked to the Retail Price Index over the period of the borrowing. Long term debtors and other long term creditors were predominantly non-interest bearing.

(c) Fair value

Fair value of the bonds at 31 December 2003:

	Carrying amount	**Fair value**	Carrying amount	Fair value
	2003	**2003**	2002	2002
Amounts payable:	**£m**	**£m**	£m	£m
In one to two years	**99.8**	**106.1**	-	-
In two to five years	**-**	**-**	99.8	110.2
In more than five years	**346.0**	**356.0**	-	-
	445.8	**462.1**	99.8	110.2

The fair values of financial instruments represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cashflows at prevailing interest rates at the year end.

During the year inter-group loans of £350m were repaid. These are not shown in the schedule above as fair value is equal to book value. Additional loans with a nominal value of £350m were drawn from third parties. The fair value of long term debtors and other long term creditors is considered to be the same as book value.

(d) Eurobond

On 3 October 1995, EDF Energy (South East) plc (formerly SEEBOARD plc) received £99.2m from the issue of £100m sterling bonds repayable on 3 October 2005. Interest, charged at 8.5%, is payable annually in arrears on 3 October in each year. Following the restructuring under the Utilities Act 2000, the £100m sterling bonds were transferred to EDF Energy Networks (SPN) plc (formerly SEEBOARD Power Networks plc) on 1 October 2001. The obligations under the bonds are guaranteed by EDF Energy (South East) plc (formerly SEEBOARD plc).

NOTES TO THE FINANCIAL STATEMENTS Continued

17. Provisions for liabilities and charges

The movements in provisions during the current year are as follows:

	At 1 January 2003 *(restated)* £m	Adjustment to *prior year* £m	Released in *the year* £m	Arising during *the year* £m	**At 31 December *2003* £m**
Deferred tax	165.6	(5.0)	-	10.0	**170.6**
Restructuring costs	0.2	-	(0.2)	-	**-**
Other	0.3	-	(0.3)	-	**-**
	166.1	(5.0)	(0.5)	10.0	**170.6**

The movements in deferred taxation during the current year are as follows:

	2003 £m
At 1 January 2003	**82.6**
Prior year adjustment (note 24)	**83.0**
At 1 January 2003 (restated)	**165.6**
Charge for the year (note 8)	**5.0**
At 31 December 2003	**170.6**

Deferred tax is now measured on an undiscounted basis. Previously deferred tax was measured on a discounted basis. Comparative figures have been restated as required (note 24).

Deferred taxation provided in the financial statements is as follows:

	2003 £m	Restated 2002 £m
Accelerated capital allowances	**171.2**	165.6
Other timing differences	**(0.6)**	-
	170.6	165.6

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Share capital

Authorised:

	2003 £000	2002 £000
50,000 ordinary shares of £1.00 each	**50**	50

Allotted, called up and fully paid

	2003 Number	2002 Number	2003 £000	2002 £000
Ordinary shares of £1.00 each	**50,000**	50,000	**50**	50

19. Reconciliation of shareholders' funds and movement on reserves

	Share capital £m	Profit and loss account £m	Total shareholders' funds £m
At 1 January 2002	0.1	129.0	**129.1**
Prior year adjustment	-	(72.9)	**(72.9)**
At 1 January 2002 (restated)	0.1	56.1	**56.2**
Profit retained for the financial year (restated)	-	28.8	**28.8**
At 31 December 2002 (restated)	0.1	84.9	**85.0**
Profit retained for the financial year	-	40.0	**40.0**
At 31 December 2003	0.1	124.9	**125.0**

20. Commitments and contingent liabilities

Capital investment in respect of which the Company has entered into contractual commitments but which was not provided for as at 31 December 2003 amounted to £nil (2002: £4.2m).

Under Part II A of the Environmental Protection Act 1990, retroactive liability may be imposed on landowners for the clean up of land identified by local authorities as contaminated. Land can be identified as contaminated if significant harm is being caused, pollution of controlled waters is occurring and there is a significant possibility of controlled waters being contaminated. If Company sites are contaminated, clean up costs may be incurred in the future. However, it is not currently possible to calculate a reliable estimate of clean up costs. Full provision has been made, however, where a problem has been identified and quantifiable liability established.

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension commitments

The Company participates in the following group-wide pension schemes.

Electricity Supply Pension Scheme

The principal pension scheme available to employees of the Company is the SEEBOARD Group segment of the Electricity Supply Pension Scheme (ESPS), a defined benefit scheme. The ESPS which operates throughout the Electricity Supply Industry, provides pension and other related benefits based on final pensionable pay of employees. The assets of the scheme are held in a separate trustee-administered fund. The SEEBOARD Group segment of the Scheme was closed to new employees in 1995.

It is not possible to identify the Company's share of the underlying assets and liabilities in the Group scheme. Accordingly, the Company accounts for the scheme as if it were a defined contribution scheme i.e. the Company pays contributions to the scheme at a fixed contribution rate, defined by Group, which is charged directly to the profit and loss account.

The most recent formal actuarial valuation of the SEEBOARD Group segment of the ESPS was carried out as at 31 March 2001 by Hewitt Bacon & Woodrow, consulting actuaries. This valuation was updated by Hewitt Bacon & Woodrow to 31 December 2003. The results of these valuations have been used as the basis for assessing pension costs for the year.

Details of the principal assumptions used to calculate the assets and liabilities of the SEEBOARD Group segment of the ESPS under FRS 17 are set out below, while the results of the valuation are included in the financial statements of EDF Energy plc. The total market value of the assets of SEEBOARD Group's segment of the ESPS at 31 December 2003 was £684m (2002: £620m) and the present value of the scheme liabilities was £802m (2002: £736m).

The principal financial assumptions used to calculate ESPS liabilities under FRS 17 were:

	31 December 2003 % p.a.	31 December 2002 % p.a.
Inflation assumption	**2.8**	2.3
Rate of increase in salaries	**3.8**	3.3
Rate of increase of pensions in payment and deferred pensions	**2.8**	2.3
Rate used to discount plan liabilities	**5.4**	5.5
Expected rate of return on equities	**8.5**	8.0
Expected rate of return on bonds	**4.8**	4.5

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

NOTES TO THE FINANCIAL STATEMENTS Continued

21. Pension commitments continued

SEEBOARD Final Salary Pension Plan and SEEBOARD Pension Investment Plan

Since 1 July 1995, new employees of the Company have been offered membership of either of the SEEBOARD Final Salary Pension Plan (FSPP) or the SEEBOARD Pension Investment Plan (PIP).

FSPP is a final salary pension scheme and PIP is a money purchase pension scheme. The assets of both schemes are held in separate trustee-administered funds.

The EDF Energy Group is closing its non-ESPS pension arrangements, i.e. the London Electricity 1994 Retirement Plan, the SEEBOARD Final Salary Pension Plan, the SEEBOARD Pension Investment Plan, and the 24seven Group Personal Pension Plan with effect from 29 February 2004. A new scheme, the EDF Energy Pension Scheme, a final salary arrangement, will replace these for future service from 1 March 2004. It is anticipated that a special contribution of around £2 million will be made to the EDF Energy Pension Scheme at inception, the regular ongoing employer's contribution has been assessed as 10% of pensionable pay. This contribution rate will be reviewed as a result of future actuarial valuations.

Pension costs arising from all the pension schemes, charged to the profit and loss account for the year, amounted to £6.3m (2002: £6.0m).

22. Lease obligations

At 31 December 2003 the Company had annual commitments under non-cancellable operating leases as set out below:

	Equipment and vehicles 2003 £m	**Non-network land & buildings 2003 £m**	Equipment and vehicles 2002 £m	Non-network land & buildings 2002 £m
Operating leases which expire:				
Within one year	-	-	-	0.5
In two to five years	-	**0.1**	0.1	-
Over five years	-	**0.5**	-	-
	-	**0.6**	0.1	0.5

23. Related parties

In accordance with FRS 8 'Related party disclosures', the Company is exempt from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS Continued

24. Prior year adjustment

Deferred tax

The Directors have decided to discontinue the policy of discounting deferred tax assets and liabilities in order to reduce the difference in the Company's accounting policies with those of the Company's ultimate parent company, EDF, which prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS, the discounting of deferred tax assets and liabilities is not permitted. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3.

The effect on the Company profit and loss account for the years ended 31 December 2003 and 31 December 2002 is shown below.

	2003	2002
	£m	£m
Increase in tax charge as a result of accounting policy change	**12.8**	10.1
Total net profit decrease	**12.8**	*10.1*
As previously reported		38.9
As restated		28.8

The effect on the Company balance sheet at 31 December 2003 and 31 December 2002 is shown below.

	2003			2002		
	Under previous policy	**Accounting policy change**	**Per accounts**	As previously reported	Accounting policy change	Per accounts (Restated)
	£m	**£m**	**£m**	£m	£m	£m
Provisions for liabilities and charges	**(74.8)**	**(95.8)**	**(170.6)**	(83.1)	(83.0)	(166.1)
Movement in equity shareholders' funds	-	**95.8**	-	-	83.0	-

NOTES TO THE FINANCIAL STATEMENTS Continued

25. Parent undertaking and controlling party

EDF Energy (South East) plc (formerly SEEBOARD plc) holds a 100% interest in EDF Energy Networks (SPN) plc (formerly SEEBOARD Power Networks plc) and is considered to be the immediate parent company. EDF Energy plc is the smallest group for which consolidated financial statements are prepared.

At 31 December 2003, 'Electricité de France' (EDF), a French state owned company is regarded by the Directors as the Company's ultimate parent company. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

26. Regulatory accounts

Until the regulatory year ended 31 March 2001, EDF Energy (South East) plc (formerly SEEBOARD plc) was required to produce regulatory accounts each year in accordance with the conditions of its Public Electricity Supply Licence. On 1 October 2001, under the Utilities Act 2000, EDF Energy Networks (SPN) plc (formerly SEEBOARD Power Networks plc) was granted a Distribution Licence under which it is required to produce regulatory accounts. The regulatory accounts, which cover a twelve month period ended 31 March of each year, are available free of charge by contacting the finance department at Atlantic House, Henson Road, Three Bridges, Crawley, West Sussex, RH10 1QQ or by telephoning 01293 509100.