EDF Energy (South East) plc
(Formerly known as SEEBOARD plc)

Report and Accounts

for the year ended 31 December 2002

Registered Number: 2366867

Contents

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Victoria
London
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The directors of EDF Energy (South East) plc (formerly known as SEEBOARD plc) are pleased to present their report and the audited accounts for the year ended 31 December 2002.

Principal group activities

The principal activities of the Company and its subsidiary undertakings ("the Group") are the distribution and supply of electricity to domestic, commercial and industrial customers, gas supply and electrical contracting. Details of the principal subsidiaries and joint ventures are given in note 23 to the accounts.

The name of the Company changed from SEEBOARD plc to EDF Energy (South East) plc on 30 June 2003.

Results and dividends

The profit on ordinary activities before taxation was £39.2m (2001 £118.2m). The profit for the financial year was £35.4m (2001 £90.0m). EDF Energy (South East) plc (formerly known as SEEBOARD plc) incurred exceptional charges before tax of £46.6m in the year (2001 £nil) as explained in note 3.

During the year, the Company paid dividends of £30.0m (2001 £59.9m) to its immediate holding company, SEEBOARD Group plc. The directors do not propose to pay a final dividend (2001 £nil).

Ultimate holding company

On 29 July 2002 American Electric Power Company Inc. sold its interest in the Group to EDF.

At 31 December 2002, the ultimate UK holding company for which consolidated accounts are available was EDF Energy plc (previously known as London Electricity Group plc) and the ultimate holding company was Electricité de France, a French state owned company.

Future developments

EDF announced a restructuring programme following its acquisition of the EDF Energy (South East) plc (formerly known as SEEBOARD plc) Group. The cost of restructuring to the EDF Energy (South East) plc (formerly known as SEEBOARD plc) Group, if any, has not been established and accordingly no provision has been made in the accounts at 31 December 2002.

Share capital

Details of the authorised and issued share capital of the Company are set out in note 17 to the accounts.

Board of directors

Michael Pavia and Humphrey Cadoux-Hudson served throughout the year. Vincent de Rivaz was appointed chairman on 29 July 2002, on which date Jim Ellis and John Weight resigned.

Directors' interests in shares

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

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF UK group. This is carried out in a number of ways, including formal and informal briefings, an intranet site, departmental meetings and regular reports in a staff newspaper and newsletters on current activities and progress.

Employee safety

The Group continues to be committed to the safety of its employees. The Group has maintained safety awareness through regular training programmes for employees, health and safety forums and features in the staff newspaper and has also established a safety helpline.

Equal opportunities

The Group is fully committed to ensuring that all current and potential future employees and customers of the Group are treated fairly and equally, regardless of their gender, marital status, disability, race, colour, nationality or ethnic origin. The Group 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.

Donations

The Group made charitable donations of £288,000 during the year (2001 £147,000). There were no contributions to political organisations.

Payments to suppliers

It is the Group'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 Group'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. At 31 December 2002, the Company was a holding company and did not have trade creditors. However, in accordance with the method of calculation prescribed, the creditor days for the Group for the year ended 31 December 2002 totalled 36 days (2001 36 days).

Statement of 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 Group and of the profit or loss of the Group 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 financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group and to prevent and detect fraud and other irregularities.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

Robert I Higson
Company Secretary

28 July 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC (FORMERLY KNOWN AS SEEBOARD PLC)

We have audited the financial statements of EDF Energy (South East) plc (formerly known as SEEBOARD plc) for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 24. These financial statements have been prepared under 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 United Kingdom legal and regulatory requirements and auditing standards and the Listing Rules of the Financial Services Authority.

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 and other members of the Group 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
28 July 2003

EDF Energy (South East) plc (formerly known as SEEBOARD plc)
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Note	Before exceptional items 2002 £m	Exceptional items *(see note 3)* 2002 £m	**Total 2002 £m**	Restated 2001 £m
Turnover *(excluding share of joint venture £4.8m (2001 £4.3m))*	*1*	933.0	(20.0)	**913.0**	1,006.1
Cost of sales		(594.7)	-	**(594.7)**	(660.7)
Gross profit		338.3	(20.0)	**318.3**	345.4
Net operating costs and administrative expenses	*2, 3*	(249.0)	(26.6)	**(275.6)**	(219.1)
Operating profit/(loss)		89.3	(46.6)	**42.7**	126.3
Share of operating profit of joint ventures	*4*			**1.9**	2.0
Total operating profit				**44.6**	128.3
Profit on sale of fixed assets				**8.0**	0.4
Income from other fixed asset investments	*4*			**0.3**	0.6
Profit on ordinary activities before interest				**52.9**	129.3
Net interest payable	*5*			**(13.7)**	(11.1)
Profit on ordinary activities before taxation				**39.2**	118.2
Tax on profit on ordinary activities	*7*			**(2.8)**	(27.3)
Profit on ordinary activities after taxation				**36.4**	90.9
Minority interests				**(1.0)**	(0.9)
Profit for the financial year				**35.4**	90.0
Dividends				**(30.0)**	(59.9)
Retained profit	*18*			**5.4**	30.1

Turnover and profit were derived from continuing operations within the United Kingdom. The consolidated profit and loss account for the year ended 31 December 2001 has been restated for the adoption of FRS 19 *(see note 19)*.

GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2002

	2002 £m	Restated 2001 £m
Profit for the financial year		
Group	**35.2**	89.8
Share of joint ventures	**0.2**	0.2
Profit for the financial year	**35.4**	90.0
Goodwill transferred to profit and loss account on disposal of Southern Gas business	-	5.0
Total recognised gains and losses for the year	**35.4**	95.0
Prior year adjustment in respect of adoption of FRS19 *(see note 19)*	**(81.4)**	
Total recognised gains and losses since the last annual report	**(46.0)**	

		Group		Company	
			Restated		Restated
		2002	2001	**2002**	2001
	Note	**£m**	£m	**£m**	£m
Fixed assets					
Tangible assets	*8*	**787.7**	753.2	**42.5**	48.6
Investments in joint ventures					
Share of gross assets		**79.2**	66.0		
Share of gross liabilities		**(78.6)**	(65.6)		
	9	**0.6**	0.4	**-**	-
Other investments	*9*	**0.1**	0.1	**13.7**	14.3
		788.4	753.7	**56.2**	62.9
Current assets					
Stocks	*10*	**12.6**	12.5	**-**	-
Debtors falling due within one year		**184.1**	225.6	**47.1**	43.0
Less: securitisation of trade debtors		**(90.4)**	(95.6)	**-**	-
Net debtors falling due within one year	*11*	**93.7**	130.0	**47.1**	43.0
Debtors falling due after more than one year	*11*	**2.8**	38.5	**352.0**	379.3
Investments	*12*	**13.8**	16.2	**0.4**	0.4
Cash at bank and in hand		**63.6**	63.7	**-**	-
		186.5	260.9	**399.5**	422.7
Creditors (amounts falling due within one year)	*13*	**318.1**	356.2	**60.1**	62.0
Net current (liabilities)/assets		**(131.6)**	(95.3)	**339.4**	360.7
Total assets less current liabilities		**656.8**	658.4	**395.6**	423.6
Creditors (amounts falling due after more than one year)	*13*	**104.3**	103.8	**150.0**	150.0
Provision for liabilities and charges	*15*	**80.2**	88.7	**3.8**	4.6
Equity minority interests		**3.7**	2.7	**-**	-
Net assets		**468.6**	463.2	**241.8**	269.0
Capital and reserves					
Called up share capital	*17*	**125.3**	125.3	**125.3**	125.3
Share premium account	*18*	**7.8**	7.8	**7.8**	7.8
Capital redemption reserve	*18*	**6.8**	6.8	**6.8**	6.8
Profit and loss account	*18*	**328.7**	323.3	**101.9**	129.1
Equity shareholder's funds		**468.6**	463.2	**241.8**	269.0

The accounts on pages 5 to 33 were approved by the Board of Directors on 28 July 2003 and were signed on its behalf by:

Vincent de Rivaz
Chairman

Humphrey Cadoux-Hudson
Director

Basis of preparation

The accounts have been prepared under the historical cost convention on a going concern basis in accordance with the Companies Act 1985 ("Act") and applicable United Kingdom accounting standards, except for the treatment of customers' contributions and group reorganisations. An explanation of these departures from the Act is given below under "Tangible fixed assets and depreciation" and "Merger accounting".

In preparing the financial statements for the current year, the Group has adopted "FRS 19 - Deferred Tax". The impact of the adoption of FRS 19 is shown in note 19. Except for the implementation of FRS 19, the accounting policies of the Group remain unchanged from last year and have been consistently applied. The accounts contain the transitional disclosures required by "FRS 17 – Retirement Benefits".

No profit and loss account is presented for the Company as provided by Section 230 of the Companies Act 1985. The company retained a loss of £27.2m in the year (2001 £8.1m profit for the year).

In accordance with "FRS 1 – Cash Flow Statements (Revised)", a cash flow statement has not been presented for the Group as EDF Energy (South East) plc (formerly known as SEEBOARD plc) is a wholly owned subsidiary of SEEBOARD Group plc which prepares a consolidated cash flow statement.

In accordance with "FRS 8 – Related Party Disclosures" the Company is exempt from disclosing transactions and balances with related parties as the parent company EDF Energy plc prepares consolidated accounts which are publicly available.

Going concern

The accounts have been prepared on a going concern basis on the assumption that the Company will continue in operational existence for the foreseeable future.

Consolidation

The accounts consolidate the financial statements of EDF Energy (South East) plc (formerly known as SEEBOARD plc) ("the Company"), its subsidiary undertakings and its share of the results of joint ventures and associated undertakings ("the Group"). The results of subsidiaries are included in the consolidated profit and loss account under the acquisition method from the date control passes.

For acquisitions made before the adoption of "FRS 10 - Goodwill and Intangible Assets", goodwill arising on consolidation, being the excess of the fair value of purchase consideration of subsidiaries and associates over the fair value of the net assets acquired, was written off against reserves.

An associated undertaking is one in which the Group has a long term interest and over which it exercises a significant but not dominant influence. A joint venture is one in which the Group has a long term interest and is jointly controlled by one or more other entities under a contractual arrangement. Where an accounting policy of a joint venture or an associated undertaking differs significantly from that of the Group, appropriate adjustments are made on consolidation.

Merger accounting

On 1 January 2002, SEEBOARD Energy Limited, a wholly owned subsidiary of the Company, acquired 100% of the share capital of SEEBOARD Energy Gas Limited from SEEBOARD Natural Gas Limited, as part of a Group reconstruction.

The transfer, which was for consideration of £6.0m, did not satisfy all the conditions for the use of merger accounting specified by Schedule 4A of the Companies Act 1985 and "FRS 6 – Acquisitions and Mergers". However, the reconstruction has been accounted for as a merger rather than an acquisition in order to give a true and fair view, since the shareholding of SEEBOARD Group plc, the ultimate parent company, remained unchanged following the transfer and no minority was involved. In these circumstances, it would be inappropriate to account for the transfer as an acquisition, which requires fair values to be attributed to assets and liabilities and the difference between fair values and purchase consideration treated as goodwill on consolidation. Accordingly, having regard to the overriding requirement under Section 227(6) of the Companies Act 1985 for the accounts to show a true and fair view, merger accounting principles were adopted in accounting for the reconstruction. The effect of adopting merger accounting is detailed below.

As a result of the adoption of merger accounting, prior year comparative figures have been restated where appropriate. In 2001 SEEBOARD Energy Gas Limited generated losses of £20.2m and had profit and loss reserve deficit of £10.5m. In 2002 the respective values were profits of £16.4m and net assets of £13.1m.

The principal components of the profit and loss accounts of EDF Energy (South East) plc (formerly known as SEEBOARD plc) and SEEBOARD Energy Gas Limited for the prior year are shown below:

	EDF Energy (South East) plc group	**SEEBOARD Energy Gas Limited company**
	2001 £m	2001 £m
Turnover *(excluding share of joint ventures – see below)*	**902.9**	**103.3**
Operating profit	**127.5**	**0.8**
Profit/(loss) on ordinary activities before taxation	**118.6**	**(0.4)**
Tax on profit/(loss) on ordinary activities		
2001 (charge)/credit as stated in the prior year financial statements	(44.7)	0.2
Prior year adjustment in respect of FRS19 (see note 19)	16.0	1.2
Restated 2001 tax (charge)/credit	**(28.7)**	**1.4**

EDF Energy (South East) plc's turnover above excludes share of turnover in joint ventures of £4.3m. Turnover for both companies related to continued operations.

Turnover

Turnover represents the value of electricity and gas sales, and electricity distributed 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.

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

Cost of sales, net operating costs and administrative expenses

Cost of sales includes the purchase cost of electricity and gas, for actual and estimated units purchased to the year end, use of system charges and all other costs incurred to the point of sale. Other costs are analysed between net operating costs and administrative expenses. Net operating costs, referred to by the Companies Act 1985 as distribution costs, include all other costs with the exception of finance and administrative expenses.

Project 1998

Amounts expended on developing computer systems in the Distribution business to enable the opening to competition of the domestic and small business electricity market in Great Britain have been included in debtors as deferred expenditure. The expenditure is being charged to the profit and loss account over its useful life *(see note 11)*.

Leases

Rental costs under operating leases are charged to the profit and loss account systematically over the period of the lease.

Fixed asset investments

Investments in subsidiary and associated undertakings and joint ventures are stated in the balance sheet of the parent company at cost, or nominal value of shares issued as consideration, less provision for any impairment in value.

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 assets over their estimated useful lives. Freehold land is not depreciated. The lives of each major class of asset are:

Overhead and underground lines	45 to 60 years
Other network plant and buildings	4 to 60 years
Fixtures, equipment and vehicles	3 to 10 years

On the acquisition of the Group by EDF on 29 July 2002, a decision was made to replace computer equipment predominantly making up the Customer Information System, during the next financial year *(see note 3)*.

Tangible fixed assets and depreciation continued

Customers' contributions are applied to reduce network plant and are therefore 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 8.

Stocks

Work in progress, which includes electrical and contracting work in the course of completion, and stocks are stated at the lower of cost and net realisable value.

Long term contracts

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

Derivatives and financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate and electricity price movements. The Group does not hold derivative financial instruments for speculative purposes.

Interest rate swap agreements, used to manage the Group's interest charge, are carried at cost. Interest receipts and payments are accrued to match the net income or cost with the related finance expenses. No amounts are recognised in respect of future periods. Gains or losses on early termination of interest rate swaps or repayment of borrowings are taken to the profit and loss account.

Payments and receipts under electricity derivative financial instruments are recognised in the profit and loss account in the period to which they relate.

Pension costs

Contributions to the Group pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. 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.

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 exception:

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

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

Previously deferred tax was provided for in respect of timing differences to the extent that it was probable that a *liability would crystallise in the foreseeable future. Comparative figures have been restated as required (see note 19).*

1 Turnover, profit and net assets by business

Turnover, profit before taxation and net assets of continuing operations are set out below:

	Turnover		Profit before taxation		Net assets/ (liabilities)	
				Restated		Restated
	2002	2001	**2002**	2001	**2002**	2001
	£m	£m	**£m**	£m	**£m**	£m
Distribution	**215.0**	213.7	**77.4**	88.0	**616.6**	573.6
Supply	**711.7**	792.1	**3.7**	29.4	**19.1**	47.6
Contracting	**56.0**	56.7	**1.9**	2.6	**8.5**	12.2
SEEBOARD Powerlink	**52.7**	48.9	**5.0**	4.8	**(32.8)**	(32.6)
Other activities	**5.6**	11.0	**1.3**	6.5	**53.9**	63.2
Goodwill *(see note 18)*	-	-	-	(5.0)	-	-
Inter-activity sales	**(108.0)**	(116.3)	-	-	-	-
	933.0	1,006.1	**89.3**	126.3	**665.3**	664.0
Exceptional items *(see note 3)*	**(20.0)**	-	**(46.6)**	-	-	-
Profit on sale of fixed assets	-	-	**8.0**	0.4	-	-
Fixed asset investments *(see note 4)*						
Operating profit			**1.9**	2.0		
Net interest			**(1.4)**	(1.6)		
Other			**0.3**	0.6		
Total fixed asset investments	-	-	**0.8**	1.0	**0.7**	0.5
Other net interest	-	-	**(12.3)**	(9.5)	-	-
Securitisation	-	-	-	-	**(175.0)**	(145.0)
Net debt	-	-	-	-	**(22.4)**	(56.3)
	913.0	1,006.1	**39.2**	118.2	**468.6**	463.2

2 Net operating costs and administrative expenses

			Restated
		2002	2001
		£m	£m
Net operating costs	- goodwill charge *(see note 18)*	-	5.0
	- depreciation	**59.7**	38.9
	- exceptional waiver of intercompany loans *(see note 3)*	**7.5**	-
	- other	**179.4**	146.9
		246.6	190.8
Administrative expenses		**29.0**	28.3
		275.6	219.1

The increase in depreciation charged to the profit and loss account in the year reflects an exceptional charge of £19.1m for assets making up the Customer Information System *(see note 3)*. Other operating costs for the year include additional marketing spend of £7.8m and a charge for deferred expenditure of £10.9m (2001 £3.1m).

2 Net operating costs and administrative expenses continued

Net operating costs and administrative expenses include:

	2002 **£m**	2001 £m
Operating lease rentals:		
- equipment and vehicles	**9.3**	8.9
- land and buildings	**1.5**	1.2
Remuneration of auditor and its associates:		
- for audit work (Group)	**0.3**	0.3
- for non-audit work	**0.1**	0.1

3 Exceptional items

	2002 **£m**	2001 £m
Depreciation of Customer Information System	**19.1**	-
Reduction in unbilled electricity revenue	**20.0**	-
Waiver of intercompany loans on Group restructuring	**7.5**	-
	46.6	-

An exceptional depreciation charge of £19.1m was incurred predominantly for assets making up the Customer Information System, which is to be replaced during the next financial year, as part of the integration of the Group with the EDF UK group. Unbilled electricity revenue was reduced during the year by £20.0m to recognise a change in management's estimate of the value of unbilled revenue.

On 1 January 2002, SEEBOARD Natural Gas Limited sold its interest in SEEBOARD Energy Gas Limited to SEEBOARD Energy Limited, a subsidiary of EDF Energy (South East) plc (formerly known as SEEBOARD plc). On the same date, the shareholder loans of £21.4m payable by SEEBOARD Energy Gas Limited to SEEBOARD Natural Gas Limited and £28.9m payable by SEEBOARD Natural Gas Limited to EDF Energy (South East) plc (formerly known as SEEBOARD plc) were waived.

The exceptional charge of £46.6m (after tax £32.6m) had no impact on minority interests.

4 Income from fixed asset investments

	Operating profit 2002 £m	**Net interest 2002 £m**	**Net income 2002 £m**	Operating profit 2001 £m	Net interest 2001 £m	Net income 2001 £m
Share of results of joint venture						
Power Asset Development Company (50%)	**1.9**	**(1.4)**	**0.5**	2.0	(1.6)	0.4
Income from other fixed asset investments						
Dividends received from:						
- National Grid Group			-			0.1
- ESN Holdings			**0.3**			0.2
- Other			-			0.3
			0.3			0.6
Total income from fixed asset investments			**0.8**			1.0

5 Net interest payable

	2002 £m	Restated 2001 £m
Group		
Interest payable		
On bank loans and overdrafts	**(1.1)**	(1.6)
On inter-company loans	**(0.4)**	-
On other loans wholly repayable within five years	**(14.6)**	(13.7)
	(16.1)	(15.3)
Interest receivable	**3.8**	5.8
	(12.3)	(9.5)
Joint ventures		
Interest payable		
On long term loans repayable in whole or in part after five years	**(1.7)**	(2.1)
Interest receivable	**0.3**	0.5
	(1.4)	(1.6)
Total	**(13.7)**	(11.1)

6 Directors and employees

(a) Emoluments of directors of the Company

The emoluments of the directors of the Company comprised:

	2002 £000	2001 £000
Emoluments (including bonuses)	**1,525**	983
Company pension contributions	**59**	-
Payments related to early termination of service contracts (including pension fund deficiency payment)	**1,893**	-
	3,477	983

Vincent de Rivaz has a service contract with EDF and received emoluments for his services to EDF Energy plc, a parent company.

Three of the directors were members of the Electricity Supply Pension Scheme, a defined benefit scheme. No director exercised share options during the year (2001 two).

During the year, the Group paid £1,454,000 to purchase annuities for former directors, who had left the Group in earlier years (2001 £nil), for full settlement of their unfunded pensions liabilities.

6 Directors and employees continued

Emoluments payable to the highest paid director, were as follows:

	2002 £000	2001 £000
Emoluments (including bonuses)	**535**	387
Company pension contributions	**19**	-
Payments related to early termination of service contract (including pension fund deficiency payment)	**1,859**	-
	2,413	387

The highest paid director had an accumulated accrued annual pension at the year end of £167,000 (2001 £153,000).

(b) Employment costs

The aggregate remuneration of all employees comprised:

	2002 £m	2001 £m
Wages and salaries	**96.4**	90.3
Social security costs	**8.5**	7.9
Pension costs	**14.1**	6.0
	119.0	104.2
Less: charged as capital expenditure	**(23.9)**	(20.4)
Charged to profit and loss account	**95.1**	83.8

(c) Average number of employees in the Group during the year were:

	2002 Number	2001 Number
Distribution and Supply	**2,977**	2,751
Other businesses	**1,007**	1,054
	3,984	3,805

7 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2002 £m	Restated 2001 £m
Current tax		
UK corporation tax at 30% (2001 30%)	**1.2**	14.9
Group relief	**4.7**	21.3
Tax on share of profits of joint ventures	**0.3**	0.2
Adjustment in respect of prior years	**(0.6)**	8.0
Total current tax charge for the year	**5.6**	44.4
Deferred tax		
Origination and reversal of timing differences	7.7	(9.3)
Increase in discount	**(10.5)**	(7.8)
Total deferred tax credit for the year	**(2.8)**	(17.1)
Tax on profit on ordinary activities	**2.8**	27.3

(b) Factors affecting tax charge for the year

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

	2002 £m	Restated 2001 £m
Tax on profit on ordinary activities at standard UK rate of corporation tax of 30% (2001 30%)	**11.8**	35.5
Effect of:		
Adjustment to prior year tax charge	**(0.6)**	8.0
Disallowed expenses	**0.4**	0.3
Capital allowances in excess of depreciation	**(5.4)**	-
Other timing differences	**1.7**	-
Profit on sale of fixed assets	**(0.9)**	(0.1)
Utilisation of tax losses	**(1.0)**	-
Utilisation of consortium relief	**(0.4)**	(0.8)
Goodwill charge	-	1.5
Total current tax charge for the year	**5.6**	44.4

8 Tangible fixed assets

(a) Group

	Network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Customer contributions £m	Total tangible assets £m
Cost						
At 1 January 2002 restated	1,389.3	63.2	137.2	14.6	(362.8)	1,241.5
Additions	113.4	0.7	6.3	2.8	(25.5)	97.7
Disposals	(1.1)	(4.9)	(0.1)	(1.8)	-	(7.9)
At 31 December 2002	**1,501.6**	**59.0**	**143.4**	**15.6**	**(388.3)**	**1,331.3**
Depreciation						
At 1 January 2002 restated	484.1	14.1	87.7	8.8	(106.4)	488.3
Disposals	(1.1)	(1.7)	(0.1)	(1.5)	-	(4.4)
Charge for the year	31.6	1.1	33.6	2.0	(8.6)	59.7
At 31 December 2002	**514.6**	**13.5**	**121.2**	**9.3**	**(115.0)**	**543.6**
Net book amount						
At 31 December 2002	**987.0**	**45.5**	**22.2**	**6.3**	**(273.3)**	**787.7**
At 31 December 2001 restated	905.2	49.1	49.5	5.8	(256.4)	753.2

(b) Company

	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total tangible assets £m
Cost				
At 1 January 2002	53.9	24.3	0.3	78.5
Additions	0.3	0.2	-	0.5
Transfers from other group companies	0.8	-	-	0.8
Disposals	(5.1)	-	(0.2)	(5.3)
At 31 December 2002	**49.9**	**24.5**	**0.1**	**74.5**
Depreciation				
At 1 January 2002	12.6	17.2	0.1	29.9
Disposals	(1.7)	-	(0.1)	(1.8)
Transfers from other group companies	0.1	-	-	0.1
Charge for the year	0.8	3.0	-	3.8
At 31 December 2002	**11.8**	**20.2**	**-**	**32.0**
Net book amount				
At 31 December 2002	**38.1**	**4.3**	**0.1**	**42.5**
At 31 December 2001	41.3	7.1	0.2	48.6

8 Tangible fixed assets continued

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

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Freehold - land	**7.5**	9.0	**6.4**	8.1
- buildings	**36.2**	38.6	**31.5**	33.1
	43.7	47.6	**37.9**	41.2
Short leasehold	**1.8**	1.5	**0.2**	0.1
	45.5	49.1	**38.1**	41.3

Non-network land is not depreciated.

(d) Included in group fixed assets at 31 December 2002 are assets under development amounting to £25.3m (2001 £25.6m).

9 Fixed asset investments

Group	PADCO	Other undertakings	Total Group
	£m	£m	£m
At 1 January 2002	0.4	0.1	0.5
Share of profit after tax	0.2	-	0.2
At 31 December 2002	**0.6**	**0.1**	**0.7**

Company	Shares in subsidiary undertakings	Other undertakings	Total Company
	£m	£m	£m
At 1 January 2002	14.2	0.1	14.3
Group restructure *(see note 23)*	(0.6)	-	(0.6)
At 31 December 2002	**13.6**	**0.1**	**13.7**

Under the Utilities Act 2000, EDF Energy (South East) plc (formerly known as SEEBOARD plc) transferred its two regulated businesses of electricity supply and distribution into separate companies, SEEBOARD Energy Limited and EDF Energy Networks (SPN) plc (formerly known as SEEBOARD Power Networks plc) respectively. The Utilities Act enabled the transfer of retained earnings from EDF Energy (South East) plc (formerly known as SEEBOARD plc) to the separate companies in addition to assets and liabilities, in exchange for shares and inter-company debt. The transfer, which took place on 1 October 2001, was completed in consultation with, and approved by, the Department of Trade and Industry.

9 **Fixed asset investments** continued

The Group has made loans to Power Asset Development Company Limited ("PADCO"), a 50% joint venture, totalling £2.0m at 31 December 2002 (2001 £1.7m). Interest of £0.8m (2001 £0.5m) was due to the Group at the year end. SEEBOARD Powerlink Limited has entered into a 30 year contract with PADCO for the design, construction and maintenance of certain assets in respect of its contract with London Underground. During the year, £9.3m was charged to the profit and loss account for the operating lease rental of network assets (2001 £8.7m).
The group's share of management's best estimate of PADCO's balance sheet as at 31 December 2002 was follows:

	2002	2001
	£m	£m
Fixed assets	**68.1**	53.8
Current assets	**11.1**	12.2
Creditors due within one year	**(15.6)**	(10.0)
Creditors due after more than one year	**(63.0)**	(55.6)

A schedule of the Company's principal subsidiaries and joint ventures is given in note 23.

10 Stocks

	Group	
	2002	2001
	£m	£m
Raw materials and consumables	**5.1**	4.5
Work in progress	**7.5**	8.0
	12.6	12.5

11 Debtors

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Trade debtors	**134.1**	175.0	**0.3**	1.1
Less: securitisation	**(90.4)**	(95.6)	-	-
Net trade debtors	**43.7**	79.4	**0.3**	1.1
Amounts owed by parent undertakings	**12.9**	9.6	**16.8**	9.6
Amounts owed by group undertakings	**1.9**	6.1	**23.1**	26.9
Amounts owed by joint ventures	**0.1**	0.1	-	-
Credit sale instalments not yet due	**5.7**	6.9	-	-
Deferred expenditure	**1.3**	3.2	-	-
Other debtors	**16.1**	13.4	-	-
Prepayments and accrued income	**12.0**	11.3	**6.9**	5.4
	93.7	130.0	**47.1**	43.0
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	27.3	**352.0**	379.3
Amounts owed by joint ventures	**2.8**	2.2	-	-
Deferred expenditure	-	9.0	-	-
	2.8	38.5	**352.0**	379.3

SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited have entered into a securitisation programme involving the sale of billed and unbilled trade debtors to a trust. 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 £84.6m (2001 £49.4m) has been included within creditors falling due within one year.

During the year, deferred expenditure relating to Project 1998 computer systems of £10.9m (2002 £3.1m) was charged to the profit and loss account.

12 Current asset investments

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Short term deposits	**10.4**	13.3	-	-
Other investments	**3.4**	2.9	**0.4**	0.4
	13.8	16.2	**0.4**	0.4

Current asset investments do not include any investments listed on the London Stock Exchange (2001 £0.1m). The market value of the listed investments at 31 December 2001 and 2002 was not materially different from their cost.

13 Creditors

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Bank loans and overdrafts	**-**	36.5	**34.6**	23.1
Payments received on account	**67.1**	49.8	**0.9**	0.7
Securitisation *(see note 11)*	**84.6**	49.4	**-**	-
Trade creditors	**98.6**	109.3	**2.2**	3.1
Amounts owed to parent undertakings	**3.2**	3.4	**3.2**	3.4
Amounts owed to group undertakings	**6.5**	27.4	**7.6**	5.1
Corporation tax	**5.4**	19.1	**2.0**	15.1
Other taxation and social security	**3.3**	3.5	**0.2**	0.2
Other creditors	**19.7**	16.6	**5.2**	0.8
Accruals and deferred income	**29.7**	41.2	**4.2**	10.5
	318.1	356.2	**60.1**	62.0
Amounts falling due after more than one year:				
Bonds *(see note 16ii)*	**99.8**	99.7	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**150.0**	150.0
Other creditors	**4.5**	4.1	**-**	-
	104.3	103.8	**150.0**	150.0

14 Deferred tax

Deferred tax assets and liabilities computed at a rate of 30% (2001 30%) were as follows:

	Group		Company	
		Restated		Restated
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Accelerated capital allowances	**168.1**	160.6	**7.6**	5.6
Short-term timing differences	**(4.0)**	(4.2)	**(1.6)**	(1.1)
Undiscounted provision for deferred tax	**164.1**	156.4	**6.0**	4.5
Discount	**(85.1)**	(74.6)	**(2.8)**	(2.2)
Discounted provision for deferred tax (*see note 15*)	**79.0**	81.8	**3.2**	2.3

15 Provisions for liabilities and charges

	Restructuring £m	Deferred tax £m	Other £m	Total £m
Group				
At 1 January 2002	0.6	0.4	6.3	7.3
Prior year adjustment	-	81.4	-	81.4
At 1 January 2002 restated	0.6	81.8	6.3	88.7
Utilised during the year	(0.4)	-	(1.1)	(1.5)
Released during the year	-	(2.8)	(4.2)	(7.0)
At 31 December 2002	**0.2**	**79.0**	**1.0**	**80.2**

	Deferred tax £m	Other £m	Total £m
Company			
At 1 January 2002	0.4	2.3	2.7
Prior year adjustment	1.9	-	1.9
At 1 January 2002 restated	2.3	2.3	4.6
Utilised during the year	-	(1.0)	(1.0)
Provided/(released) during the year	0.9	(0.7)	0.2
At 31 December 2002	**3.2**	**0.6**	**3.8**

Following the implementation of FRS19, provision is required for all deferred tax liabilities. A deferred tax liability arises where the accounting treatment of costs and revenues differs in respect of their treatment for tax. This usually gives rise to a timing difference which reverses over time.

The majority of timing differences for the Group arise from the different treatment of capital expenditure and associated depreciation for the statutory accounts, compared to the tax allowances given to derive taxable profits. The long life nature of the Group's assets and the profile of capital expenditure is such that as timing differences reverse, they are likely to be replaced with new timing differences. Accordingly, it is unlikely that the deferred tax liability will crystallise in the foreseeable future. However, FRS19 requires the liability to be recognised in the accounts, discounted to reflect when the originating timing differences will reverse. The change in accounting policy has resulted in the restatement of prior year figures (*see note 19*).

Other provisions of £1.0m mainly relate to long-term obligations to employees.

16 Derivatives and financial instruments

The Group uses derivative financial instruments to manage exposure to movements in interest rates and electricity purchase prices.

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

Prior to 29 July 2002, the former ultimate UK parent company, CSW UK Holdings, targeted a 75:25 ratio of fixed to floating rate borrowings for the CSW UK Holdings group in order to reduce exposure to movements in short term interest rates. The ratio at the EDF Energy (South East) plc level at 31 December 2002 was 36:64 (2001 35:65).

Interest rates are fixed by borrowing under fixed rate debt instruments and by entering into interest rate swaps. The Group does not have any direct material exposure to foreign currencies.

(b) Interest rate profile

The interest rate profile of the Group's total borrowings, including the securitisation of trade receivables, was as follows:

	Group	
	2002	2001
	£m	£m
Borrowings		
Fixed rate debt	**99.8**	99.7
Floating rate: - debt	**-**	36.5
- securitisation	**175.0**	145.0
	274.8	281.2
Fixed rate borrowings		
	%	%
Weighted average interest rate	**8.5**	8.5
	Years	Years
Weighted average period for which rate is fixed	**2.8**	3.8

The floating rate borrowings mainly comprise bank loans and the receivables securitisation facility which pay interest at the rate of LIBOR plus a margin.

(c) Electricity purchase risk

New Electricity Trading Arrangements ("NETA") were introduced on 27 March 2001. Under NETA, the Group manages its exposure to changes in the price of electricity by entering into physical delivery contracts with generators directly and through Power Exchanges.

16 Derivatives and financial instruments continued

(d) Maturity of borrowings

Unsecured loans outstanding at the year end were repayable as follows:

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Repayable within one year	-	36.5	**34.6**	23.1
Repayable within two to five years:				
8.5% bonds due 2005	**99.8**	99.7	-	-
Intercompany debt	-	-	**150.0**	150.0
	99.8	136.2	**184.6**	173.1

(i) Committed facilities

On 21 November 2001, the CSW Investments group entered into a £320m Multicurrency Revolving Credit Facility with a syndicate of banks under which CSW Investments, EDF Energy (South East) plc (formerly known as SEEBOARD plc), EDF Energy Networks (SPN) plc (formerly known as SEEBOARD Power Networks plc) and SEEBOARD Energy Limited are borrowers. The facility was fully repaid and withdrawn on 29 July 2002 following the acquisition of the CSW Investments group by EDF.

SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited have entered into a £250m receivables securitisation facility. The facility expires on 14 November 2005. On 31 December 2002, £175m of receivables had been securitised under the facility (2001 £145m).

(ii) Eurobonds

On 3 October 1995, EDF Energy (South East) plc (formerly known as 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 known as SEEBOARD Power Networks plc) on 1 October 2001. The obligations under the bonds are guaranteed by EDF Energy (South East) plc (formerly known as SEEBOARD plc).

(e) Fair values

Set out below is a comparison by category of the net book amounts and fair values of the Group's financial assets and liabilities.

Primary financial instruments	**Net book amount 2002**	**Fair value 2002**	Net book amount 2001	Fair value 2001
	£m	**£m**	£m	£m
Short term borrowings	-	-	(36.5)	(36.5)
Long term borrowings	**(99.8)**	**(110.2)**	(99.7)	(108.2)
Short term investments	**13.8**	**13.8**	16.2	16.2
	(86.0)	**(96.4)**	(120.0)	(128.5)

16 Derivatives and financial instruments continued

All fair values have been calculated by discounting cash flows at prevailing market interest rates. Short term investments are held for a period of approximately three months.

The fair values of forward energy purchase contracts have not been included as these contracts are settled by physical delivery and are therefore outside the scope of "FRS 13 – Derivatives and Other Financial Instruments: Disclosures".

17 Called up share capital

Authorised:	Number	£m
Ordinary shares of 50p each at 1 January 2002 and 31 December 2002	**400,000,000**	**200.0**
Allotted and fully paid:		
At 1 January 2002 and 31 December 2002	**250,493,703**	**125.3**

18 Reconciliation of movements in shareholder's funds

	Share capital £m	Share premium capital £m	Capital redemption reserve £m	Group profit and loss account £m	Group share-holder's funds £m	Company profit and loss account £m
At 1 January 2002	125.3	7.8	6.8	415.2	555.1	131.0
Merger accounting *(see accounting policies)*	-	-	-	(10.5)	(10.5)	-
Prior year adjustments *(see note 19)*	-	-	-	(81.4)	(81.4)	(1.9)
At 1 January 2002 restated	125.3	7.8	6.8	323.3	463.2	129.1
Retained profit/(loss) for the year	-	-	-	5.4	5.4	(27.2)
At 31 December 2002	**125.3**	**7.8**	**6.8**	**328.7**	**468.6**	**101.9**

In 2001, £5.0m of goodwill, previously written off to reserves, was taken back to the profit and loss account, on the disposal of the Southern Gas business *(see note 1)*.

19 Prior year adjustments

The adoption of "FRS 19 - Deferred Tax" has resulted in a change in the method of accounting for deferred tax, from a partial to a full provision basis. This change in accounting policy has resulted in the restatement of prior year figures. The effect on the Group profit and loss account is shown below.

	2002	2001
	£m	£m
Impact of FRS 19		
Tax credit on profit on ordinary activities	**2.8**	17.2
Total increase in profit for the financial year	**2.8**	17.2

The effect on the Group balance sheet is shown below.

	2002	2001
	£m	£m
Impact of FRS 19		
Provision for liabilities and charges	**(78.6)**	(81.4)
Total decrease in net assets	**(78.6)**	(81.4)

20 Pension costs

(a) SEEBOARD pension schemes

The Electricity Supply Pension Scheme ("ESPS"), which operates throughout the Electricity Supply Industry, provides pension and other related benefits based on final pensionable pay. The assets of the Scheme are held in a separate trustee administered fund and a full actuarial valuation of the Scheme is carried out on a triennial basis.

This Scheme has not been offered to new employees joining the Group on or after 1 July 1995. Under the projected unit method the current service cost would be expected to increase as the members of this Scheme approach retirement. As from 1 July 1995 two new pension plans were made available to new permanent employees, the SEEBOARD Final Salary Pension Plan and the SEEBOARD Pension Investment Plan. The first of these schemes is a final salary pension scheme and the second is a money purchase scheme. Assets for both schemes are held in separate trustee administered funds.

The majority of employees of SEEBOARD Powerlink Limited are members of the LRT Pension Fund, a final salary scheme, established under trust. The fund's trustee is the LRT Pension Fund Trustee Company Limited, a wholly owned subsidiary of London Transport. SEEBOARD Powerlink Limited pays contributions in respect of members of the LRT Pension Fund at a capped rate over the life of the contract with London Underground and is not affected by valuation deficits. Accordingly, the scheme has been accounted for on a defined contribution basis and contributions charged directly to the profit and loss account.

20 Pension costs continued

(b) SSAP 24 – Accounting for pension costs

The Group has continued to account for pension costs in accordance with "Statement of Standard Accounting Practice 24 – Accounting for Pension Costs". The latest full actuarial valuation of the Group's section of the ESPS was carried out by Hewitt Bacon & Woodrow, consulting actuaries, as at 31 March 2001. This valuation was updated by Hewitt Bacon & Woodrow to 29 July 2002, the date of the Group's acquisition by EDF. The results of these valuations have been used as the basis for assessing pension costs for the year. This does not take into account any impact of the fall in general stock market values since 29 July 2002. Such impact will be reflected in the next SSAP 24 triennial valuation as at 31 March 2004 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

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

	31 March 2001
	%
Post retirement discount rate	5.3
Pre retirement discount rate	6.3
Inflation rate	2.3
Increase to pensions	2.5
Increase to deferred benefits	2.5
Salary increases	3.8

The actuarial report showed that a smoothed market value of the assets of the Group's section of the ESPS as at 31 March 2001 represented 107.4% 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 section of the ESPS which relates to the Group was £791m.

The Scheme holds a large proportion of its assets in equities and the surplus at 31 March 2001 has been impacted by the fall in equity markets and declining long-term interest rates. At 31 December 2002 a deficit in the Scheme of £115.7m has been calculated under the assumptions governed by FRS 17 *(see note 20c)*.

Pension costs arising from all of the Group's pension schemes, charged to the profit and loss account for the year, amounted to £14.1m (2001 £6.0m). Contributions payable by the Group to the schemes during the year totalled £9.1m (2001 £7.1m).

20 Pension costs continued

(c) FRS 17 – Retirement benefits – transitional disclosures

The accounts for the year ended 31 December 2002 continue to include a pension charge calculated under the principles of SSAP 24. Transitional arrangements for the adoption of FRS 17 require the disclosures set out below. The Accounting Standards Board has deferred the date for full adoption of FRS 17 to the year ended 31 December 2005.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation of the Group's section of the ESPS at 31 March 2001 and updated by Hewitt Bacon & Woodrow to assess the liabilities of the Scheme at 31 December 2002. Scheme assets are stated at their market value as at 31 December 2002. The other pension schemes have been treated as defined contribution schemes for FRS 17 disclosure purposes.

The principal financial assumptions used to calculate ESPS liabilities under FRS 17 are set out below.

	2002	2001
	%	%
Discount rate	**5.5**	5.9
Inflation rate	**2.3**	2.5
Increase to pensions	**2.3**	2.6
Increase to deferred benefits	**2.3**	2.6
Salary increases	**3.3**	4.0

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.

The assets and liabilities in the Group's section of the ESPS and the expected rate of return are set out below.

	Long term rate of expected return		**Market value**	
	2002	2001	**2002**	2001
	%	%	**£m**	£m
Equities	**8.0**	7.5	**372.8**	472.1
Gilts	**4.5**	5.0	**193.0**	188.7
Cash	**4.0**	3.5	**4.6**	17.8
Property	**6.5**	6.0	**49.6**	42.6
Total market value of scheme assets			**620.0**	721.2
Present value of scheme liabilities			**(735.7)**	(719.7)
(Deficit)/surplus in the scheme			**(115.7)**	1.5
Related deferred tax asset/(liability)			**34.7**	(0.4)
Net pension (liability)/asset			**(81.0)**	1.1

20 Pension costs continued

Movement in surplus during the year	**2002**
	£m
Surplus in the scheme at 1 January	**1.5**
Amounts that would have been charged to operating profit under FRS17	
Current service cost	**(6.7)**
Curtailment loss	**(1.9)**
Total operating charge	**(8.6)**
Amounts that would have been included as other finance income under FRS17	
Expected return on pension scheme assets	**47.0**
Interest on pension liabilities	**(41.6)**
Net return	**5.4**
Net charge to profit and loss account	**(3.2)**
Contributions	**6.7**
Amounts that would have been recognised in the statement of total recognised gains and losses ("STRGL") under FRS17	
Actual return less expected return on pension scheme assets	**(117.9)**
Experience gain on pension scheme liabilities	**3.4**
Changes in financial assumptions underlying pension scheme liabilities	**(6.2)**
Actuarial loss recognised in STRGL	**(120.7)**
Deficit in the scheme at 31 December	**(115.7)**

Analysis of reserves that would have arisen if FRS17 had been fully implemented:		Restated
	2002	2001
	£m	£m
Reserves		
Profit and loss account excluding FRS 17 adjustment *(see note 18)*	**328.7**	323.3
Net pension (liability)/asset	**(81.0)**	1.1
Profit and loss account including FRS 17 adjustment	**247.7**	324.4

Under the transitional arrangements for FRS 17, the pension (liability)/asset disclosed above is not reflected in the balance sheets in the accounts.

20 Pension costs continued

History of experience gains and losses

	2002
Difference between actual and expected return on scheme assets	
Amount £m	**(117.9)**
Percentage of scheme assets %	**19.0**
Experience gains on scheme liabilities	
Amount £m	**3.4**
Percentage of present value of scheme liabilities %	**0.5**
Total actuarial loss	
Amount £m	**(120.7)**
Percentage of present values of scheme liabilities %	**16.4**

21 Lease obligations

The following annual obligations under non-cancellable operating leases for equipment and vehicles expire:

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Within one year	**0.1**	0.1	-	-
In the second to fifth year inclusive	**0.1**	0.1	-	-
In more than five years	**14.7**	11.3	-	-
	14.9	11.5	-	-

The following annual obligations under non-cancellable operating leases for non-network land and buildings expire:

	Group		Company	
	2002	2001	**2002**	2001
	£m	£m	**£m**	£m
Within one year	**0.2**	0.1	**0.2**	0.1
In the second to fifth year inclusive	**0.3**	0.3	**0.3**	0.3
In more than five years	**1.1**	1.1	**1.1**	1.1
	1.6	1.5	**1.6**	1.5

22 Capital and contingent liabilities

Capital investment in respect of which the Group has entered into contractual commitments but which was not provided for as at 31 December 2002 amounted to £4.3m (2001 £6.6m). The Group has entered into performance bonds in the ordinary course of business.

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

Following the acquisition of the Company on 29 July 2002, the EDF UK group, announced a restructuring programme. The cost of restructuring to the EDF Energy (South East) plc Group, if any, has not been established and accordingly no provision has been made in the accounts at 31 December 2002.

23 Subsidiary undertakings and joint ventures

The principal undertakings at 31 December 2002, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

Principal subsidiary undertakings	Percentage of ordinary shares held	Principal activity
EDF Energy Networks (SPN) plc (formerly known as SEEBOARD Power Networks plc)	100%	Electricity distribution
SEEBOARD Energy Limited	100%	Energy supply
SEEBOARD Energy Gas Limited*	100%	Gas supply
SEEBOARD Contracting Services Limited*	100%	Electrical contracting
SEEBOARD Powerlink Limited*	80%	Asset management
EDF Energy (South Eastern Services) Limited (formerly known as South Eastern Services Limited)*	100%	Property management
SEEBOARD Insurance Company Limited (Isle of Man)	100%	Insurance
Longfield Insurance Company Limited (Isle of Man)	100%	Insurance
EDF Energy (Asset Management) Limited (formerly known as SEEBOARD Asset Management Limited)	100%	Investment company
SEEBOARD Trading Limited*	100%	Investment company
EDF Energy (Powerlink Holdings) Limited (formerly known as SEEBOARD Powerlink Holdings Limited)*	100%	Investment company
EDF Energy (Projects) Limited (formerly known as SEEBOARD Projects Limited)*	100%	Investment company
EDF Energy (Metro Holdings) Limited (formerly known as SEEBOARD Metro Holdings Limited)	100%	Investment company
Joint ventures		
Power Asset Development Company Limited*	50%	Asset management

* indirect holdings

23 Subsidiary undertakings and joint ventures continued

During the year, the Company transferred SEEBOARD Trading Limited and EDF Energy (Powerlink Holdings) Limited (formerly known as SEEBOARD Powerlink Holdings Limited, and previously Seepower Limited) to its subsidiary EDF Energy (Asset Management) Limited (formerly known as SEEBOARD Asset Management Limited). On 1 January 2002, SEEBOARD Energy acquired SEEBOARD Energy Gas Limited from SEEBOARD Natural Gas Limited, a fellow subsidiary of SEEBOARD Group Limited. On 1 February 2002, SEEBOARD Trading Limited transferred its electrical contracting business to its subsidiary SEEBOARD Contracting Services Limited.

24 Ultimate holding company and ultimate controlling company

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

SEEBOARD Group plc holds a 100% interest in EDF Energy (South East) plc (formerly known as SEEBOARD plc) and is considered to be the immediate parent company. SEEBOARD Group plc is the smallest group for which consolidated accounts are prepared.