SEEBOARD plc

Report and Accounts

for the year ended 31 December 2001

Registered Number: 2366867

Contents

The directors of SEEBOARD plc are pleased to present their report and the audited accounts for the year ended 31 December 2001.

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 on page 31.

Results and dividends

The profit on ordinary activities before taxation was £118.6m (2000 £127.2m). Profit for the financial year was £73.0m (2000 £105.9m). During the year, the Company paid dividends of £59.9m (2000 £49.9m) to its immediate holding company, SEEBOARD Group plc.

Ultimate holding company

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

Share capital

Details of the authorised and issued share capital of the Company are set out in note 17 to the accounts on page 26.

Board of directors

Jim Ellis, John Weight, Michael Pavia and Humphrey Cadoux-Hudson all served throughout the year.

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 AEP Group of UK companies. The directors are not aware of any contract of significance, other than service contracts with the Company, in relation to the Company or its subsidiaries in which any director has, or has had, a material interest.

Employee involvement

The Company communicates with staff about current activities and progress. This is carried out in a number of ways, including formal and informal briefings, departmental meetings and regular reports in a staff newspaper and newsletters on current activities and progress.

Many employees receive an element of performance-related pay linked to personal targets. This scheme is designed to encourage identification with the aims of the Group as a whole.

Employee safety

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

Equal opportunities

SEEBOARD 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 £147,000 during the year (2000 £281,522). There were no contributions to political organisations. However, during the year £15,700 (2000 £15,700) was expended holding receptions at party conferences.

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 2001, 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 2001 totalled 36 days (2000 43 days).

Auditors

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

Corporate governance

The Company supports the highest standards of Corporate Governance and in particular the principles set out in the Hampel Committee's "Combined Code" which is aimed principally at listed companies. The Audit Committee and Compensation Committee of SEEBOARD Group plc, the parent company of SEEBOARD plc, ensure Group compliance with the Combined Code. As described below, SEEBOARD Group plc does apply the Combined Code to its system of Corporate Governance, with the exception of the provisions relating to the composition of the Audit Committee and the Compensation Committee. The Company considers that the composition of these committees is appropriate to its position as an unlisted, wholly-owned subsidiary company. The members of the Audit Committee and Compensation Committee of SEEBOARD Group plc are set out below under "Board committees".

The Board of directors

The Board, which meets quarterly, comprises three executive directors and a non-executive Chairman.

Specific matters are reserved for the Board which concentrates mainly on the strategic direction and financial performance of the Group.

All directors have access to the advice and service of the Company Secretary who is responsible to the Chairman for the administration of Board and Committee Meetings.

Board committees

An Executive Committee of the Board of SEEBOARD Group plc, which comprises the UK based directors and other members of senior management by invitation, meets monthly.

The appointment and remuneration of the Group's senior executives is fixed by the Compensation Committee of SEEBOARD Group plc comprising the Chairman, Linn Draper (Chairman and Chief Executive Officer of AEP) and Susan Tomasky (Executive Vice President – Policy, Finance and Strategic Planning of AEP).

The SEEBOARD Group plc Audit Committee comprises the Chairman, directors of SEEBOARD Group plc and Company Secretary. In addition, the Group Financial Controller and the Head of Internal Audit of the Company attend Audit Committee meetings together with the external auditor by invitation.

The Audit Committee meets at least bi-annually and responsibilities include reviewing the financial statements, receiving a report on the activities of the internal audit department, reviewing the nature and effectiveness of internal controls and considering the quality of Corporate Governance. Furthermore, in accordance with the Turnbull Guidelines, the Audit Committee reviews the management and control of risks in each of the Group's businesses. Also, an Ethics Committee operates as a sub-committee of the Audit Committee and comprises the Chief Executive Officer, Group Finance Director, Executive Director and Company Secretary of the Company.

The AEP Audit Committee meets at least quarterly and has responsibility, inter alia, for the maintenance of effective internal controls throughout the AEP Group worldwide.

Internal controls

The directors acknowledge that they are responsible for the Group's systems of internal controls and for reviewing their effectiveness. These systems are designed to minimise, rather than eliminate, the failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material financial misstatement or loss.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's systems of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

Guidance for directors *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance) was published in September 1999. The Board confirms that there is a continuing process for identifying, evaluating and managing the significant risks faced by the Group. The process was in place for the year ended 31 December 2001 and up to the date of this report and has been regularly reviewed by the Board in accordance with the Turnbull guidance.

The key elements of the Group's systems of internal controls are set out below:

Control environment

The Group is committed to the highest standard of business conduct. The organisation is appropriately structured according to business areas, which allows for effective operations to achieve Group objectives. Lines of responsibility and levels of authority are formally documented. Staff policies are in place to ensure that employees are competent and have appropriate skills.

Risk identification and control

The Group adopts a prudent risk policy, seeking either to eliminate or minimise risks through management processes. The business directors are responsible for the continuing identification, assessment and management of key risks in their businesses.

A Risk Management Committee ("RMC"), comprising the Chairman, the executive directors, Company Secretary, Insurance Manager and Head of Internal Audit, meets quarterly to review key risks in each of the businesses. The business directors are required to submit reports to the Committee on key risks together with an assessment of the adequacy of risk management activities. The findings of the RMC are reported regularly to both the Board and to the Audit Committee.

Control procedures

Control procedures have been implemented throughout the Group and are designed to ensure complete and accurate accounting for financial transactions and to safeguard the Group's assets. There is a formal process for setting delegated levels of authority to incur expenditure. The risk management process requires businesses to assess the adequacy of internal controls and correct any weaknesses identified.

Monitoring and corrective action

Group performance is continually monitored. Detailed operating budgets are reviewed and approved by the Board. Business directors report regularly on operating performance.

The Group Internal Audit department reviews the operation of internal controls using a risk-based methodology. The Head of Internal Audit reports to the Group Finance Director and has access to the Chairman of the Audit Committee, who is also Treasurer of AEP. The Audit Committee reviews reports from Internal Audit on internal control issues and Internal Audit activity. The Audit Committee also receives reports from the external auditors.

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.

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;
- 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.

Directors' remuneration

Jim Ellis is non-executive Chairman of the Company under an agreement providing for three months notice. John Weight, Michael Pavia and Humphrey Cadoux-Hudson have service contracts with the Company and receive emoluments for their services. In all cases emoluments were reviewed by the Compensation Committee of the Board of SEEBOARD Group plc. The Committee reviewed a comparison of the Company's compensation programmes with those offered by comparable companies within the utility industry.

Full details of directors' emoluments for work performed for the Group are set out in note 5 to the accounts on pages 16 and 17.

Senior executive remuneration paid by the Company comprises basic salary and benefits, participation in annual incentive plans and in the pension scheme.

The Company's annual incentive plan for executive directors is dependent on specific individual, subsidiary and corporate goals together with a subjective evaluation of overall job performance. Actual awards are made on a sliding scale with target awards set at 45% of salary for the Chief Executive Officer and 35% for the other executive directors of the Company. The maximum award that can be earned is 1.5 times the target award.

All the directors are members of the Electricity Supply Pension Scheme, details of which are given in notes 5 and 19 to the accounts. The arrangements for directors provide for a maximum pension of two-thirds of the final year's salary subject to qualifying service. Separate provision has been made for pension entitlements that exceed the Inland Revenue pension cap.

Pensions management

The assets of the Electricity Supply Pension Scheme ("ESPS"), the SEEBOARD Final Salary Pension Plan ("FSPP") and the SEEBOARD Pension Investment Plan ("PIP") are held separately from those of the Company by the trustees of the respective Scheme and Plans. Two of the SEEBOARD Group Trustees of the ESPS, one appointed and one elected, also serve as directors of Electricity Pensions Trustee Limited with directors from other electricity companies. The assets of the SEEBOARD Group of the ESPS are managed by Deutsche Asset Management Limited, J P Morgan Fleming Asset Management Limited and by F & C Management Limited. Each manager is responsible for approximately one-third of assets under management. The assets of the FSPP and the PIP are managed by Deutsche Asset Management Limited.

Independent actuarial, legal and financial advice is obtained in both the operation of the ESPS, FSPP and PIP and the management of investments. Staff and pensioners of the Group are kept informed about changes to the ESPS, FSPP and PIP and pension matters in general.

By order of the Board

M A Nagle
Company Secretary

23 January 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEEBOARD PLC

We have audited the financial statements of SEEBOARD plc for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We read the directors' report and the other information contained in the report and accounts for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the Group as at 31 December 2001 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

Hill House
1 Little New Street
London EC4A 3TR
23 January 2002

SEEBOARD plc - GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

	Note	2001 £m	2000 £m
Turnover *(excluding share of joint ventures £4.3m (2000 £3.2m))*	1	**902.9**	970.5
Cost of sales		**(566.5)**	(625.8)
Gross profit		**336.4**	344.7
Net operating costs and administrative expenses	2	**(210.5)**	(208.8)
Operating profit		**125.9**	135.9
Share of operating profit in associated undertakings and joint ventures	3	**2.0**	1.1
Total operating profit		**127.9**	137.0
Income from other fixed asset investments	3	**0.6**	1.1
Profit on ordinary activities before interest		**128.5**	138.1
Net interest payable	4	**(9.9)**	(10.9)
Profit on ordinary activities before taxation		**118.6**	127.2
Tax on profit on ordinary activities	6	**(44.7)**	(20.5)
Profit on ordinary activities after taxation		**73.9**	106.7
Minority interests		**(0.9)**	(0.8)
Profit for the financial year		**73.0**	105.9
Dividends		**(59.9)**	(49.9)
Retained profit	18	**13.1**	56.0
Earnings per ordinary share	7	**29.1p**	42.3p

Recognised gains or losses
Goodwill of £5m was credited directly to the profit and loss reserve on the sale of the Southern Gas business *(see note 18)*. There were no recognised gains or losses in 2000, other than the profit for the financial year.

Turnover and profit were derived from continuing operations.

SEEBOARD plc – BALANCE SHEETS
as at 31 December 2001

	Note	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Fixed assets					
Tangible assets	*8*	**752.3**	703.5	**48.6**	700.4
Investments in joint ventures					
Share of gross assets		**66.0**	54.3		
Share of gross liabilities		**(65.6)**	(54.1)		
	9	**0.4**	0.2	**-**	-
Other investments	*9*	**0.1**	0.1	**14.3**	15.5
		752.8	703.8	**62.9**	715.9
Current assets					
Stocks	*10*	**12.5**	8.8	**-**	2.4
Debtors falling due within one year		**210.3**	225.5	**43.0**	208.9
Less: securitisation of trade debtors		**(81.9)**	(85.3)	**-**	(85.3)
Net debtors falling due within one year	*11*	**128.4**	140.2	**43.0**	123.6
Debtors falling due after more than one year	*11*	**38.5**	41.0	**379.3**	41.5
Investments	*13*	**16.2**	20.0	**0.4**	0.4
Cash at bank and in hand		**46.8**	31.8	**-**	-
		242.4	241.8	**422.7**	167.9
Creditors (amounts falling due within one year)	*14*	**326.3**	296.0	**62.0**	250.5
Net current (liabilities)/assets		**(83.9)**	(54.2)	**360.7**	(82.6)
Total assets less current liabilities		**668.9**	649.6	**423.6**	633.3
Creditors (amounts falling due after more than one year)	*14*	**103.8**	103.5	**150.0**	103.5
Provision for liabilities and charges	*15*	**7.3**	7.3	**2.7**	7.2
Minority interests		**2.7**	1.8	**-**	-
Net assets		**555.1**	537.0	**270.9**	522.6
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*	**415.2**	397.1	**131.0**	382.7
Equity shareholder's funds		**555.1**	537.0	**270.9**	522.6

The accounts on pages 9 to 32 were approved by the Board of Directors on 23 January 2002 and were signed on its behalf by:

Jim Ellis

Jim Ellis
Chairman

Michael J. Pavia

Michael J Pavia
Director

SEEBOARD plc – GROUP CASH FLOW STATEMENT *(and additional information)*
for the year ended 31 December 2001

	Note	2001 £m	2000 £m
Summary reconciliation of operating profit to operating cash flows			
Operating profit		**125.9**	135.9
Non-cash items	*22a*	**42.9**	37.1
Movement in working capital			
Securitisation of trade debtors		**5.5**	(26.4)
Other	*22b*	**17.4**	14.9
Cash flow from operating activities		**191.7**	161.5
Cash flow statement			
Cash flow from operating activities		**191.7**	161.5
Returns on investments and servicing of finance	*22c*	**(7.7)**	(9.5)
Taxation			
Corporation tax		**(11.8)**	(1.2)
Payment for group relief		**(21.3)**	(21.3)
Total taxation		**(33.1)**	(22.5)
Capital expenditure and financial investment	*22d*	**(81.4)**	(68.6)
Cash inflow before dividends		**69.5**	60.9
Equity dividends paid		**(59.9)**	(49.9)
Cash inflow before use of liquid resources and financing		**9.6**	11.0
Management of liquid resources	*22e*	**3.8**	1.8
Financing			
Decrease in debt		**(2.6)**	(4.7)
Increase in cash in the year		**10.8**	8.1
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 January		**(82.7)**	(93.6)
Net debt at 31 December	*22f*	**(73.2)**	(82.7)
Movement in net debt in the year		**9.5**	10.9
Cash outflow from decrease in debt		**(2.6)**	(4.7)
Cash inflow from management of liquid resources		**3.8**	1.8
Non-cash items – amortisation of loan fees		**0.1**	0.1
Increase in cash in the year		**10.8**	8.1

New accounting standards

The accounting policies of the Company and the Group remain unchanged from last year and have been consistently applied. The Accounting Standards Board has recently issued Financial Reporting Standards "FRS 17 - Retirement Benefits", "FRS 18 - Accounting Policies" and "FRS 19 - Deferred Tax". FRS 17 requires transitional disclosures from 22 June 2001 *(see note 19)* and will be fully effective from 22 June 2003. FRS 18 was adopted during the year. FRS 19, which is effective for accounting periods ending on or after 23 January 2002, will be adopted in 2002.

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 and applicable accounting standards.

No profit and loss account is presented for the Company as provided by Section 230 of the Companies Act 1985.

Consolidation

The accounts consolidate the financial statements of 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 from the date of acquisition.

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.

Turnover

Turnover represents the value of electricity and gas consumption 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. In respect of contract work in progress, turnover represents the value of work carried out.

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 seven years.

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	4 to 15 years

In the case of significant projects, cost includes interest capitalised during the construction period. 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.

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
The contract between SEEBOARD Powerlink and London Underground for the operation, maintenance and upgrade of the electricity supply network for the London Underground railway is being accounted for as a long term contract, with profits being recognised in line with progress on defined segments of the contract. The amount of expenditure on long term contracts net of amounts transferred to cost of sales and payments on account are separately included within stock. To the extent payments on account exceed turnover and long term contract balances they are included as payments on account within creditors.

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

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)	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**£m**	£m
Distribution	**213.7**	242.1	**88.0**	91.2	**655.3**	645.6
Supply	**688.9**	770.9	**28.6**	31.3	**51.9**	51.8
Contracting	**56.7**	57.8	**2.6**	3.9	**12.2**	10.3
SEEBOARD Powerlink	**48.9**	41.9	**4.8**	4.5	**(32.6)**	(23.3)
Other activities	**11.0**	12.6	**6.9**	5.0	**65.1**	53.6
Goodwill *(see note18)*	**-**	-	**(5.0)**	-	**-**	-
Inter-activity sales	**(116.3)**	(154.8)	**-**	-	**-**	-
	902.9	970.5	**125.9**	135.9	**751.9**	738.0
Fixed asset investments *(see note 3)*						
Operating profit			**2.0**	1.1		
Net interest			**(1.6)**	(1.0)		
Other			**0.6**	1.1		
Total fixed asset investments	**-**	-	**1.0**	1.2	**0.5**	0.3
Other net interest	**-**	-	**(8.3)**	(9.9)	**-**	-
Securitisation	**-**	-	**-**	-	**(124.1)**	(118.6)
Net debt *(see note 22f)*	**-**	-	**-**	-	**(73.2)**	(82.7)
	902.9	970.5	**118.6**	127.2	**555.1**	537.0

2 Net operating costs and administrative expenses

	2001	2000
	£m	£m
Net operating costs - goodwill charge *(see note 18)*	**5.0**	-
- depreciation	**38.4**	41.0
- other	**138.8**	140.1
	182.2	181.1
Administrative expenses	**28.3**	27.7
	210.5	208.8

Net operating costs and administrative expenses include:

	2001	2000
	£m	£m
Operating lease rentals	**10.1**	6.7
Remuneration of auditor and its associates - for audit work (Group)	**0.3**	0.3
- for non-audit work	**0.1**	0.1

3 Income from fixed asset investments

	Operating profit 2001 £m	Net interest 2001 £m	**Net income 2001 £m**	Operating profit 2000 £m	Net interest 2000 £m	Net income 2000 £m
Share of results of joint ventures						
Power Asset Development Company (50%)	2.0	(1.6)	**0.4**	1.1	(1.0)	0.1
Share of profits	2.0	(1.6)	**0.4**	1.1	(1.0)	0.1
Income from other fixed asset investments						
Dividends received from:						
- National Grid Group			**0.1**			0.2
- Electricity Association			-			0.9
- ESN Holdings			**0.2**			-
- Other			**0.3**			-
			0.6			1.1
Total income from fixed asset investments			**1.0**			1.2

4 Net interest payable

	2001 £m	2000 £m
Group		
Interest payable		
On bank loans and overdrafts	**(1.4)**	(1.1)
On other loans wholly repayable within five years	**(12.7)**	(15.3)
	(14.1)	(16.4)
Interest receivable	**5.8**	6.5
	(8.3)	(9.9)
Joint ventures		
Interest payable		
On long term loans repayable in whole or in part after five years	**(2.1)**	(1.6)
Interest receivable	**0.5**	0.6
	(1.6)	(1.0)
Total	**(9.9)**	(10.9)

5 Directors and employees

(a) Directors' share options

	Date of grant	Options held at 1.1.01	Exercised during the year	Options held at 31.12.01	Exercise price	Date from which normally exercisable	Expiry date
T J Ellis	17.1.1996	9,840	-	9,840	$45.42	17.1.1999	17.1.2006
	23.5.1997	19,200	-	19,200	$34.58	23.5.1998	23.5.2007
J Weight	17.1.1996	2,880	2,880	-	$45.42	17.1.1999	17.1.2006
	23.5.1997	8,400	8,400	-	$34.58	23.5.1998	23.5.2007
M J Pavia	17.1.1996	2,880	-	2,880	$45.42	17.1.1999	17.1.2006
	23.5.1997	10,800	10,800	-	$34.58	23.5.1998	23.5.2007

The mid market price of AEP shares on 31 December 2001 was $43.53 and during the year the shares were quoted in the range $39.81 to $51.11.

During the year, the exercise of share options generated a gain of £97,199 in respect of J Weight and £113,816 in respect of M J Pavia based on the market price on the date of exercise of $49.86. No share options lapsed during the year.

(b) Emoluments of directors of the Company

Directors' salaries are reviewed by the Compensation Committee. The emoluments of the directors of the Company comprised:

	2001 £000	2000 £000
Salaries	**735**	687
Benefits	**62**	57
Bonuses	**186**	501
	983	1,245

(i) Salary and benefits
The table below represents additional information designed to set out total directors' emoluments. Salary and benefits set out below do not include company pension contributions.

	Year	Salary £000	Benefits £000	Bonus £000	Total £000
Chairman					
T J Ellis (resigned on 15 June 2000 to become	**2001**	**125**	**17**	-	**142**
non-executive Chairman)	2000	210	14	234	458
Executive directors					
J Weight (appointed Chief Executive Officer	**2001**	**275**	**18**	**94**	**387**
on 15 June 2000)	2000	222	17	131	370
M J Pavia	**2001**	**185**	**17**	**51**	**253**
	2000	184	17	125	326
H A E Cadoux-Hudson	**2001**	**150**	**10**	**41**	**201**
(appointed 15 June 2000)	2000	71	9	11	91

5 Directors and employees continued

The completion of the merger between AEP and CSW on 15 June 2000 resulted in the early recognition in 2000 of part of the bonus that would normally have been included in the award for the year ended 31 December 2001. As reported last year, on 15 June 2000, three directors were awarded shares under a long term incentive plan. All executive directors have service contracts terminable by two years' notice. These arrangements are considered to be in the best interests of the Company.

(ii) Pension benefits

	Age	Years of pensionable service	Contributions paid by directors in the year £000	Increase in accrued annual pension in the year £000	Accumulated accrued annual pension at year end £000
J Weight	53	30	14	31	153
M J Pavia	55	7	9	6	45
H A E Cadoux-Hudson	41	9	8	8	25

The arrangements for directors provide for a maximum pension of two-thirds of the final salary at normal retirement age of 60, subject to between 20 and 30 years qualifying service, with a surviving spouse entitled to two-thirds of the member's pension. Early retirement is possible from age 50 on redundancy. On death in service, a lump sum of four times annual salary is payable, together with a surviving spouse's pension equal to two-thirds of the pension payable to the director at normal retirement age. Pensions are based on basic salary, excluding bonuses and other benefits. Directors' pension entitlements are funded through the Electricity Supply Pension Scheme or through the Company directly. A pension of £55,054 (2000 £34,248) was paid by the Company in the year to former directors.

(c) Employment costs

The aggregate remuneration of all employees, including the directors of the Group, comprised:

	2001 £m	2000 £m
Wages and salaries	**90.3**	95.0
Social security costs	**7.9**	8.3
Pension costs	**6.0**	5.5
	104.2	108.8
Less: charged as capital expenditure	**(20.4)**	(21.7)
Charged to profit and loss account	**83.8**	87.1

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

	2001 Number	2000 Number
Distribution and Supply	**2,751**	2,625
Other businesses	**1,054**	1,074
	3,805	3,699

At 31 December 2001, SEEBOARD Energy Limited employed 292 field sales staff. In previous years, field sales staff were contracted through agencies and were not reported within the average number of employees.

6 Tax on profit on ordinary activities

	2001	2000
	£m	£m
UK corporation tax at 30% (2000 30%)	**14.9**	2.7
Group relief:		
CSW Investments	**15.5**	15.5
CSW UK Finance Company	**5.8**	5.8
Tax on share of profits of joint ventures	**0.2**	-
Deferred tax *(see note 12)*	**0.1**	(0.3)
Adjustment in respect of prior years	**8.2**	(3.2)
	44.7	20.5

7 Earnings per ordinary share

	2001	2000
	000s	000s
Weighted average issued share capital	**250,494**	250,494
	£m	£m
Profit for the financial year	**73.0**	105.9
Earnings per share	**29.1p**	42.3p

8 Tangible fixed assets

(a) Group

	Network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total tangible assets £m
Cost					
At 1 January 2001	952.4	62.1	131.0	15.8	1,161.3
Additions	75.0	1.3	10.4	1.1	87.8
Transfers	(0.6)	0.7	(0.1)	-	-
Disposals	(0.3)	(0.9)	(6.3)	(2.3)	(9.8)
At 31 December 2001	**1,026.5**	**63.2**	**135.0**	**14.6**	**1,239.3**
Depreciation					
At 1 January 2001	355.9	13.3	79.5	9.1	457.8
Disposals	(0.3)	(0.3)	(6.3)	(2.3)	(9.2)
Charge for the year	22.1	1.1	13.2	2.0	38.4
At 31 December 2001	**377.7**	**14.1**	**86.4**	**8.8**	**487.0**
Net book amount					
At 31 December 2001	***648.8***	***49.1***	***48.6***	***5.8***	***752.3***
At 31 December 2000	596.5	48.8	51.5	6.7	703.5

8 Tangible fixed assets continued

(b) Company

	Network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total tangible assets £m
Cost					
At 1 January 2001	952.4	62.1	126.9	12.6	1,154.0
Additions	51.8	1.3	5.7	0.4	59.2
Transfers *(see note 9)*	(1,004.2)	(8.7)	(108.1)	(11.2)	(1,132.2)
Disposals	-	(0.8)	(0.2)	(1.5)	(2.5)
At 31 December 2001	-	**53.9**	**24.3**	**0.3**	**78.5**
Depreciation					
At 1 January 2001	355.9	13.3	77.0	7.4	453.6
Disposals	-	(0.3)	(0.2)	(1.5)	(2.0)
Transfers *(see note 9)*	(372.6)	(1.4)	(69.3)	(7.0)	(450.3)
Charge for the year	16.7	1.0	9.7	1.2	28.6
At 31 December 2001	-	**12.6**	**17.2**	**0.1**	**29.9**
Net book amount					
At 31 December 2001	-	**41.3**	**7.1**	**0.2**	**48.6**
At 31 December 2000	596.5	48.8	49.9	5.2	700.4

On 1 October 2001, the Company transferred the assets and liabilities of its electricity supply and distribution businesses into separate companies *(see note 9)*.

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

	Group		Company	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Freehold - land	**9.0**	8.3	**8.1**	8.3
- buildings	**38.6**	39.8	**33.1**	39.8
	47.6	48.1	**41.2**	48.1
Short leasehold	**1.5**	0.7	**0.1**	0.7
	49.1	48.8	**41.3**	48.8

Non-network land is not depreciated.

(d) Included in fixed assets at 31 December 2001 are assets under development amounting to £25.6m (2000 £22.7m).

(e) Interest capitalised in the year amounted to £1.5m (2000 £1.7m).

9 Fixed asset investments

Group	PADCO £m	Other undertakings £m	Total Group £m
At 1 January 2001	0.2	0.1	0.3
Share of profit after tax	0.2	-	0.2
At 31 December 2001	**0.4**	**0.1**	**0.5**

Company	Subsidiary undertakings £m	Other undertakings £m	Total Company £m
At 1 January 2001	15.4	0.1	15.5
Increase arising from group restructure	0.8	-	0.8
Disposal of Southern Gas business	(2.0)	-	(2.0)
At 31 December 2001	**14.2**	**0.1**	**14.3**

Under the Utilities Act 2000, SEEBOARD plc transferred its two regulated businesses of electricity supply and distribution into separate companies, SEEBOARD Energy Limited and SEEBOARD Power Networks plc respectively. The Utilities Act enabled the transfer of retained earnings from 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.

SEEBOARD (Generation) Limited, a fellow subsidiary of SEEBOARD Group plc, has a 37.5% interest in Medway Power Limited ("Medway"), a company formed to construct, own and operate a 675 MW gas fired power station on the Isle of Grain, Kent. The Group has entered into an electricity purchase contract linked to approximately 50% of Medway's output of electricity, for 15 years commencing in 1996. Net payments to Medway under this contract amounted to £73.3m in 2001 (2000 £13.5m). The increase in net payments reflects a change in the way that the contract operates as a result of New Electricity Trading Arrangements ("NETA"), which were introduced in March 2001 *(see note 16c)*.

The Group has made loans to Power Asset Development Company Limited ("PADCO"), a 50% joint venture, totalling £1.7m at 31 December 2001 (2000 £1.5m). 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, £8.7m was charged to the profit and loss account for the operating lease rental of network assets (2000 £5.5m).

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

10 Stocks

	Group		Company	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Raw materials and consumables	**4.5**	3.4	-	2.0
Work in progress	**8.0**	5.4	-	0.4
	12.5	8.8	-	2.4

11 Debtors

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Amounts falling due within one year:				
Trade debtors	**161.3**	180.2	**1.1**	157.9
Less: securitisation	**(81.9)**	(85.3)	**-**	(85.3)
Net trade debtors	**79.4**	94.9	**1.1**	72.6
Amounts owed by parent undertakings	**9.6**	10.2	**9.6**	10.2
Amounts owed by group undertakings	**6.1**	4.8	**26.9**	10.9
Amounts owed by joint ventures and associates	**0.1**	-	**-**	-
Credit sale instalments not yet due	**6.9**	6.9	**-**	6.9
Deferred expenditure	**3.2**	3.2	**-**	3.2
Other debtors	**11.8**	13.6	**-**	11.9
Prepayments and accrued income	**11.3**	6.6	**5.4**	7.9
	128.4	140.2	**43.0**	123.6
Amounts falling due after more than one year:				
Amounts owed by group undertakings	**27.3**	27.4	**379.3**	29.4
Amounts owed by joint ventures and associates	**2.2**	1.5	**-**	-
Deferred expenditure	**9.0**	12.1	**-**	12.1
	38.5	41.0	**379.3**	41.5

On 1 October 2001, the Company transferred the assets and liabilities of its electricity supply and distribution businesses into separate limited companies *(see note 9)*.

At 31 December 2001, SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited had entered into a securitisation programme involving the sale of billed and unbilled trade debtors to a trust. This programme replaced that entered into by SEEBOARD plc and SEEBOARD Energy Gas Limited in 2000. Interest is charged on trade debtors securitised at a margin above LIBOR and is payable monthly. SEEBOARD Energy Limited and SEEBOARD Energy Gas Limited are not obliged to support any losses suffered by the trust as a result of the securitisation, nor do they intend to do so. At the year end, the current excess of securitisation proceeds over the current billed debt sold to the trust of £42.2m (2000 £33.3m) has been included within creditors falling due within one year.

12 Deferred tax

Deferred tax assets and liabilities computed at a rate of 30% (2000 30%) were as follows:

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Provided - liability				
At 1 January	**0.3**	0.6	**0.3**	0.6
Increase/(decrease) in deferred tax liability *(see note 6)*	**0.1**	(0.3)	**0.1**	(0.3)
At 31 December	**0.4**	0.3	**0.4**	0.3

12 Deferred tax continued

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Unprovided - liabilities/(assets)				
Capital allowances in excess of depreciation	**164.6**	174.0	**5.0**	174.0
Other timing differences	**(2.9)**	1.3	**-**	1.3
Total unprovided liabilities	**161.7**	175.3	**5.0**	175.3
Total deferred tax liabilities	**162.1**	175.6	**5.4**	175.6

13 Current asset investments

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Short term deposits	**13.3**	17.1	**-**	-
Other investments	**2.9**	2.9	**0.4**	0.4
	16.2	20.0	**0.4**	0.4

Current asset investments include investments of £0.1m (2000 £0.7m) listed on the London Stock Exchange. The market value of the listed investments at 31 December 2001 and 31 December 2000 is not materially different from their cost.

14 Creditors

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Amounts falling due within one year:				
Bank loans and overdrafts	**36.5**	34.9	**23.1**	37.2
Payments received on account	**49.8**	41.0	**0.7**	15.0
Securitisation *(see note 11)*	**42.2**	33.3	**-**	33.3
Trade creditors	**93.5**	108.4	**3.1**	103.9
Amounts owed to parent undertakings	**3.4**	0.2	**3.4**	0.2
Amounts owed to group undertakings	**21.0**	10.7	**5.1**	10.7
Corporation tax	**19.1**	7.8	**15.1**	4.9
Other taxation and social security	**3.5**	3.5	**0.2**	3.0
Other creditors	**16.5**	17.5	**0.8**	11.4
Accruals and deferred income	**40.8**	38.7	**10.5**	30.9
	326.3	296.0	**62.0**	250.5
Amounts falling due after more than one year:				
Bonds	**99.7**	99.6	**-**	99.6
Amounts owed to subsidiary undertakings	**-**	-	**150.0**	-
Other creditors	**4.1**	3.9	**-**	3.9
	103.8	103.5	**150.0**	103.5

15 Provisions for liabilities and charges

	Restructuring £m	Deferred tax £m	Other £m	Total £m
Group				
Balance at 1 January 2001	1.6	0.3	5.4	7.3
Utilised during the year	(1.3)	-	(0.6)	(1.9)
Released during the year	(0.5)	-	(0.9)	(1.4)
Provided in the year	0.8	0.1	2.4	3.3
Balance at 31 December 2001	**0.6**	**0.4**	**6.3**	**7.3**

	Restructuring £m	Deferred tax £m	Other £m	Total £m
Company				
Balance at 1 January 2001	1.6	0.3	5.3	7.2
Utilised during the year	(1.1)	-	(0.6)	(1.7)
Released during the year	(0.5)	-	(0.9)	(1.4)
Provided in the year	0.6	0.1	2.1	2.8
Decrease arising from group restructure *(see note 9)*	(0.6)	-	(3.6)	(4.2)
Balance at 31 December 2001	-	**0.4**	**2.3**	**2.7**

A provision of £0.6m has been recognised in respect of costs associated with the restructuring of the Group's Distribution and Supply businesses. It is anticipated that these costs will be incurred within the next financial year. Other provisions of £6.3m mainly relate to a number of outstanding trading obligations, which it is anticipated will be resolved during the next financial year, and 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.

(a) Interest rate and currency risk

The CSW UK Holdings group targets a 75:25 ratio of fixed to floating rate borrowings in order to reduce exposure to movements in short term interest rates. The ratio at the SEEBOARD plc level is 38:62 (2000 39:61). 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.

16 Derivatives and financial instruments continued

(b) Interest rate profile

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

	Group	
	2001	2000
Borrowings	**£m**	£m
Fixed rate debt	**99.7**	99.6
Floating rate: - debt	**36.5**	34.9
- securitisation	**124.1**	118.6
	260.3	253.1

Fixed rate borrowings		
	%	%
Weighted average interest rate	**8.6**	8.6
	Years	Years
Weighted average period for which rate is fixed	**3.8**	4.8

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.

Prior to the introduction of NETA, almost all electricity generated in England and Wales was sold to the Pool that was established at the time of privatisation for bulk electricity trading between generators and suppliers. SEEBOARD plc purchased electricity from the Pool for resale to its customers and was exposed to the risk of Pool price variations. The Group managed this risk by entering into contracts for differences, predominantly with generators, which typically fixed the price per unit paid for electricity for an agreed number of units.

(d) Maturity of borrowings

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

	Group		Company	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Repayable within one year	**36.5**	34.9	**23.1**	37.2
Repayable within two to five years:				
8.5% bonds due 2005	**99.7**	99.6	-	99.6
Intercompany debt	-	-	**150.0**	-
	136.2	134.5	**173.1**	136.8

16 Derivatives and financial instruments continued

(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, SEEBOARD plc, SEEBOARD Power Networks plc and SEEBOARD Energy Limited are borrowers. The facility expires on 20 November 2002, but the CSW Investments group has the option to extend the facility for a further year. The facility replaces the £200m revolving credit facility entered into on 12 December 1996. On 31 December 2001, £203m had been drawn under the facility by CSW Investments.

On 14 November 2000, SEEBOARD plc and SEEBOARD Energy Gas Limited entered into a £250m receivables securitisation facility. The facility expires on 14 November 2005. On 1 October 2001, SEEBOARD plc's interest under the facility was transferred to SEEBOARD Energy Limited, following the restructuring under the Utilities Act 2000 *(see note 9)*. On 31 December 2001, £145m of receivables had been securitised under the facility, of which £124.1m relates to SEEBOARD Energy Limited.

(ii) Eurobonds

On 3 October 1995, 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 SEEBOARD Power Networks plc on 1 October 2001 *(see note 9)*. The obligations under the bonds are guaranteed by 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 2001 £m**	**Fair value 2001 £m**	Net book amount 2000 £m	Fair value 2000 £m
Short term borrowings	**(36.5)**	**(36.5)**	(34.9)	(34.9)
Long term borrowings	**(99.7)**	**(108.2)**	(99.6)	(107.6)
Short term investments	**16.2**	**16.2**	20.0	20.0
	(120.0)	**(128.5)**	(114.5)	(122.5)

All fair values have been calculated by discounting cash flows at prevailing market interest rates.

The directors have taken advantage of the exemption under paragraph 53(c) of "FRS 13 - Derivatives and Other Financial Instruments: Disclosures" not to disclose the fair value of the current portfolio of electricity purchase contracts on the basis that, in their opinion, such disclosure is likely to be seriously prejudicial to the Group's interests at the present time.

17 Called up share capital

Authorised:	Number	£m
Ordinary shares of 50p each at 1 January 2001 and 31 December 2001	**400,000,000**	**200.0**
Allotted and fully paid:		
At 1 January 2001 and 31 December 2001	**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
Balance at 1 January 2001	125.3	7.8	6.8	397.1	537.0	382.7
Retained profit for the year	-	-	-	13.1	13.1	8.1
Retained profit transferred *(see note 9)*	-	-	-	-	-	(259.8)
Goodwill	-	-	-	5.0	5.0	-
Balance at 31 December 2001	**125.3**	**7.8**	**6.8**	**415.2**	**555.1**	**131.0**

During the year £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 9)*. The cumulative amount of goodwill written off to reserves at 31 December 2001 was £nil (2000 £5.0m).

19 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 SEEBOARD on or after 1 July 1995. As from that date 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.

19 **Pension costs** continued

The majority of employees of SEEBOARD Powerlink Limited are members of the LRT Pension Fund, a final salary scheme. The fund's trustee is the LRT Pension Fund Trustee Company Limited, a wholly owned subsidiary of London Transport. SEEBOARD Powerlink Limited pays contributions to the LRT Pension Fund at a fixed rate of relevant payroll, which is charged directly to the profit and loss account.

The latest full actuarial valuation of SEEBOARD's section of the ESPS was carried out by Bacon & Woodrow, consulting actuaries, as at 31 March 2001. The results of this valuation have been used as the basis for assessing pension costs. The 'projected unit' method was used for the valuation and the principal actuarial assumptions adopted were that the investment return would exceed salary increases by 2.5% per annum and exceed future pension increases by 2.8% per annum.

The preliminary actuarial report showed that a smoothed market value of the assets of SEEBOARD'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 SEEBOARD group as at 31 March 2001 was £791m.

Pension costs arising from all of the SEEBOARD pension schemes, charged to the profit and loss account for the year, amounted to £6.0m (2000 £5.5m). Contributions payable by SEEBOARD to the schemes during the year totalled £7.1m (2000 £1.9m).

The National Grid Group plc and National Power plc had been involved in continuing litigation regarding their use of actuarial surpluses disclosed in the 1992 and 1995 valuations of the ESPS. On 4 April 2001, the House of Lords ruled that National Grid Group plc and National Power plc had acted entirely lawfully in using pension fund surpluses to meet the cost of members' enhanced pension benefits on redundancy.

SEEBOARD had made similar use of actuarial surpluses, disclosed in the 1992 and 1995 valuations. The House of Lords ruling confirms that SEEBOARD will not be required to reimburse the ESPS for this use of surplus, which was used entirely properly and in accordance with the Scheme rules.

(b) FRS 17 – Retirement benefits – transitional disclosures

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

19 **Pension costs** continued

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

Valuation method	**Projected unit**
Discount rate	**5.9%**
Inflation rate	**2.5%**
Increase to pensions	**2.6%**
Increase to deferred benefits	**2.6%**
Salary increases	**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 SEEBOARD's section of the ESPS and the expected rate of return are set out below.

	Long term rate of return expected 2001	**Market value 2001**
	%	**£m**
Equities	**7.5**	**472.1**
Gilts	**5.0**	**188.7**
Cash	**3.5**	**17.8**
Property	**6.0**	**42.6**
Total market value of scheme assets		**721.2**
Present value of scheme liabilities		**(719.7)**
Surplus in the scheme		**1.5**
Related deferred tax liability		**(0.4)**
Net scheme surplus		**1.1**

19 **Pension costs** continued

	Group 2001 £m
Net assets	
Net assets excluding FRS17 adjustment	**555.1**
Pension asset	**1.1**
Net assets including FRS17 adjustment	**556.2**
Reserves	
Profit and loss account excluding FRS17 adjustment *(see note 18)*	**415.2**
Pension asset	**1.1**
Profit and loss account including FRS17 adjustment	**416.3**

Under the transitional arrangements for FRS17, the pension asset disclosed above is not reflected in the balance sheets.

20 Lease obligations

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

	Group		Company	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Within one year	**0.1**	-	-	-
In the second to fifth year inclusive	**0.1**	0.1	-	-
In more than five years	**11.3**	7.7	-	-
	11.5	7.8	-	-

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

	Group		Company	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Within one year	**0.1**	0.1	**0.1**	0.1
In the second to fifth year inclusive	**0.3**	0.3	**0.3**	0.3
In more than five years	**1.1**	0.6	**1.1**	0.6
	1.5	1.0	**1.5**	1.0

21 Capital and other commitments

Capital investment in respect of which the Group has entered into contractual commitments but which was not provided for as at 31 December 2001 amounted to £6.6m (2000 £6.3m).

22 Notes to the cash flow statement

	2001 £m	2000 £m
(a) Non-cash items		
Depreciation	**38.4**	41.0
Goodwill charge	**5.0**	-
Profit on sale of fixed assets	**(0.4)**	(2.8)
Decrease in provisions	**(0.1)**	(1.1)
	42.9	37.1
(b) Normal movement in working capital		
Increase in stocks	**(3.7)**	(1.8)
Decrease/(increase) in debtors	**17.8**	(8.4)
Increase in creditors	**3.3**	25.1
	17.4	14.9

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

	2001 £m	2000 £m
(c) Returns on investments and servicing of finance		
Interest received	**5.7**	6.4
Interest paid	**(14.0)**	(17.0)
Dividends received	**0.6**	1.1
Net cash outflow from returns on investments and servicing of finance	**(7.7)**	(9.5)
(d) Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(82.4)**	(85.7)
Receipts from sales of tangible fixed assets	**1.0**	17.1
Net cash outflow from capital expenditure and financial investment	**(81.4)**	(68.6)

Receipts from sales of tangible fixed assets include part of the proceeds related to the sale of the metering division to Invensys, through its subsidiary IMServ, in November 2000.

22 Notes to the cash flow statement continued

(e) Management of liquid resources

Management of liquid resources indicates movements of cash either withdrawn from or added to deposits for periods longer than 24 hours.

(f) Analysis of net debt

	Balance 1 January 2001 £m	Cash flow £m	Non-cash changes £m	**Balance 31 December 2001 £m**
Cash in hand and at bank	31.8	15.0	-	**46.8**
Bank overdrafts	(19.6)	(4.2)	-	**(23.8)**
Debt due within one year	(15.3)	2.6	-	**(12.7)**
Debt due after more than one year	(99.6)	-	(0.1)	**(99.7)**
Current asset investments				
Liquid investments	20.0	(3.8)	-	**16.2**
Net debt	(82.7)	9.6	(0.1)	(73.2)

23 Subsidiary undertakings and joint ventures

The principal undertakings at 31 December 2001, which are incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

	Percentage of ordinary shares held	Principal activity
Principal subsidiary undertakings		
SEEBOARD Power Networks plc	100%	Electricity distribution
SEEBOARD Energy Limited	100%	Energy supply
SEEBOARD Insurance Company Limited (Isle of Man)	100%	Insurance
Longfield Insurance Company Limited (Isle of Man)	100%	Insurance
SEEBOARD Trading Limited	100%	Electrical contracting
Seepower Limited	100%	Investment company
SEEBOARD Powerlink Limited*	80%	Asset management
South Eastern Services Limited*	100%	Property management
Joint ventures		
Power Asset Development Company Limited*	50%	Asset management

* indirect holdings

On 1 January 2002, SEEBOARD Energy Gas Limited became a subsidiary of SEEBOARD Energy Limited.

24 Ultimate holding company and ultimate controlling company

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

Under "FRS8 – Related Party Disclosures", the Company has taken advantage of the exemption not to disclose Group related party transactions and balances on the grounds that it is a wholly owned subsidiary.

25 Regulatory accounts

Until the regulatory year ended 31 March 2001, 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, SEEBOARD Power Networks plc was granted a Distribution Licence under which it is required to produce regulatory accounts.

The Supply business, which transferred to SEEBOARD Energy Limited on 1 October 2001, is no longer required to prepare regulatory accounts.

The regulatory accounts, which cover a twelve month period ended 31 March of each year, are available free of charge from the Company Secretary at the Registered Office or by telephoning (01293) 657295.