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SEEBOARD plc

Report and Accounts
for the year ended 31 December 1997

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DIRECTORS

Jim Ellis, Chairman and Chief Executive, CEng, FIEE, CIMgt, FRSA (55)

Jim Ellis was appointed Chairman and Chief Executive from 10 January 1996, having previously been Chief Executive. He is also Chairman of SEEBOARD Group plc and a director of Central and South West Corporation ("CSW"), CSW UK Finance Company, Hardy Oil and Gas plc, CSW Investments, Sussex Chamber of Commerce Training and Enterprise and The Brighton West Pier Trust.

John Weight BSc, CEng, FIEE (49)

John Weight was appointed Group Managing Director and Chief Operating Officer with effect from 1 January 1998 having previously been Managing Director, Distribution from 1 January 1995 and Managing Director, Business Group from 1 July 1993 when he was appointed to the Board. Mr Weight is Chairman of SEEBOARD International Limited and a director of SEEBOARD Group plc.

Michael J Pavia FCA (51)

Michael Pavia was appointed Group Finance Director on 1 October 1994. He was Group Finance Director of LASMO plc from 1988 to 1993, joining in 1980 as Chief Accountant and then serving as Controller and subsequently Treasurer. Before joining LASMO he served nine years with Price Waterhouse in London. Mr Pavia is also a director and Chief Financial Officer of CSW Investments, a director of Beacon Gas Limited, SEEBOARD Group plc and CSW UK Finance Company and a trustee of the Company pension fund.

Tony Smith LL.B (47)

Tony Smith resigned as a director on 15 January 1998. He was appointed Managing Director, Business Group from 1 January 1995 having previously been Director of Resources.

OFFICERS

Rodney A Danes, FCCA, CPFA, CIEE (51)
Road Danes joined SEEBOARD plc from CSW's head office in Dallas in October 1997 to take on leadership of the Supply Business proir to the appointment of Peter Hofman. Previously, Mr Danes had held the post of Director of Customer Services of SEEBOARD plc.

Anthony J K Goodwin CEng, MA, BA, FIEE (52)
Anthony Goodwin was appointed Distribution Director on 1 January 1998. He was previously General Manager, Engineering of the Distribution business for 4 years.

Peter S Hofman BA (41)
Peter Hofman was appointed Energy Supply Director on 1 January 1998. He was General Manager, Commerce and Finance of the Distribution business from 23 November 1995 to 31 December 1997 having previously been Strategy and Finance Manager, Business Group. Mr Hofman is also on the Board of the Sussex Innovation Centre Limited.

Peter J Privett I.Eng, MIEIE, MIMgt (50)
Peter Privett was appointed Customer Services Director on 1 June 1996. He was Operations Manager, Supply from 3 April 1995 to 31 May 1996 having previously been Operations Manager, Customer Service. He joined SEEBOARD in 1965.

Michael A Nagle BA (45)
Mike Nagle joined SEEBOARD plc from private practice in 1988. He was appointed Company Solicitor in 1992 and Company Secretary and Solicitor in 1993.

Humphrey A E Cadoux-Hudson BSc BEng ACA(37)
Humphrey Cadoux Hudson was appointed Group Financial Controller on 1 January 1997. He joined SEEBOARD plc in 1991 as Finance Manager and then Group Chief Accountant having previously worked at KPMG for six years.

The directors of SEEBOARD plc are pleased to present their report and the audited accounts for the year ended 31 December 1997.

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, electrical contracting and retailing. Details of the principal subsidiary undertakings are given on page 25.

Results and Dividends

The profit on ordinary activities before taxation was £171.3m compared with £182.8m in 1996. Profit for the financial year was £21.3m (1996 £133.3m) after an exceptional charge of £109.5m for the Windfall Profits Tax.

During the year, the Company paid dividends of £72.3m to its immediate holding company, SEEBOARD Group plc.

Ultimate Holding Company

As set out in note 25 on page 25 the ultimate holding company is Central and South West Corporation ("CSW").

On 22 December 1997 it was announced that American Electric Power Company Inc. of Columbus, Ohio had made an agreed share for share offer to acquire the whole of the issued share capital of CSW subject to, inter alia, regulatory and shareholder approval.

Corporate Restructuring

In order to comply with changes in the Public Electricity Supply Licence, agreed with the Office of Electricity Regulation ("OFFER") by CSW on its acquisition of SEEBOARD plc, the retail and electrical contracting activities were transferred into a new subsidiary company, SEEBOARD Trading Limited and the shares held by the Company in SEEBOARD (Generation) Limited and SEEBOARD Natural Gas Limited were transferred to its immediate holding company, SEEBOARD Group plc, with effect from 1 January 1997. These transfers met the Regulator's requirement to separate the core regulated businesses of Distribution and Supply from other business activities.

Share capital

Details of the authorised and issued share capital of the Company are set out in note 18 to the accounts on page 21.

Board of Directors

Biographical details of directors serving at the year end are given on page 2. All these directors served throughout the year.

On 30 September 1997 Stephen Gutteridge resigned as a director. Tony Smith resigned as a director on 15 January 1998.

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 CSW 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.

The majority of employees participate in a profit related pay scheme and a large number also participate in a Sharesave Scheme, whereby employees are given the opportunity to acquire shares in the ultimate parent company, CSW. Many employees also receive an element of performance-related pay linked to personal targets. All schemes are designed to encourage identification with the aims of the Group as a whole.

Equal Opportunities

The Company provides disabled people with equal opportunities for employment, training and development, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled during employment, where possible, assistance and re-training is given so that they may attain positions compatible with their ability.

Donations

The Group made charitable donations of £388,683 during the year. There were no contributions to political organisations.

Payments to Suppliers

It is the Company's policy in respect of its suppliers to :

- agree the terms of payment with suppliers when confirming the terms of each transaction;
- ensure that suppliers are made aware of such terms; and
- abide by such terms.

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

Statutory Instrument 1997/571 requires that qualifying companies disclose the number of days supplier invoices remain outstanding based on the year end trade creditor balance divided by the average daily invoices received by the company. In accordance with the method of calculation prescribed, the creditor days for the year ended 31 December 1997 totalled 40(1996 39 days). However, in winter periods, electricity consumption increases leading to higher creditor balances. Creditor days for the quarter ended 31 December 1997 totalled 37 (1996 37 days).

Auditor

KPMG Audit Plc has expressed willingness to continue as auditor and a resolution proposing its re-appointment and the determination of fees will be submitted at the next General Meeting at which accounts are presented.

By order of the Board

M A Nagle
Company Secretary

19 January 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

AUDITOR'S REPORT TO THE MEMBERS OF SEEBOARD plc

We have audited the financial statements on pages 6 to 25.

Respective responsibilities of directors and auditor

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London
19 January 1998

SEEBOARD plc - GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	Note	1997 £m	1996 £m
Turnover	*1*	1,139.4	1,181.7
Cost of sales		(787.0)	(851.8)
Gross profit		352.4	329.9
Net operating costs and administrative expenses	2	(169.0)	(153.6)
Operating profit		183.4	176.3
Income from fixed asset investments	*3*		
Continuing operations		1.4	0.1
Discontinued operations			
- transferred to parent undertaking		-	4.4
Profit on ordinary activities before interest		184.8	180.8
Net interest	*4*	(13.5)	2.0
Profit on ordinary activities before taxation		171.3	182.8
Tax on profit on ordinary activities	*6*	(40.5)	(49.5)
Profit on ordinary activities after taxation		130.8	133.3
Exceptional tax - Windfall Profits Tax	*7*	(109.5)	-
Profit for the financial year		21.3	133.3
Dividends	*8*	(72.3)	(275.0)
Retained loss		(51.0)	(141.7)
Earnings per ordinary share			
Unadjusted	*9*	8.5p	53.4p
Adjusted to exclude exceptional items	*9*	52.2p	53.4p

A statement of movements on the profit and loss account is given in note 19.

Recognised gains or losses

There were no recognised gains or losses (1996 £nil) other than the profit for the financial year.

	Note	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Fixed assets					
Tangible assets	*10*	**633.8**	587.7	**624.9**	587.6
Investments	*11*	**0.6**	21.1	**16.0**	10.5
		634.4	608.8	**640.9**	598.1
Current assets					
Stocks	*12*	**21.5**	17.6	**9.8**	17.6
Debtors		**257.1**	239.8	**256.5**	259.1
Less: securitisation of trade debtors		**(155.0)**	(155.0)	**(155.0)**	(155.0)
Net debtors	*13*	**102.1**	84.8	**101.5**	104.1
Investments	*15*	**38.3**	83.7	**14.6**	61.2
Cash at bank and in hand		**0.4**	0.3	**-**	-
		162.3	186.4	**125.9**	182.9
Creditors (amounts falling due within one year)	*16*	**290.5**	234.3	**257.2**	215.8
Net current liabilities		**(128.2)**	(47.9)	**(131.3)**	(32.9)
Total assets less current liabilities		**506.2**	560.9	**509.6**	565.2
Creditors (amounts falling due after more than one year)	*16*	**104.4**	106.9	**104.4**	106.9
Provisions for liabilities and charges	*17*	**31.3**	37.6	**30.4**	37.6
Net assets		**370.5**	416.4	**374.8**	420.7
Capital and reserves					
Called up share capital	*18*	**125.3**	125.3	**125.3**	125.3
Share premium account	*19*	**7.8**	7.8	**7.8**	7.8
Capital redemption reserve	*19*	**6.8**	6.8	**6.8**	6.8
Profit and loss account	*19*	**230.6**	276.5	**234.9**	280.8
Shareholder's funds		**370.5**	416.4	**374.8**	420.7

The accounts on pages 6 to 25 were approved by the Board of Directors on 19 January 1998 and were signed on its behalf by:

Jim Ellis
Chairman and Chief Executive

Michael J Pavia
Group Finance Director

SEEBOARD plc - GROUP CASH FLOW STATEMENT *(and additional information)*
for the year ended 31 December 1997

	Note	1997 £m	1996 £m
Summary reconciliation of operating profit to operating cash flows			
Operating profit		183.4	176.3
Non-cash items	*23a*	23.9	11.1
Normal movement in working capital	*23b*	(25.1)	(25.0)
Exceptional movement in working capital			
Securitisation of trade debtors		-	155.0
NGG demerger	*23e*	-	(84.5)
		182.2	232.9

	Note	1997 £m	1996 £m
Cash flow statement			
Cash flow from operating activities		182.2	232.9
Returns on investments and servicing of finance	*23c*	(11.2)	2.9
Taxation			
Corporation tax		(21.5)	(30.4)
Windfall Profits Tax		(54.8)	-
Total taxation		(76.3)	(30.4)
Capital expenditure and financial investment	*23d*	(73.2)	(62.2)
Exceptional inflow from NGG demerger	*23e*	2.8	0.2
Acquisitions and disposals	*23f*	(0.2)	(4.6)
Cash inflow before dividends		24.1	138.8
Equity dividends paid		(72.3)	(275.0)
Cash outflow before use of liquid resources and financing		(48.2)	(136.2)
Management of liquid resources	*23g*	45.4	124.4
Financing			
Issue of shares	*23h*	-	4.5
Decrease in cash in the year		(2.8)	(7.3)

Reconciliation of net cash flow to movement in net (debt)/cash

	Note	1997 £m	1996 £m
Net (debt)/cash at 1 January		(20.9)	110.9
Net debt at 31 December	*23i*	(69.2)	(20.9)
Movement in net (debt)/cash in the year		(48.3)	(131.8)
Cash inflow from decrease in liquid resources		45.4	124.4
Non-cash items - amortisation of loan fees		0.1	0.1
Decrease in cash in the year		(2.8)	(7.3)

The accounting policies of the Company and of the Group remain unchanged from last year and have been consistently applied.

Basis of preparation

The accounts have been prepared under the historical cost convention 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 associated undertakings ("the Group"). The results of the subsidiaries are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation, being the excess of the purchase price of subsidiaries and associates over the fair value of the net assets acquired, is written off against reserves.

An associated undertaking is one in which the Group has a long term interest and over which it exercises significant but not dominant influence. The Group's share of the profits less losses of associates is included in the profit and loss account within income from fixed asset investments and the Group's share of net assets is included in investments in the balance sheet. Where an accounting policy of an associated undertaking differs significantly from that of the Group, appropriate adjustments to the results of the associate are made on consolidation.

Turnover

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

Cost of sales, net operating costs and administrative expenses

Cost of sales includes the purchase cost of electricity, 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.

Regulated income

Where there is an over recovery of Supply or Distribution business revenues against the regulated maximum allowable amount, revenues equivalent to the over recovered amount are deferred. The deferred amount is deducted from turnover and included in creditors within accruals and deferred income. Where there is an under recovery, any potential future recovery is not anticipated.

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:

Network plant and buildings	40 years, at 3% for 20 years then 2% per annum
Non-network buildings	Up to 60 years
Fixtures, equipment and vehicles	Up to 10 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.

Amounts expended on developing computer systems in preparation for the opening to competition of the domestic and small business electricity market in Great Britain have been included within the separate category "Project 1998" within fixed assets. No provision for depreciation has yet been made on these assets which are still under development. OFFER has allowed for recovery of a substantial part of this expenditure through charges which will be levied by the SEEBOARD Distribution business. No recoveries have been recognised in the accounts at 31 December 1997.

Property clawback

Under a trust deed, HM Government is entitled to a proportion of certain property gains accruing or treated as accruing as a result of property disposals. A provision for clawback of gains in respect of property disposals is made only to the extent that it is probable that a liability will crystallise. Such a liability will crystallise when an actual or deemed disposal occurs.

Stocks and work in progress

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. Also included within work in progress are costs incurred but not recharged at the period end in respect of a contract for customer services with Beacon Gas Limited.

Leases

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

Pension costs

Contributions to the Company Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The capital cost of ex-gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which they are granted.

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 attributable to the following classes of business are set out below. Exceptional items and discontinued fixed asset investments are shown separately.

	Turnover		Profit before taxation		Net assets	
	1997 £m	1996 £m	1997 £m	1996 £m	1997 £m	1996 £m
Distribution	**268.5**	273.9	**135.2**	143.3	**533.6**	464.4
Supply	**959.7**	1,014.2	**41.8**	28.8	**22.3**	16.3
Other activities	**133.9**	127.6	**6.4**	4.2	**59.9**	71.3
Unallocated	**-**	-	**-**	-	**(176.7)**	(142.2)
Inter-activity sales	**(222.7)**	(234.0)	**-**	-	**-**	-
	1,139.4	1,181.7	**183.4**	176.3	**439.1**	409.8
Exceptional items	**-**	-	**-**	-	**-**	6.4
Fixed asset investments (*continuing*)	**-**	-	**1.4**	0.1	**0.6**	0.4
Fixed asset investments (*discontinued*)	**-**	-	**-**	4.4	**-**	20.7
Net interest	**-**	-	**(13.5)**	2.0	**-**	-
Net debt	**-**	-	**-**	-	**(69.2)**	(20.9)
	1,139.4	1,181.7	**171.3**	182.8	**370.5**	416.4

During the year the Supply business recovered £20m (1996 £3m) undercharged in previous years compared to the level of regulatory allowed revenues.

2 Net operating costs and administrative expenses

	1997 £m	1996 £m
Net operating costs - depreciation	**31.6**	31.5
- other	**112.2**	99.0
	143.8	130.5
Administrative expenses	**25.2**	23.1
	169.0	153.6

Other operating costs include the release of a pension creditor of £4.0m (1996 £17.5m).

Net operating costs and administrative expenses include:		1997 £m	1996 £m
Operating lease rentals		**4.3**	4.3
Remuneration of auditor and its associates	- for audit work (Group)	**0.2**	0.2
	- for non-audit work	**0.4**	0.4

The audit fee for the Company was £0.2m (1996 £0.2m).

3 Income from fixed asset investments

	1997 £m	1996 £m
Share of profits of associated undertakings		
Continuing operations		
SEEBOARD International (subsidiary from 30 January 1997)	-	0.1
Discontinued operations - transferred to parent undertaking		
Beacon Gas	-	(0.5)
Medway Power	-	4.9
	-	4.5
Other income from fixed asset investments (continuing operations)		
Dividends received from ESN Holdings	1.4	-
	1.4	4.5

As a result of modifications to the Company's PES licence which were required following the purchase of SEEBOARD plc by CSW, the Company's interests in SEEBOARD (Generation) Limited and SEEBOARD Natural Gas Limited were transferred on 1 January 1997 to SEEBOARD Group plc, the Company's immediate parent company. Further information on fixed asset investments is contained in note 11.

On 30 January 1997, the Company acquired 100% ownership of SEEBOARD International Limited.

4 Net interest

	1997 £m	1996 £m
Interest payable:		
On bank loans, overdrafts and other loans wholly repayable within five years	(10.8)	(0.9)
On long term loans repayable in whole or in part after five years	(8.6)	(8.6)
	(19.4)	(9.5)
Interest receivable	5.9	11.5
	(13.5)	2.0

5 Directors and employees

(a) Directors' share options

	Scheme	Date of grant	Held at 1.1.97	Granted during the period	**Held at 31.12.97**	Exercise price	Date from which normally exercisable	Expiry date
T J Ellis	CSW option	17.1.1996	16,400	-	**16,400**	$27.25	17.1.1999	17.1.2006
	CSW option	23.5.1997	-	32,000	**32,000**	$20.75	23.5.1998	23.5.2007
J Weight	CSW option	17.1.1996	4,800	-	**4,800**	$27.25	17.1.1999	17.1.2006
	CSW option	23.5.1997	-	14,000	**14,000**	$20.75	23.5.1998	23.5.2007
M J Pavia	CSW option	17.1.1996	4,800	-	**4,800**	$27.25	17.1.1999	17.1.2006
	CSW option	23.5.1997	-	18,000	**18,000**	$20.75	23.5.1998	23.5.2007
A R Smith	CSW option	17.1.1996	4,800	-	**4,800**	$27.25	17.1.1999	17.1.2006
	CSW option	23.5.1997	-	13,000	**13,000**	$20.75	23.5.1998	23.5.2007

Options granted to directors on 23 May 1997 are exercisable in one third instalments on the first, second and third anniversaries of the date of grant. The mid market price of those CSW shares on 31 December 1997 was $27.00 and during the year, were quoted in the range $18.25 to $27.25.

During 1996 the directors were awarded, by CSW, the right to receive shares in CSW. This right is contingent upon CSW achieving a specified level of total shareholder return relative to a peer group of US utility companies for a three year period. The maximum number of CSW shares that can be awarded is 8,652 for T J Ellis and 3,259 for J Weight, M J Pavia and A R Smith, and the minimum number is nil.

S Gutteridge resigned as a director on 30 September 1997 and as a consequence, options granted to purchase 18,800 CSW shares lapsed, including options to purchase 14,000 CSW shares awarded on 23 May 1997.

(b) Emoluments of directors of the Company.
Directors' salaries are set by a CSW Executive Compensation Committee which is made up of non-executive directors of CSW.

	1997	1996
	£000	£000
Salaries	**833**	790
Benefits	**52**	49
Bonuses	**478**	-
Fees	**-**	43
	1,363	882

(i) NGG shares
Following the demerger of the National Grid Group plc, shareholders in SEEBOARD plc received NGG shares by way of a specie dividend. Employees participating in the executive share option scheme and the sharesave scheme did not receive shares in NGG. However, in order to ensure that employees, including directors, were neither advantaged nor disadvantaged in comparison to shareholders, employees were allocated NGG shares on a similar basis, such allocations, totalling £3.2m being fully taxable. Total directors' emoluments for the year ended 31 December 1996, including the value of NGG shares of £923,000, was £1,805,000

5 Directors and employees continued

(ii) 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.

		Emoluments from salary, benefits and bonus				Non-recurring gains included as emoluments	
		Salary	Benefits	Bonus	Total	NGG shares	Total incl. NGG
Chairmen	Year	£000	£000	£000	£000	£000	£000
T J Ellis (appointed as Chairman 10 January 1996)	**1997**	**238**	**9**	**160**	**407**	**-**	**407**
	1996	231	9	-	240	270	510
Sir Keith Stuart (resigned 10 January 1996)	**1997**	**-**	**-**	**-**	**-**	**-**	**-**
(paid to Associated British Ports Holdings PLC)	1996	25	-	-	25	-	25
Executive directors							
J Weight	**1997**	**133**	**12**	**68**	**213**	**-**	**213**
	1996	130	11	-	141	157	298
M J Pavia	**1997**	**168**	**16**	**87**	**271**	**-**	**271**
	1996	162	12	-	174	172	346
A R Smith (resigned 15 January 1998)	**1997**	**125**	**7**	**60**	**192**	**-**	**192**
	1996	112	6	-	118	128	246
S Gutteridge (resigned 30 September 1997)	**1997**	**169**	**8**	**103**	**280**	**-**	**280**
	1996	130	11	-	141	196	337

The emoluments of T J Ellis as Chairman and Chief Executive, amounted to £407,000. (For the period 10 January 1996 to 31 December 1996 - £234,000, £504,000 including the value of NGG shares referred to above).

All executive directors have service contracts terminable by two years' notice. Emoluments paid to S Gutteridge, set out in the table above, include £67,000 in respect of the early termination, by mutual agreement, of his service contract, following his resignation as director. No payments were made during the year to directors for loss of office (1996 £nil).

The non-executive directors serving to 10 January 1996 received neither share options nor pension entitlements.

(iii) Pension benefits

	Age	Years of pensionable service	Contributions paid by directors in the year £000	Increase in accrued pension in the year £000	Accumulated accrued pension at year end £000
T J Ellis	55	37	7	3	142
J Weight	49	26	4	2	64
M J Pavia	51	3	5	5	18
A R Smith (resigned 15 January 1998)	47	25	4	6	56
S Gutteridge (resigned 30 September 1997)*	43	5	3	3	21

* In respect of S Gutteridge, increase in accrued pension is to 30 September 1997 and accumulated accrued pension is stated as at 30 September 1997.

5 Directors and employees continued

(iii) Pension benefits continued
The arrangements for directors provide for a maximum pension of two-thirds of the final salary at normal retirement age of 60, subject to 20 years qualifying service with a surviving spouse entitled to two-thirds of the member's pension. 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 £32,000 (1996 £31,000) was paid in the period to a former Chairman.

(c) Employment costs
The aggregate remuneration of all employees, including the directors of the Group, comprised:

	1997 £m	1996 £m
Wages and salaries	85.9	79.8
Social security costs	6.6	6.5
Pension costs	3.9	4.1
	96.4	90.4
Less: charged as capital expenditure	(20.3)	(20.7)
Charged to profit and loss account	76.1	69.7

Following the triennial valuation of the Electricity Supply Pension Scheme at 31 March 1995 *(see note 20)* the resultant surplus enabled both employees and the Company to make reduced pension contributions.

	1997	1996
(d) Average number of employees in the Group during the period were:	4,158	4,146

6 Tax on profit on ordinary activities

	1997 £m	1996 £m
UK corporation tax at 31.5% (1996 33%)	34.2	23.6
Deferred tax *(see note 14)*	6.3	25.9
	40.5	49.5

7 Exceptional tax - Windfall Profits Tax

On 2 July 1997, the Chancellor announced his intention to levy a Windfall Profits Tax on the profits of companies privatised by flotation whose privatisation involved the imposition of regulation. Legislation was introduced in the Finance (no 2) Act 1997 which received Royal Assent on 31 July 1997. The levy is based on 23% of the excess of nine times the average profits after tax for the four years following flotation, over the flotation price. For SEEBOARD plc, the charge equates to £109.5m payable in two equal instalments on 1 December 1997 and 1 December 1998.

8 Dividends

Dividends totalling £72.3m (1996 £275.0m) were paid during the year to SEEBOARD Group plc, SEEBOARD plc's parent undertaking.

9 Earnings per ordinary share

		1997	1996
		000s	000s
Weighted average issued share capital		250,494	249,680
		£m	£m
Profit for the financial year		21.3	133.3
Exceptional tax - Windfall Profits Tax		109.5	-
Adjusted profit for the year		130.8	133.3
Earnings per share	- Unadjusted	8.5p	53.4p
	- Adjusted to exclude Windfall Profits Tax	52.2p	53.4p

Adjusted earnings per share is calculated to provide an additional indication of underlying performance.

10 Tangible fixed assets

(a) Group

Cost	Project 1998 £m	Network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total £m
At 1 January 1997	4.5	763.4	76.1	86.9	18.0	948.9
Additions	22.6	48.0	0.9	5.8	1.0	78.3
Disposals	-	(1.0)	(0.4)	-	(3.6)	(5.0)
At 31 December 1997	27.1	810.4	76.6	92.7	15.4	1,022.2
Depreciation						
At 1 January 1997	-	267.9	17.2	63.9	12.2	361.2
Disposals	-	(1.0)	(0.3)	-	(3.1)	(4.4)
Charge for the year	-	20.1	1.8	7.9	1.8	31.6
At 31 December 1997	-	287.0	18.7	71.8	10.9	388.4
Net book amount						
At 31 December 1997	27.1	523.4	57.9	20.9	4.5	633.8
At 31 December 1996	4.5	495.5	58.9	23.0	5.8	587.7

Project 1998 costs represent the costs of developing computer systems intended to enable the opening to competition of the domestic and small business electricity supply market.

10 Tangible fixed assets continued

(b) Company

Cost	Project 1998 £m	Network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total £m
At 1 January 1997	4.5	763.4	76.1	86.8	18.0	948.8
Additions	22.6	48.0	0.6	3.6	0.7	75.5
Disposals	-	(1.0)	(0.1)	-	(2.8)	(3.9)
Transfers to group undertakings	-	-	(3.5)	(15.2)	(4.2)	(22.9)
At 31 December 1997	**27.1**	**810.4**	**73.1**	**75.2**	**11.7**	**997.5**
Depreciation						
At 1 January 1997	-	267.9	17.2	63.9	12.2	361.2
Disposals	-	(1.0)	-	-	(2.5)	(3.5)
Transfers to group undertakings	-	-	(2.7)	(8.8)	(2.6)	(14.1)
Charge for the year	-	20.1	1.3	6.2	1.4	29.0
At 31 December 1997	-	**287.0**	**15.8**	**61.3**	**8.5**	**372.6**
Net book amount						
At 31 December 1997	**27.1**	**523.4**	**57.3**	**13.9**	**3.2**	**624.9**
At 31 December 1996	4.5	495.5	58.9	22.9	5.8	587.6

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

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Freehold - land	**6.6**	6.6	**6.6**	6.6
- buildings	**50.0**	50.8	**49.4**	50.8
Short leasehold	**1.3**	1.5	**1.3**	1.5
	57.9	58.9	**57.3**	58.9

Non-network land is not depreciated.

(d) Included in fixed assets at 31 December 1997 are assets under development amounting to £40.8m (1996 £24.8m) including Project 1998 costs.

11 Fixed asset investments

Group

	Associated undertakings				
	SEEBOARD International £m	Beacon Gas £m	Medway Power £m	Other undertakings £m	Total Group £m
At 1 January 1997	0.2	2.5	18.2	0.2	21.1
Additions	-	-	-	0.4	0.4
Transfer to subsidiary undertaking	(0.2)	-	-	-	(0.2)
Disposal to parent undertaking	-	(2.5)	(18.2)	-	(20.7)
At 31 December 1997	-	-	-	0.6	0.6

Company

	Subsidiary undertakings £m	Other undertakings £m	Total Company £m
At 1 January 1997	4.9	5.6	10.5
Additions	10.2	0.4	10.6
Disposals	-	(5.1)	(5.1)
Transfers	0.3	(0.3)	-
At 31 December 1997	15.4	0.6	16.0

On 1 January 1997, the Company's interest in SEEBOARD (Generation) Limited and SEEBOARD Natural Gas Limited was transferred to SEEBOARD Group plc, the Company's immediate parent company. SEEBOARD (Generation) Limited 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. SEEBOARD Natural Gas Limited has a 50% interest in Beacon Gas Limited, a joint venture company with Amoco set up for the supply of gas to domestic customers.

The Company has entered into a contract for differences linked to 50% of Medway's output of electricity for 15 years commencing in 1996. Net payments to Medway under this contract amounted to £10.4m in 1997 (1996 £3.4m).

The Company provides customer services to Beacon Gas under a contractual arrangement. At the year end costs incurred by SEEBOARD plc and recoverable from Beacon Gas of £7.4m (1996 £4.1m) were included within work in progress. In addition, the Company had made loans to Beacon Gas of £2.5m at 31 December 1997 (1996 £nil) to fund working capital.

On 30 January 1997, the Company acquired 100% ownership of SEEBOARD International Limited. A schedule of the Company's principal subsidiary undertakings is given in note 24.

12 Stocks

	Group		Company	
	1997 £m	1996 £m	1997 £m	1996 £m
Raw materials and consumables	1.5	2.6	1.3	2.6
Work in progress	11.9	7.2	8.5	7.2
Finished goods and goods for resale	8.1	7.8	-	7.8
	21.5	17.6	9.8	17.6

Included in work in progress is an amount recoverable from Beacon Gas of £7.4m (1996 £4.1m) under a long term contract for the provision of customer services (see note 11).

13 Debtors

	Group 1997 £m	Group 1996 £m	Company 1997 £m	Company 1996 £m
Amounts falling due within one year:				
Trade debtors	**171.8**	171.9	**155.1**	167.5
Less: securitisation	**(155.0)**	(155.0)	**(155.0)**	(155.0)
Net trade debtors	**16.8**	16.9	**0.1**	12.5
Amounts owed by parent undertakings	**9.3**	1.0	**9.3**	1.0
Amounts owed by group undertakings	-	-	**41.0**	9.0
Amoununst owed by related undertakings	**2.6**	-	**2.6**	-
Credit sale instalments not yet due	**27.0**	26.5	**5.8**	26.5
Amount due in respect of the sale of First Hydro	-	2.8	-	2.8
Other debtors	**12.9**	11.9	**12.5**	10.4
Prepayments and accrued income	**6.7**	6.1	**6.2**	6.1
Dividends receivable	**0.5**	-	**0.5**	-
Deferred tax (*see note 14*)	**4.8**	11.1	**4.8**	11.1
	80.6	76.3	**82.8**	79.4
Amounts falling due after more than one year:				
Amounts owed by group undertakings	**18.7**	-	**18.7**	16.2
Credit sale instalments not yet due	**2.6**	2.6	-	2.6
Other debtors	**0.2**	-	-	-
Advance corporation tax recoverable	-	5.9	-	5.9
	102.1	84.8	**101.5**	104.1

A securitisation programme was entered into in 1996 involving the sale of unbilled and billed trade debtors to a trust. Interest is charged on the securitisation at approximately 0.22% above LIBOR and is payable monthly. The Company is not obliged to support any losses suffered by the trust as a result of the securitisation, nor does it intend to do so. Furthermore, the trust has agreed in writing that it will seek recovery of sums advanced to the Company, together with funding costs, only to the extent that sufficient funds are generated from the assets to which the securitisation applies.

14 Deferred tax

Deferred tax assets and liabilities computed at a rate of 31% (1996 33%) were as follows:

Group and Company	1997 £m	1996 £m
Provided - asset		
At 1 January	**(11.1)**	(37.0)
Transfer from deferred tax (*see note 6*)	**6.3**	25.9
At 31 December	**(4.8)**	(11.1)
Unprovided - liabilities		
Capital allowances in excess of depreciation	**144.9**	139.3
Other timing differences	**(0.6)**	(1.3)
Total unprovided liabilities	**144.3**	138.0
Total deferred tax liabilities	**139.5**	126.9

15 Current asset investments

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Short term deposits	**25.5**	73.1	**14.6**	61.2
Other investments	**12.8**	10.6	-	-
	38.3	83.7	**14.6**	61.2

Of the other investments, £6.7m (1996 £3.7m) were listed on the London Stock Exchange.

16 Creditors

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Amounts falling due within one year:				
Advance payments	**1.3**	4.0	**1.3**	3.9
Bank loans and overdrafts	**8.5**	5.6	**7.0**	5.6
Payments received on account	**10.3**	7.7	**8.3**	7.7
Trade creditors	**143.1**	146.5	**129.9**	142.5
Corporation tax	**22.1**	15.6	**21.8**	15.6
Windfall Profits Tax	**54.7**	-	**54.7**	-
Other taxation and social security	**2.9**	3.3	**2.7**	3.3
Other creditors	**23.5**	28.2	**9.1**	13.8
Accruals and deferred income	**24.1**	23.4	**22.4**	23.4
	290.5	234.3	**257.2**	215.8

Amounts falling due after more than one year:

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Bonds	**99.4**	99.3	**99.4**	99.3
Advance payments	**0.9**	3.3	**0.9**	3.3
Other creditors	**4.1**	4.3	**4.1**	4.3
	104.4	106.9	**104.4**	106.9

Loans outstanding at the year end were repayable as follows:

	Group		Company	
	1997	1996	1997	1996
	£m	£m	£m	£m
Repayable within one year	**8.5**	5.6	**7.0**	5.6
Repayable after five years				
8.5% bonds due 2005	**99.4**	99.3	**99.4**	99.3
	107.9	104.9	**106.4**	104.9

The fair value at 31 December 1997 of the 8.5% bonds due 2005 was £107.0m.

17 Provisions for liabilities and charges

	Restructuring £m	Other £m	Total £m
Group			
Balance at 1 January 1997	17.6	20.0	37.6
Applied during the year	(4.8)	(3.4)	(8.2)
Provided in the year	1.1	0.8	1.9
Balance at 31 December 1997	**13.9**	**17.4**	**31.3**

	Restructuring £m	Other £m	Total £m
Company			
Balance at 1 January 1997	17.6	20.0	37.6
Transfer to group undertakings	(0.4)	(0.2)	(0.6)
Applied during the year	(4.4)	(3.4)	(7.8)
Provided in the year	0.4	0.8	1.2
Balance at 31 December 1997	**13.2**	**17.2**	**30.4**

18 Called up share capital

Authorised:	Number	£m
Ordinary shares of 50p each	**400,000,000**	**200.0**
Allotted and fully paid:		
At 1 January 1997 and 31 December 1997	**250,493,703**	**125.3**

19 Reconciliation of movements in shareholder's funds

	Share capital £m	Share premium account £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 1997	125.3	7.8	6.8	276.5	416.4	280.8
Retained loss for the year	-	-	-	(51.0)	(51.0)	(45.9)
Goodwill	-	-	-	5.1	5.1	-
Balance at 31 December 1997	**125.3**	**7.8**	**6.8**	**230.6**	**370.5**	**234.9**

The cumulative amount of goodwill written off to reserves at 31 December 1997 was £5.0m (1996 £10.1m).

20 Pension costs

The Electricity Supply Pension Scheme ("ESPS"), which operates throughout the Electricity Supply Industry, provides pension and other related benefits based on final pensionable pay to the majority of SEEBOARD employees. The assets of the Scheme are held in a separate trustee administered fund. A full actuarial valuation of the Scheme is carried out on a triennial basis. These accounts incorporate the results of the valuation of the Scheme carried out as at 31 March 1995.

This Scheme has not been offered to new employees joining the Company 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.

Pension costs arising from all of the Company's pension schemes, charged to the profit and loss account for the year amounted to £3.9m (1996 £4.1m). The latest full actuarial valuation of the Company's section of the ESPS was carried out by Bacon and Woodrow, consulting actuaries, as at 31 March 1995. 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 4% per annum.

The actuarial value of the assets of the Company's section of the ESPS as at 31 March 1995 represented 109% of the actuarial value of the accrued benefits. After allowing for the agreed utilisation of valuation surpluses, this will reduce to 100%. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service completed to date for active members, allowing for future salary rises.

The total market value of the assets of the Scheme as at 31 March 1995 was £12,483m of which £539m represented the section of the Scheme which relates to the Company.

During the year the ACT credit on dividend income was abolished. Bacon & Woodrow have advised the Group that a change to the level of contribution to the Scheme is not necessary in advance of the next triennial valuation. Any impact of this change will be taken account of in that valuation.

Contributions payable by the Company to the Scheme during the year (excluding provisions) totalled £3.9m (1996 £4.0m).

21 Lease obligations

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

	Group and Company	
	1997	1996
	£m	£m
In the second to fifth year inclusive	**0.3**	0.3

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

	Group and Company	
	1997	1996
	£m	£m
Within one year	**-**	0.1
In the second to fifth year inclusive	**0.3**	0.4
In more than five years	**3.3**	3.0
	3.6	3.5

22 Capital and other commitments

Capital investment in respect of which the Group has entered into contractual commitments but which is not provided for as at 31 December 1997 amounted to £6.1m (1996 £6.3m).

23 Notes to the cash flow statement

	1997 £m	1996 £m
(a) Non-cash items		
Depreciation	31.6	31.5
Profit on sale of fixed assets	(1.4)	(2.3)
Decrease in provisions	(6.3)	(18.1)
	23.9	11.1
(b) Normal movement in working capital		
Increase in stocks	(3.9)	(4.8)
Increase in debtors	(23.8)	(14.7)
(Decrease)/increase in creditors		
Decrease in advance payments	(5.1)	(13.0)
Increase in other creditors	7.7	7.5
	(25.1)	(25.0)

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

	1997 £m	1996 £m
(c) Returns on investments and servicing of finance		
Interest received	4.9	12.3
Interest paid	(16.7)	(9.4)
Dividends received	0.6	-
Net cash (outflow)/inflow from returns on investments and servicing of finance	(11.2)	2.9
(d) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(76.7)	(74.8)
Repayment of loan to Employee Share Ownership Trust	-	8.5
Receipts from sales of tangible fixed assets	3.5	4.1
Net cash outflow from capital expenditure and financial investment	(73.2)	(62.2)

23 Notes to the cash flow statement continued

e) Exceptional items

	1997 £m	1996 £m
Increase in debtors attributable to the discount to customers in 1995 on the demerger of NGG	-	(84.5)
Exceptional movement in working capital	-	(84.5)

The Company's interest in the National Grid Group ("NGG") was demerged to shareholders of SEEBOARD plc and the effect of this demerger was included in the accounts of the Company for the nine months ended 31 December 1995.

	1997 £m	1996 £m
Taxation	-	(46.6)
Sale of fixed asset investments - First Hydro	2.8	46.8
Other exceptional inflow from NGG demerger	2.8	0.2

(f) Acquisitions and disposals

	1997 £m	1996 £m
Purchase of investment in subsidiary undertakings	(0.2)	-
Purchase of investment in associated undertakings	-	(4.6)
Net cash outflow from acquisitions and disposals	(0.2)	(4.6)

(g) 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.

(h) Financing

	1997 £m	1996 £m
Equity		
Issue of ordinary share capital	-	4.5
Net cash inflow from financing	-	4.5

(i) Analysis of net cash/(debt)

	Balance 1 January 1997 £m	Cash flow £m	Non-cash changes £m	Balance 31 December 1997 £m
Cash in hand and at bank	0.3	0.1	-	0.4
Bank overdraft	(5.6)	(2.9)	-	(8.5)
Debt due after more than one year	(99.3)	-	(0.1)	(99.4)
Current asset investments				
Liquid investments	83.7	(45.4)	-	38.3
Net debt	(20.9)	(48.2)	(0.1)	(69.2)

24 Subsidiary undertakings

The principal undertakings at 31 December 1997 which are incorporated and operate in England and Wales (unless otherwise stated) are as follows:

	Percentage of ordinary shares held	Activities
Principal subsidiary undertakings		
Seeboard Insurance Company Limited (Isle of Man)	100%	Insurance
Longfield Insurance Company Limited (Isle of Man)	100%	Insurance
Southern Gas Limited	100%	Gas supply
SEEBOARD International Limited	100%	Overseas consultancy
SEEBOARD Trading Limited	100%	Retail and contracting
Seepower Limited	100%	Investment company

25 Ultimate holding company

The ultimate UK holding company is CSW UK Finance Company, incorporated on 17 December 1996, registered in England and Wales. The ultimate holding company is Central and South West Corporation, registered in Delaware, USA. Financial statements may be obtained from Central and South West Corporation, 1616 Woodall Rodgers Freeway, Dallas, Texas, 75266-0164.

26 Regulatory accounts

SEEBOARD plc is required to produce Regulatory Accounts each year in accordance with the conditions of its PES Licence. These 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.