

SEEBOARD POWERLINK LIMITED

Registered Number 3221818

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003



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Directors

Humphrey A E Cadoux-Hudson (Chairman)
Trevor J Gregory
Stuart K Leadill
Brian J S Gray
Maria H Maes
Arthur J Dalton
Paul D Northwood
Ian K Rylatt
Michael M B Ross

Secretary

Christopher J Baker

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

40 Grosvenor Place
Victoria
London
SW1X 7EN

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2003.

Principal activity and review of the business

The Company's principal activity during the year continued to be the maintenance, operation and renewal of electrical distribution and power generation equipment in respect of the London Underground Limited Power Service Contract. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, after taxation, amounted to £4,327,000 (2002: £5,210,000). The Company paid a dividend of £5,500,000 (2002:£10,500,000).

Directors and their interests

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

Directors

Humphrey A E Cadoux-Hudson	(Resigned 15 September 2003, re-appointed 26 January 2004)
Trevor J Gregory	
Stuart K Leadill	
Brian J S Gray	
Paul D Northwood	
Ian K Rylatt	
Maria H Maes	(Appointed 15 September 2003)
Arthur J Dalton	(Appointed 26 January 2004)
Michael M B Ross	(Appointed 5 November 2003)
Vincent de Rivaz	(Resigned 26 January 2004)
Bernard J Chudley	(Resigned 15 September 2003)
John C Fox	(Resigned 28 November 2003)

The only director to receive emoluments was Brian J S Gray, details of which are set out in note 4 to the accounts.

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

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

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £21,000 (2002: £700) and no political contributions.

Creditors payment policy

The Company's current policy concerning the payment of its trade creditors and other suppliers is to:

- settle the terms of payment with those creditors/suppliers when agreeing the terms of each transaction;

DIRECTORS' REPORT Continued

- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception. At 31 December 2003, the Company had an average of 30 days (2002 - 42 days) purchases outstanding in its trade creditors.

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy Group (formerly SEEBOARD Group). 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 and Company intranet on current activities and progress. The Company operates an employee incentive bonus scheme which rewards staff when performance penalties are maintained below a given threshold. The company recognises five trade unions and regular meetings are held to maintain a good working relationship.

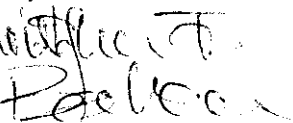
Equal opportunities

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

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors will be put to the members at the Annual General Meeting on 18 May 2004.

By order of the Board



Christopher J Baker
Company Secretary
Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEEBOARD POWERLINK LIMITED

We have audited the Company's financial statements for the year ended 31 December 2003 on pages 6 to 17.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

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



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

18 May 2004

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	53,765	52,693
Cost of sales		(41,999)	(41,653)
Gross profit		11,766	11,040
Administrative expenses		(6,932)	(6,073)
Operating profit	3	4,834	4,967
Net interest receivable	6	1,348	1,823
Profit on ordinary activities before taxation		6,182	6,790
Tax on profit on ordinary activities	7	(1,855)	(1,580)
Profit for the financial year	15	4,327	5,210
Dividends	8	(5,500)	(10,500)
Deficit retained for the financial year		(1,173)	(5,290)

There were no recognised gains or losses other than the profit of £4,327,000 for the year ended 31 December 2003 (2002: profit of £5,210,000).

Turnover and profit were derived from continuing operations. All activities relate to the same operational and geographic segment.

SEEBOARD POWERLINK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003

BALANCE SHEET
AT 31 DECEMBER 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	1,698	2,091
Current assets			
Stock	10	1,506	869
Debtors falling due within one year	11	26,474	22,378
Cash		31,520	47,805
		59,500	71,052
Creditors (amounts falling due within one year)	13	(53,617)	(64,389)
Net current assets		5,883	6,663
Total assets less current liabilities		7,581	8,754
Net assets		7,581	8,754
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	6,581	7,754
Equity shareholder's funds		7,581	8,754

The accounts on pages 6 to 17 were approved by the Board of Directors on
and were signed on its behalf by:



Maria H Maes
Director



Brian J S Gray
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<i>Note</i>	2003 £000	2002 £000
Net cash inflow from operating activities	19 (a)	557	5,206
<hr/>			
Returns on investments and servicing of finance			
Interest received		1,366	1,805
Interest paid		(4)	(3)
		1,362	1,802
<hr/>			
Taxation			
Consortium relief paid		(1,608)	(2,012)
		(1,608)	(2,012)
<hr/>			
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(603)	(1,246)
Receipts from sales of tangible fixed assets		7	-
		(596)	(1,246)
<hr/>			
Equity dividends paid		(16,000)	-
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(Decrease)/Increase in cash		(16,285)	3,750

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	<i>Note</i>	2003 £m	2002 £m
Movement in net cash	19 (b)	(16,285)	3,750
Net cash at 1 January		47,805	44,055
<hr/>			
Net cash at 31 December	19 (b)	31,520	47,805

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

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

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

Long term contract

The contract between SEEBOARD Powerlink Limited and London Underground Limited for the operation, maintenance and upgrade of London Underground Limited's electricity distribution system is accounted for as a long term contract, with turnover and profits being recognised in proportion to progress on defined segments of the contract.

The amounts 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 invoices raised exceed turnover and long term contract balances they are included as payments received on account within creditors.

Tangible fixed assets

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

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Cars and commercial vehicles	–	5 years
Plant and machinery	–	5 years
Equipment and fittings	–	5 years
IT equipment	–	4 years

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	Purchase cost on an average price basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on a normal level of activity

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

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

NOTES TO THE FINANCIAL STATEMENTS Continued

Deferred taxation

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

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

Leasing and hire purchase commitments

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

Pensions

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

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

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activities of maintenance, operation and renewal of electrical distribution and power generation equipment in respect of the London Underground Limited Power Service Contract.

3. Operating profit

	2003 £000	2002 £000
This is stated after charging:		
Depreciation of owned fixed assets	944	762
Auditors' remuneration	29	25
Operating lease rentals – plant and machinery	13,438	9,380

NOTES TO THE FINANCIAL STATEMENTS Continued

4. Directors' emoluments

	2003 £000	2002 £000
Emoluments	152	64
Company contribution paid to defined benefits pension scheme	23	8
	2003 Number	2002 Number
Members of defined benefit pension scheme	9,234	9,408

Brian J S Gray was appointed director on 20 May 2002 and was the only director to receive emoluments from the Company. The 2002 figures only include the remuneration received during the period that Brian J S Gray was a director.

5. Staff costs

	2003 £000	2002 £000
Wages and salaries	11,609	13,209
Social security costs	1,004	1,269
Other pension costs	997	1,365
Less: capitalised expenditure	-	(77)
	13,610	15,766

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

	2003 Number	2002 Number
	307	416

There are EDF Energy plc employees seconded to SEEBOARD Powerlink Limited whose salary costs are borne by EDF Energy plc and recharged to SEEBOARD Powerlink Limited via an inter-business arrangement.

6. Net Interest receivable

	2003 £000	2002 £000
Interest receivable	1,352	1,826
Interest payable on bank loans and overdrafts	(4)	(3)
	1,348	1,823

NOTES TO THE FINANCIAL STATEMENTS Continued

7. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

UK current tax

	2003 £000	2002 £000
Corporation tax payable	1,914	1,608
Adjustment in respect of previous years	-	-
Total current tax charge (Note (b))	1,914	1,608

UK deferred tax

	2003 £000	2002 £000
Origination and reversal of timing differences	(59)	8
Adjustment in respect of prior years	-	(36)
Total deferred tax credit	(59)	(28)
Tax charge on profit on ordinary activities	1,855	1,580

(b) Factors affecting tax charge for the year:

	2003 £000	2002 £000
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	6,182	6,790
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	1,855	2,037
Effect of:		
Capital allowances in excess of depreciation	-	(8)
Depreciation in excess of capital allowances	59	-
Underpayment for losses	-	(421)
Current tax charge for the period	1,914	1,608

8. Dividends

	2003 £000	2002 £000
Equity dividends on ordinary shares:		
Interim paid	5,500	-
Final proposed	-	10,500
	5,500	10,500

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Tangible fixed assets

	Motor vehicles £000	Equipment and fittings £000	Total £000
Cost			
At 1 January 2003	45	3,979	4,024
Additions	19	567	586
Disposals	-	(154)	(154)
At 31 December 2003	64	4,392	4,456
Depreciation			
At 1 January 2003	27	1,906	1,933
Charge for the year	11	933	944
Disposals	-	(119)	(119)
At 31 December 2003	38	2,720	2,758
Net book value			
At 31 December 2003	26	1,672	1,698
At 31 December 2002	18	2,073	2,091

10. Stocks

	2003 £000	2002 £000
Raw materials and consumables	1,480	807
Work in progress	26	62
	1,506	869

11. Debtors

	2003 £000	2002 £000
Trade debtors	3,802	11,483
Amounts owed by other group companies	542	-
Amounts owed by other related companies	815	1,244
Other debtors	1,530	2,689
Prepayments and accrued income	19,631	6,866
Deferred taxation recoverable (note 12)	154	96
	26,474	22,378

Included in debtors is an amount of £154,000 which is due after more than one year (2002 – £96,000).

NOTES TO THE FINANCIAL STATEMENTS Continued

12. Deferred taxation

Deferred taxation provided in the financial statements comprises of the following:

	2003 £000	2002 £000
Depreciation in excess of capital allowances	154	96
	154	96

13. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Payments received on account	41,162	34,071
Trade creditors	711	2,864
Amounts owed to other group companies	1,550	6,955
Amounts owed to related companies	3,174	3,212
Consortium and group relief payable	-	1,608
Accruals	4,641	4,807
Other creditors, including taxation and social security	2,379	372
Proposed final dividend	-	10,500
	53,617	64,389

14. Share capital

Authorised:

	2003 £000	2002 £000
10,000,000 Ordinary shares of £1 each	10,000	10,000

Allotted, called up and fully paid:

	2003 Number	2002 Number	2003 £000	2002 £000
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Shareholders funds
	£000	£000	£000
At 1 January 2002	1,000	13,044	14,044
Profit for the year	-	5,210	5,210
Dividends	-	(10,500)	(10,500)
At 31 December 2002	1,000	7,754	8,754
Profit for the year	-	4,327	4,327
Dividends	-	(5,500)	(5,500)
At 31 December 2003	1,000	6,581	7,581

16. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2002 - £nil).

17. Pension commitments

The majority of employees who joined from London Underground Limited participate in the LRT Pension Fund, a final salary scheme established under trust. The fund's trustee is the LRT Pension Fund Trustee Company Limited, a wholly owned subsidiary of London Transport. The Company pays contributions in respect of members of the LRT pension fund at a capped rate, over the life of the contract with London Underground Limited and is not affected by valuation deficits. Accordingly the scheme has been treated for accounting purposes on a defined contribution basis.

New employees have the option to join the SEEBOARD Final Salary Pension Plan or the SEEBOARD Pension Investment Plan, which were established on 1 July 1995. The first of these schemes is a final salary pension scheme and the second is a money purchase scheme. Assets for these schemes are held in separate trustee administered funds, although currently it is not possible to identify the Company's share of those assets. The Company pays contributions to these schemes at a capped contribution rate, which is charged directly to the profit and loss account.

The pension charge for the period relating to all schemes was £997,051 (31 December 2002: £1,364,552).

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Other financial commitments

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

	Land and buildings 2003 £000	Other 2003 £000	Land and buildings 2002 £000	Other 2002 £000
Operating leases which expire:				
Within one year	-	19	-	72
In two to five years	-	62	-	46
In over five years	-	16,558	-	14,722
	-	16,639	-	14,840

19. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	4,834	4,967
Depreciation of tangible fixed assets	944	762
Loss on disposal of fixed assets	28	-
Increase in debtors	(4,052)	(12,050)
(Increase)/decrease in stocks	(637)	571
(Decrease)/increase in creditors	(560)	10,956
Net cash inflow from operating activities	557	5,206

(b) Analysis of net cash

	At 1 January 2003 £000	Cash flow £000	At 31 December 2003 £000
Cash at bank and in hand	47,805	(16,285)	31,520

NOTES TO THE FINANCIAL STATEMENTS Continued

20. Related parties

SEEBOARD Powerlink Limited is a subsidiary of EDF Energy plc (formerly SEEBOARD plc). During the year the Company was charged £5,915,484 (2002 £5,422,673) for materials, property and administration costs. During the year the Company charged £533,932 (2002 £nil) for occupancy charges. At the year end, the Company owed EDF Energy plc £1,008,000 (2002 £7,352,000) for these services.

A contract has been entered into with Power Asset Development Company Limited ("PADCo"), a joint venture company of EDF Energy plc (formerly SEEBOARD plc), for the design, construction, commissioning, maintenance and renewal of assets forming part of London Underground Limited's electricity distribution system. During the year, the Company was charged £13,437,000 (2002 £9,250,000) for the operating lease rental of network assets, including £7,537,000 (£5,455,000) transferred to deferred income.

Under the terms of the contract with PADCo, the Company charged PADCo £2,528,000 (2002 £2,172,000) for maintaining the assets constructed by PADCo on its behalf, including the release of previously deferred revenue of £708,000 (2002 release of previously deferred revenue of £642,000). In addition an administration fee of £177,000 (2002 £227,000) has been charged for administrative costs incurred on PADCo's behalf.

At the year end, the Company owed PADCo £2,364,000 (2002 £3,179,000), including £nil (2002 £1,211,000) in respect of losses surrendered for consortium relief.

21. Parent undertaking and controlling party

EDF Energy (Powerlink Holdings) Limited (formerly SEEBOARD Powerlink Holdings Limited) holds an 80% interest in SEEBOARD Powerlink Limited and is considered to be the immediate parent company. EDF Energy plc (formerly SEEBOARD plc) is the smallest group for which consolidated accounts are prepared.

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