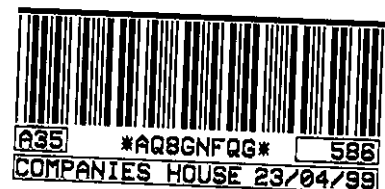


SEEBOARD Powerlink Limited

REPORT AND ACCOUNTS
31 DECEMBER 1998

Registered Number: 3221818

Registered Office:
Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9BH



SEEBOARD POWERLINK LIMITED

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 1998.

Ultimate Holding Company

As set out in note 16 on page 12, at 31 December 1998, the ultimate UK holding company was CSW UK Finance Company. On 5 January 1999 CSW UK Holdings acquired a 90% interest in CSW UK Finance Company in exchange for the issue of shares to CSW International Two, Inc. and as a result became the ultimate UK holding company.

Principal Activity

The principal activity of the Company is the maintenance, operation and renewal of electrical distribution and power generation equipment.

Trading Results and Dividends

SEEBOARD Powerlink Limited commenced trading on 16 August 1998.

The profit on ordinary activities before taxation was £1,242,000 for the year ended 31 December 1998 on a turnover of £11,900,000.

It is proposed that no dividend is paid and that the retained profit of £837,000 be transferred to reserves.

Share Capital

Details of the authorised and issued share capital of SEEBOARD Powerlink Limited are set out in note 10 to the accounts on page 10.

Directors

The directors who served during the year, none of whom received any emoluments for their services as directors of SEEBOARD Powerlink Limited, were as follows:

J Weight

J L Cohen (appointed 11 August 1998)

T J Gregory (appointed 11 August 1998)

M J Pavia (appointed 11 August 1998)

P S Hofman (resigned 10 August 1998)

Alternate Directors

A J Dalton (appointed 11 August 1998)

S J Gardner (appointed 11 August 1998)

G V Lloyd (appointed 11 August 1998)

P D Northwood (appointed 11 August 1998)

A L P Rabin (appointed 11 August 1998)

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 SEEBOARD plc, in relation to the Company, in which any director has, or has had, a material interest.

SEEBOARD POWERLINK LIMITED

Directors' Report

Year 2000 Compliance

The Company has reviewed those items that may be affected by the millennium date change and has prioritised their testing and resolution. There is, however, an exposure to further risk in the event that suppliers and customers, with operating systems upon which the Company is reliant, fail to remedy Year 2000 issues. The SEEBOARD group has established a dedicated team of both internal staff and externally recruited IT contractors to manage the Year 2000 project.

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;
- 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 1998 totalled 112 days. However, the company did not commence trading until 16 August 1998 and taking this into account, creditor days for the period totalled 42 days.

Auditor

KPMG Audit Plc was appointed as auditor to the Company during the year and has expressed willingness to continue as auditor. A resolution proposing the firm's re-appointment will be made at the General Meeting at which the accounts are laid.

By Order of the Board



M. A. Nagle
Company Secretary

30 March 1999

SEEBOARD POWERLINK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 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 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 Company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF SEEBOARD POWERLINK LIMITED

We have audited the financial statements on pages 4 to 12.

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 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 1998 and of the profit of the Company 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
12 April 1999

SEEBOARD POWERLINK LIMITED

Profit and Loss Account for the year ended 31 December 1998

	Note	1998 £000	1997 £000
Turnover		11,900	-
Cost of sales		(10,682)	-
Operating profit	1	<u>1,218</u>	<u>-</u>
Net interest receivable	4	24	-
Profit on ordinary activities before taxation		<u>1,242</u>	<u>-</u>
Tax on profit on ordinary activities	5	(405)	-
Profit for the financial year		<u>837</u>	<u>-</u>

A statement of movements on the profit and loss account is given in note 11.

Recognised gains or losses

There were no recognised gains or losses other than the profit for the financial year (1997 £nil).

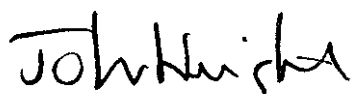
SEEBOARD POWERLINK LIMITED

Balance Sheet

as at 31 December 1998

	Note	1998 £000	1997 £000
Fixed assets	6	<u>188</u>	<u>-</u>
Current assets			
Stock	7	1,064	-
Debtors	8	9,290	-
Cash at bank and in hand		<u>6,390</u>	<u>-</u>
		16,744	-
Current liabilities			
Creditors (amounts falling due within one year)	9	15,095	-
Net current assets		<u>1,649</u>	<u>-</u>
Net assets		<u>1,837</u>	<u>-</u>
Capital and reserves			
Called up share capital	10	1,000	-
Profit and loss account	11	837	-
Shareholders' funds		<u>1,837</u>	<u>-</u>

The financial statements on pages 4 to 12 were approved by the Board of Directors on 30 March 1999 and were signed on its behalf by:



John Weight
Director



Michael J Pavia
Director

SEEBOARD POWERLINK LIMITED

Cash Flow Statement for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Net cash inflow from operating activities	15(a)	1,938	-
Returns on investments and servicing of finance	15(b)	(63)	-
Capital expenditure and financial investment	15(c)	(235)	-
Cash inflow before use of liquid resources and financing		<u>1,640</u>	<u>-</u>
Financing	15(d)	4,750	-
Increase in cash in the year		<u>6,390</u>	<u>-</u>
Reconciliation of net cash flow to movement in net cash			
Net cash at 1 January		-	-
Net cash at 31 December	15(e)	<u>2,640</u>	<u>-</u>
Movement in net cash in the year		<u>2,640</u>	<u>-</u>
Issue of debt		<u>3,750</u>	<u>-</u>
Increase in cash in the year		<u>6,390</u>	<u>-</u>

SEEBOARD POWERLINK LIMITED

Notes to the accounts

Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards.

Long term contract

The contract between SEEBOARD Powerlink Limited and London Underground Limited 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 turnover and profits being recognised in line with 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 on account within creditors.

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 fixtures and fittings over their estimated useful lives as follows:

Fixtures and equipment - Up to 10 years

Stocks and work in progress

Work in progress and stocks are stated at the lower of cost and net realisable value.

Leases

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

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.

Pensions costs

Pension contributions are charged to the profit and loss account so as to spread the costs 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.

SEEBOARD POWERLINK LIMITED

Notes to the accounts

1. Operating profit

	1998 £000	1997 £000
Operating profit is stated after charging:		
Depreciation	47	-
Remuneration of auditor for audit work	18	-
Operating lease charges	312	-

2. Directors and employees

a) Employment costs	1998 £000	1997 £000
Wages and salaries	4,346	-
Social security costs	327	-
Pension costs	455	-
Charged to profit and loss account	5,128	-
Average number of employees in the Company during the period was:	353	-

b) Directors' emoluments

No directors received any remuneration during the year for their services as directors of SEEBOARD Powerlink Limited.

3. Related party transactions

SEEBOARD Powerlink Limited is a subsidiary of SEEBOARD plc. During the year the Company was charged £1,875,972 (1997 £nil) for materials, property and administration costs. At the year end, the Company owed SEEBOARD plc £1,392,101 (1997 £nil) for these services.

A contract has been entered into with Power Asset Development Company Limited (PADCo), an associated company of SEEBOARD plc, for the design, construction, commissioning, maintenance and renewal of assets forming part of the electricity supply network for the London Underground railway. During the year, the Company was charged £1,173,000 (1997 £nil) for the operating lease rental of network assets, including £861,000 of expenditure which has been deferred and is included in prepayments.

Under the terms of a contract with PADCo, the Company charged PADCo £496,000 for maintaining the assets constructed by PADCo on its behalf. This amount has been deferred and included in payments received on account, and an administration fee of £30,000 for administrative costs incurred on PADCo's behalf.

At the year end, the Company owed PADCo £561,910 (1997 £nil), including £405,000 in respect of losses to be surrendered for consortium relief.

4. Net interest receivable

	1998 £000	1997 £000
Interest payable on bank loans and overdrafts wholly repayable within 5 years	(85)	-
Interest receivable	109	-
	24	-

SEEBOARD POWERLINK LIMITED

Notes to the accounts (continued)

5. Tax on profit on ordinary activities

	1998 £000	1997 £000
Consortium relief	405	-
	<u>405</u>	<u>-</u>

6. Tangible fixed assets

	Fixtures & equipment £000
Cost	
At 1 January 1998	-
Additions	235
As at 31 December 1998	<u>235</u>
Depreciation	
At 1 January 1998	-
Charge for period	47
As at 31 December 1998	<u>47</u>
Net book amount at 31 December 1998	<u>188</u>
Net book amount at 31 December 1997	<u>-</u>

7. Stocks

	1998 £000	1997 £000
Raw materials and consumables	1,009	-
Work in progress	55	-
	<u>1,064</u>	<u>-</u>

8. Debtors

	1998 £000	1997 £000
Amounts falling due within one year:		
Trade debtors	7,266	-
Other debtors	193	-
Prepayments and accrued income	1,831	-
	<u>9,290</u>	<u>-</u>

SEEBOARD POWERLINK LIMITED

Notes to the accounts (continued)

9. Creditors

	1998 £000	1997 £000
Amounts falling due within one year:		
Payments received on account	5,025	-
Trade creditors	1,661	-
Amounts owed to group companies	5,142	-
Amounts owed to related undertaking	562	-
Other taxation and social security	761	-
Accruals and deferred income	1,849	-
Other creditors	95	-
	<u>15,095</u>	<u>-</u>

Included within amounts owed to group companies of £5,142,000 is £3,750,000 drawn down under a £10.0m working capital facility with SEEBOARD plc. Interest is charged at base rate plus 1.5% per annum and is payable quarterly. Interest of £85,000 was payable on the loan and charged to the profit and loss account. The facility expires on 13 August 2001.

10. Called up share capital

	Ordinary shares at £1 each	
	Number	£000
Authorised:		
At 1 January 1998	1,000	1
Increase in the year	9,999,000	9,999
At 31 December 1998	<u>10,000,000</u>	<u>10,000</u>
Issued, allotted and fully paid:		
At 1 January 1998	2	-
Issued in the year	999,998	1,000
At 31 December 1998	<u>1,000,000</u>	<u>1,000</u>
Allotted and nil paid:		
At 1 January 1998	-	-
Issued in the year	9,000,000	9,000
At 31 December 1998	<u>9,000,000</u>	<u>9,000</u>

11. Reconciliation of movements in shareholders' funds

	Share capital £000	Profit & loss account £000	Shareholders' funds £000
At 1 January 1998	-	-	-
Issued in the year	1,000	-	1,000
Retained profit for the year	-	837	837
As at 31 December 1998	<u>1,000</u>	<u>837</u>	<u>1,837</u>

SEEBOARD POWERLINK LIMITED

Notes to the accounts (continued)

12. Pension costs

The majority of employees, who joined the Company from London Underground, 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 directly to the LRT Pension Fund and these costs are charged to the profit and loss account.

At regular intervals independent actuaries make valuations and recommend the level of contributions to be made to ensure the long term solvency of the fund. The latest actuarial valuation was carried out by Watson Wyatt as at 31 March 1997, using the projected unit method. The main actuarial assumptions were: interest 4.25% above inflation, pensionable pay increases at 1.75% above inflation and pension increases and share income increases equal to price inflation, except for members joining after 1 April 1989 whose pensions are not fully index linked and where assumptions are slightly lower. The value placed on the assets of the Fund was 102% of the total past service liabilities on that date, assuming no change in benefits. The market value of the assets of the fund at 31 March 1998 was £3,300m (1997 £2,780m). The Company contributes to the fund a fixed rate of 15.25% of the applicable salaries of those employees who are members of the fund. This contribution rate is not affected by valuation surpluses or deficits.

New permanent employees have the option to join the SEEBOARD Final Salary Pension Plan and 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 both schemes are held in separate trustee administered funds.

Pension costs arising from all the schemes charged to the profit and loss account for the year amounted to £455,000 (1997 £nil). Contributions payable by the Company to the schemes during the year totalled £455,000 (1997 £nil).

13. Lease commitments under operating leases

	1998 £000	1997 £000
The following annual obligations under operating leases for electrical distribution equipment expire:		
After five years	<u>3,968</u>	<u>-</u>

14. Capital commitments

Capital investment in respect of which the Company has entered into contractual commitments but which was not provided for as at 31 December 1998, amounted to £246,359 (1997 £nil).

15. Notes to the Cash Flow Statement

	1998 £000	1997 £000
(a) Reconciliation of operating profit to operating cash flows		
Operating profit	<u>1,218</u>	<u>-</u>
Depreciation	<u>47</u>	<u>-</u>
Increase in stocks	(1,064)	-
Increase in debtors	(9,203)	-
Increase in creditors	<u>10,940</u>	<u>-</u>
	<u>673</u>	<u>-</u>
Net cash inflow from operations	<u>1,938</u>	<u>-</u>

SEEBOARD POWERLINK LIMITED

Notes to the accounts (continued)

15. Notes to the Cash Flow Statement (continued)

	1998 £000	1997 £000
(b) Returns on investments and servicing of finance		
Interest received	22	-
Interest paid	(85)	-
Net cash outflow from returns on investments and servicing of finance	<u>(63)</u>	<u>-</u>

(c) Capital expenditure and financial investment

Purchase of tangible fixed assets	(235)	-
Net cash outflow from capital expenditure and financial investment	<u>(235)</u>	<u>-</u>

(d) Financing

Issue of ordinary share capital	1,000	-
Debt repayable within one year	3,750	-
Net cash inflow from financing	<u>4,750</u>	<u>-</u>

(e) Analysis of net cash

	Balance 1 January 1998 £000	Cash Flow £000	Balance 31 December 1998 £000
Cash in hand and at bank	-	6,390	6,390
Short term debt with group undertakings	-	(3,750)	(3,750)
	<u>-</u>	<u>2,640</u>	<u>2,640</u>

16. Ultimate holding company and ultimate controlling company

The ultimate UK holding company at 31 December 1998 was CSW UK Finance Company registered in England and Wales. On 5 January 1999 CSW UK Holdings acquired a 90% interest in CSW UK Finance Company in exchange for an issue of shares to CSW International Two, Inc. and as a result became the ultimate UK holding company. The ultimate holding company and ultimate controlling 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 or from the Company Secretary at the Registered office or by telephoning (01293) 657295.