EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)
(LICENSED DISTRIBUTION BUSINESS)

Regulatory Accounts

for the year ended 31 March 2003

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

TABLE OF CONTENTS
31 March 2003

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

OPERATIONAL REVIEW
for the year ended 31 March 2003

Operation
EDF Energy Networks (SPN) plc - ("SPN"), formerly SEEBOARD Power Networks plc, distributes electricity to over 2 million customers in the South East of England via a network of underground cables and overhead lines, taking power from the National Grid at high voltage and transforming it down before delivery to customer premises.

SPN now operates alongside EDF Energy plc, formerly London Electricity Group plc's, other electricity distribution businesses, EDF Energy Networks (EPN) plc ("EPN"), formerly EPN Distribution Limited and EDF Energy Networks (LPN) plc ("LPN"), formerly London Power Networks plc.

The Company employs 1,260 staff (2002: 1,250).

Ownership and company name
On 1 October 2001, the Secretary of State for Trade and Industry, using his powers under the Utilities Act 2000 approved a scheme to separate the property, rights and liabilities of the PES Licence holder EDF Energy (South East) plc, formerly SEEBOARD plc, into two separate legal entities; one holding a Standard Supply Licence and the other holding a Standard Distribution Licence. The effect of the transfer scheme was to transfer all assets and liabilities associated with the distribution business to SPN.

On 29 July 2002, EDF Energy ("EDF"), formerly London Electricity Group plc, acquired the whole of the share capital of SPN.

The Company's name was changed from SEEBOARD Power Networks plc to EDF Energy Networks (SPN) plc on 30 June 2003.

Risks
The Company is exposed to both normal business risks and specific industry risks and has a variety of mechanisms in place to minimise these risks.

SPN has an embedded risk awareness culture to understand and manage significant business risks in order to increase certainty of achieving strategic goals. This leads to a high level of risk management assurance for the distribution business executive team and the Board of Directors.

During the year the business operated a risk and control self-assessment regime facilitated by a Risk Monitoring Committee ("RMC"). The RMC aids in monitoring, anticipating and responding to business risks by checking, challenging and monitoring the progress of the business in managing their risks.

The network is vulnerable to the effects of weather; this may include wind damage, flooding, snow and lightning strike. In addition, the network is vulnerable to damage through the actions of the construction industry, other utilities and road traffic accidents as well as general wear.

Health and safety
Programmes under the Company's 'Environment, Health & Safety' activity give rise to projects and initiatives designed to improve health & safety or reduce environmental impact. Some of the more important programmes are:

- replacement of oil-filled cables,
- provision of oil bunds at grid and primary substations,
- reduction in use of herbicides, and
- a commitment to amenity undergrounding.

These measures are those that are specifically attributed to health & safety and the environment. However, the capital investment that has been made in recent years is by no means representative of the total network investment in this area.

The health and safety of employees, customers and the public at large is the first consideration in each and every investment decision taken. Also vital is consideration for the environment which includes the protection of the climate, natural resources, natural habitats, wildlife and the amenity value of living and working environments.

OPERATIONAL REVIEW
for the year ended 31 March 2003

Network development and operation

The electrical network is managed by condition monitoring and risk assessment which, together with local development plans, enables the Company to determine the appropriate areas in which to invest to ensure that the network delivers a reliable and safe supply cost effectively. SPN is involved in new connections extending the network to provide supply to new commercial, industrial and domestic premises; diversions where, for example, it is necessary to move cables to allow for new developments; reinforcement of the network to increase the capacity of certain areas of the network to meet increased load demand; and asset replacement to replace equipment which is at the end of its serviceable life.

The Company is focussed on being a responsible neighbour with a care for the environment. Equipment is monitored to ensure that it is operating as intended without detriment to the surrounding area.

Financial

The Company has net debt of £430.4m (2002: £443.6m) which represents approximately 73% (2002: 80%) of the Regulatory Asset Value of the Company. The net debt includes £350.0m (2002: £350.0m) of inter-group debt and a £99.8m Eurobond (2002: £99.7m), which is partially offset by short-term cash balances of £19.4m (2002: £6.1m). The inter-group debt reflects borrowings made by a parent company to finance the business and is supported by the network assets of the Company. The loans were secured at competitive fixed rates of interest and their weighted average interest rate is 8.63% (2002: 8.67%). Interest on the Eurobond is payable annually in October, whilst interest on the inter-group debt is payable in February, August, September and December.

The Company receives interest on positive cash balances and pays interest on overdrafts. The Company does not invest directly but participates in a Group scheme whereby all of the funds are pooled to deliver more competitive interest rates. The Group Treasury department invests under strict procedures, which limit the amount and duration of investments, and only allows money to be deposited with investment grade banks.

The Company generates cash primarily from use of system charges which are payable within 14 days of the demand for payment. Other cash is generated from new connections charges, chargeable diversions and cable damage. Payments to suppliers and contractors are made in accordance with negotiated terms. All employees are paid monthly. Other principal cash outflows include interest, taxation and dividends. The Company plans its working capital requirements to take account of expected cash inflows and outflows.

Comparison to price control

At the last price control, the Company submitted projections of the levels of operating and capital expenditure considered necessary to maintain a safe and reliable network. This formed the basis of negotiation with Ofgem but was not accepted by Ofgem. Instead, the Company was set challenging targets for the levels of operating and capital expenditure which have been accepted by the Company as a package, rather than as individual components. As a consequence any comparisons between actual performance and the price control are made at a total level only.

The Company is subject to price control that allows a rate of return on a notional valuation of the network referred to as the Regulatory Asset Value (“RAV”). The original RAV was based on a valuation of the Company derived from share prices following the flotation of the then parent undertaking. This valuation has been increased through capital expenditure, revalued to current prices using RPI and reduced by a depreciation charge on the opening valuation and subsequent expenditure. The rate of return allowed is low to reflect Ofgem’s view that Distribution businesses are very low risk.

At the last price control, allowed revenue was reduced by a one off reduction of 33% from 1 April 2000 and in subsequent years by 3% below RPI. Allowed revenue makes up a substantial proportion of total revenue. Additional revenue is earned from unregulated customers taking supply at extra high voltage and for certain rechargeable work. Whilst the Company has the expertise to earn revenue in other areas, its ability to do so is restricted by regulation.

Tariffs are set to recover allowed revenues with any under or over recovery carried forward to a later regulatory period. However, as tariffs are set up to five months in advance and generally apply for the year, the Company will under or over recover revenue if assumptions made differ from actual experience. At 31 March 2003, the Company has over recovered revenue by £2.1m (2002: £3.4m).

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

OPERATIONAL REVIEW
for the year ended 31 March 2003

Performance

Cumulative operational capital expenditure in the current price control period (commencing 1 April 2000) was £216.4m against a price control allowance of £198.1m. SPN has invested in a range of improvements to its electricity distribution network, including quality of supply, public and employee safety and customer service areas. However, the major factor behind the variance, between actual spend and price control allowances is the increased levels of meter recertification activity not fully allowed for in price control allowances.

Operating costs (including non-operational "capex"), totalled £169.8m, compared to a price control allowance of £164.2m. The modest "overspend" relates primarily to an accelerated amortisation charge applied to expenditure incurred developing systems to enable the opening of the domestic electricity market to competition in 1998. Prior to the current regulatory year, cost amortisation was designed to achieve a full write off of these costs by 31 March 2005. However, following the acquisition of the Company by EDF, the amortisation life applied was aligned with that utilised by the Group's other distribution licensees.

The price control allowance includes regulatory depreciation that assumes a 33 year cost recovery period. Actual asset lives, on average, exceed 40 years and this is reflected by a lower depreciation charge in the statutory and regulatory accounts. For the comparison to the price control within the Regulatory Tables only, depreciation has been restated to align with regulatory depreciation assumptions.

In order to achieve efficiency targets set by Ofgem, the Company has delivered cost reductions from a restructuring programme and through productivity improvements. However, these reductions have been partially offset by a range of cost increases, including pension, tree cutting, and storm and metering costs.

During the year, and in common with a number of other distribution licensees, the Company's quality of supply performance was impacted by the severe weather experienced over the weekend of the 27 October 2002.

Ofgem has put in place financial incentives in respect of quality of supply and customer satisfaction performance. These include the number and duration of supply interruptions, and quality of telephone response.

Prospects

EDF Energy Networks (SPN) plc is involved in a major restructuring following the sale of the SEEBOARD Group to the EDF on 29 July 2002. The restructuring involves the appointment of a new management team largely selected from across three network businesses, the implementation of common business processes and consolidating activities onto fewer sites.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

The Directors of EDF Energy Networks (SPN) plc, formerly SEEBOARD Power Networks plc, are pleased to present their report and the audited regulatory accounts for the year ended 31 March 2003.

Principal activity and review of business

The principal activity of the Company is the distribution of electricity to domestic, commercial and industrial customers through network ownership, management, operation, maintenance and renewal.

The assets, liabilities and business of the Licensed Distribution Business, which were previously owned and managed by EDF Energy (South East) plc, formerly SEEBOARD plc, were transferred to the Company on 1 October 2001 by an asset transfer scheme made pursuant to Part 1 of Schedule 7 to the Utilities Act 2000.

On 29 July 2002, the Company was sold to EDF Energy plc, formerly London Electricity Group.

The Company changed its name from SEEBOARD Power Networks plc to EDF Energy Networks (SPN) plc on 30 June 2003.

The Company expects to continue its principal activity for the foreseeable future.

Results and dividends

The profit on ordinary activities before taxation was £40.6m (2002: £73.6m) and after taxation was £44.6m (2002: £63.3m).

The Directors do not propose the payment of a dividend (2002: £nil).

These Regulatory Accounts are presented for the Licensed Distribution Business rather than for the Company, and accordingly are generally presented as if the Company had owned the Licensed Distribution Business throughout the year to 31 March 2002 as well as for the current year. The policies adopted are set out in the statement of Regulatory Accounting Policies on pages 14 to 16. Certain disclosures relate to the Company rather than the Licensed Distribution Business where appropriate.

The Regulatory Accounts are not the Statutory Accounts of the Company, which are drawn up to 31 December annually and are available to the public from 40 Grosvenor Place, London SW1X 7EN.

Ultimate holding company

The Company's immediate holding company is EDF Energy (South East) plc, formerly SEEBOARD plc.

At 31 March 2002, CSW UK Holdings was the ultimate UK holding company and the ultimate holding company was American Electric Power Company Inc., of Columbus, Ohio.

On 29 July 2002, the entire share capital of the CSW Investments group was purchased by a subsidiary of Electricité de France ("EdF"), a French state owned company. With effect from that date EdF became SPN's ultimate parent company. Copies of EdF's accounts may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

Share capital

Details of the authorised and issued share capital of the Company are set out in note 13 to the accounts on page 25.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

Board of Directors
The Directors who held office during the year ended 31 March 2003, or who are Directors at the date of signing this report are as follows:

	Appointed	Resigned
Vincent de Rivaz (Chairman)	29 July 2002	
Michael Pavia	25 October 2001	25 June 2003
Humphrey Cadoux-Hudson	25 October 2001	
Paul Cuttill	25 June 2003	
Jim Ellis (Chairman)	25 October 2001	29 July 2002
John Weight	25 October 2001	29 July 2002
Jim Tame	25 October 2001	25 June 2003

Directors' interests
There were no notifiable interests of the Directors in office on 31 March 2003. Advantage has been taken of paragraph 3(1)(b) of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

Statement of Directors' responsibilities
Condition 42 of the Distribution Licence requires the Directors to prepare regulatory accounts, for each accounting reference period, which have been prepared in accordance with the regulatory accounting guidelines as modified by derogations applied for by the company, present fairly the assets, liabilities, reserves and provisions of, or reasonably attributable to, the Licensed Distribution Business and of the revenues, costs and cash flows of or reasonably attributable to that business for the period. In preparing the regulatory accounts, the Directors confirm that:

- suitable accounting policies have been selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards or where different the Regulatory Accounting Guidelines have been followed, subject to any material departures disclosed and explained in the financial statements;
- such accounting records, other records and reporting arrangements that are necessary to enable the licensee to prepare and publish regulatory accounts in accordance with the licence condition and the RAGs have been maintained;
- suitable bases of charging, allocation and apportionment have been used and applied consistently; and
- regulatory accounts have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees
It is the policy of the Company that there shall be equal opportunities in the area of employment without discrimination on grounds of ethnic or racial origin, nationality, religion, gender or marital status in accordance with the appropriate legislation and Government guidelines.

The Company gives full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for suitable positions.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting their employment and on the various factors affecting the performance of the Company. The Company's policies and procedures relating to health and safety at work continue to exceed the requirements of current legislation and are kept under constant review to ensure a safe and healthy working environment for all employees.

REPORT OF THE DIRECTORS
for the year ended 31 March 2003

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 that supplier invoices remained outstanding based on the year end trade creditor balance divided by the average value of daily invoices received by the Company. In accordance with the method of calculation prescribed, the creditor days for the regulatory year ended 31 March 2003 totalled 23 days (2002: 26 days).

Donations
The Company did not make any charitable or political donations during 2002 and 2003.

Going concern
The accounts have been prepared on the going concern basis. The Directors have considered the financial adequacy of the Company as required by condition 44 of the licence and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

By order of the Board and signed on its behalf

R I Higson — March 2004
Company Secretary

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

REPORT ON CORPORATE GOVERNANCE
for the year ended 31 March 2003

Overview

SPN is part of EDF Energy and complies with the EDF Energy Corporate Governance Policy as outlined below:

Report on corporate governance

(i) Statement of compliance

The Combined Code introduced a requirement for listed companies that the effectiveness of the system of internal control, including financial, operational, compliance controls, and risk management, is reviewed by the Directors. In addition, the Internal Control: Guidance for Directors on the Combined Code (the Turnbull Report) was published in September 1999, to provide guidance to Directors in respect of this requirement.

EDF Energy supports the principles set out in the Turnbull Committee Guidelines on risk management. Since EDF Energy is a wholly owned subsidiary there is no statutory obligation to comply. However, the EDF Energy Board of Directors has decided to adopt the Turnbull Committee Guidelines and is committed to complying with these as best practice on a voluntary basis.

The risk and control framework is being reviewed and will be updated during 2004 to reflect the changes to Company structure. Risk Assurance and Process Assurance functions have been established in the Corporate branch. These report to Corporate Directors including the Director of Business Performance and to the Director, Technology and Business Performance.

(ii) Internal Control

The EDF Energy Board (through the Audit Committee) is responsible for the overall system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The key elements of the system of internal control include:

(i) Risk identification and control

The Corporate Head of Risk Assurance is responsible for maintaining an oversight of risk management, working closely with the branches and other corporate functions to ensure that their risk management activities complement each other, and enhance the overall position. The objectives are to provide assurance that management of risks is effectively managed and embedded in day to day activities, that risk management activity has sufficient visibility and that there is transparency around decision making processes.

The Corporate Head of Process Assurance is responsible for defining the quality assurance structure and policies and developing a consistent approach to quality.

The main interfaces are between Internal Audit and Risk Assurance whereby Risk Assurance will be primarily responsible for ensuring the identification of risks and their mitigation and Internal Audit will be responsible for review of the mechanisms that provide assurance.

Specific Risk Management Committees have been established where required and operate to address specific risk areas.

(ii) Control environment

EDF Energy is committed to the highest standard of business conduct. EDF Energy is appropriately structured according to business areas, which allows for the effective operations to achieve overall objectives. Lines of responsibility and levels of authority are formally documented.

(iii) Control activities

Control procedures have been implemented throughout EDF Energy and are designed to ensure complete and accurate accounting for financial transactions and to safeguard assets. There are control processes to establish budgets, financial and service targets in each business unit/subsidiary against which performance is monitored in detail and agreements under which relationships with partners in joint ventures are controlled. High level reporting is made by business units/subsidiaries and functional heads at corporate level to the Executive Committee and the Board. The Executive Committee defines authority given to individual officers of EDF Energy. The Committee also approves the operating plan and budget, authorises individual projects within that plan and approves the award of contracts either directly or by delegated authority within agreed limits. Membership of the Committee comprises the Chief Executive Officer of EDF Energy, Branch Chief Operating Officers and Corporate Directors.

(*iv) Information and communication*
Staff policies are in place to ensure that employees are competent, have appropriate skills and receive information required to effectively perform their roles. The Intranet is widely used to communicate information to staff.

(v) Monitoring and corrective action
Performance is continually monitored. Branch Chief Operating Officers and Managing Directors report regularly on operating performance.

The Audit Committee is a sub-committee of the Board with advisory responsibility for issues related to Corporate Governance, risk and control. This covers all aspects of risk management and the system of internal control including both financial and operational controls. The scope includes all EDF Energy companies but ultimate responsibility remains with the EDF Energy Board. The Audit Committee comprises the Chairman of EDF Energy, the Director of Audit (EDF), a director of EDF Energy, a non executive director of EDF Energy and a representative of the French Government.

The Internal Audit department reviews the operation of internal controls using a risk-based methodology. The Head of Internal Audit reports to the Director of Business Performance and to the Director, Technology and Business Performance. The Internal Audit department reports quarterly to the Executive Committee and half yearly to the Audit Committee. Assignments are determined by reference to the risk and control framework and discussions with senior management including members of the Executive Committee.

(vi) Effectiveness review
EDF Energy is continuously making improvements to the system of internal control. This specific effectiveness review forms part of that system. Following the significant changes in the structure arising from the acquisitions during the year ended 31 December 2002 there will be a review of risk management and internal control. This will combine the best elements of culture and process from the component parts of EDF Energy. The review will take due account of the criteria established in the Turnbull guidelines.

These criteria are:
- internal control should be truly risk based;
- control characteristics should be a core philosophy across the organisation;
- mechanisms should be in place to give the Board assurance in relation to how key risks are assessed and managed; and
- the Board is actively involved in reviewing the effectiveness of the system.

(vii) Material weaknesses
Significant weaknesses in internal control are reported to the Executive Committee and, if appropriate, to the Audit Committee.

Weaknesses in the processes of new domestic customer acquisition have resulted in regulatory fines being imposed on EDF Energy. Wide-ranging actions have been taken to improve processes in this area. This will be subject to ongoing review to determine the effectiveness of the actions taken.

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

INDEPENDENT ACCOUNTANTS' REPORT TO THE OFFICE OF GAS AND ELECTRICITY MARKETS ("THE REGULATOR") AND EDF ENERGY NETWORKS (SPN) PLC ("THE COMPANY")
for the year ended 31 March 2003

We have audited the Regulatory Accounts of the Company for the year ended 31 March 2003 on pages 11 to 31 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes numbered 1 to 19 ("the Regulatory Accounts"). These Regulatory Accounts have been prepared under the accounting policies set out therein.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of Standard Condition 42 of the Electricity Distribution Licence as modified by derogations applied for by the Company (the "Regulatory Licence"). Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulatory of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Company and the Regulator, for our audit work, for this report, or for the opinions we have formed.

Basis of preparation

The Regulatory Accounts have been prepared under the historical cost convention and in accordance with the Regulatory Licence, the draft Regulatory Accounting Guidelines issued by the Regulator on 3 October 2003 (the "RAGs"), the accounting policies set out in the statement of accounting policies and such derogations as have been applied for by Company.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not necessarily been prepared on the basis of Generally Accepted Accounting Practice in the United Kingdom ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 1985.

Respective responsibilities of the Regulator, the Directors and auditors

The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The Directors' responsibilities for preparing the Regulatory Accounts in accordance with Standard Condition 42 of the Regulatory Licence as modified by derogations applied for by the Company and the RAGs are set out in the statement of directors' responsibilities on page 5.

Our responsibility is to audit the Regulatory Accounts in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 *'Reporting to Regulators of Regulated Entities'*.

We report to you our opinion as to whether the Regulatory Accounts present fairly, in accordance with Standard Condition 42 of the Regulatory Licence as modified by derogations applied for by the Company, the draft Regulatory Accounting Guidelines issued on 3 October 2003 by the Regulator and the accounting policies set out on pages 14 to 16, the results and financial position of the Company. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations that we require for our audit.

We read the other information presented with the Regulatory Accounts, being the operational review , the report of the directors and the report on corporate governance on which we do not express an audit opinion, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Regulatory Accounts.

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

INDEPENDENT ACCOUNTANTS' REPORT TO THE OFFICE OF GAS AND ELECTRICITY MARKETS ("THE REGULATOR") AND EDF ENERGY NETWORKS (SPN) PLC ("THE COMPANY")
for the year ended 31 March 2003

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the UK Auditing Practices Board, except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Regulatory Accounts, and of whether the accounting policies are 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 Regulatory Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory accounts of the Company on which we reported on 4 April 2003, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of the Company (our "statutory audit") was made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Audit opinion

In our opinion, the Regulatory Accounts present fairly in accordance with Standard Condition 42 of the Regulatory License as modified by derogations applied for by the Company, the draft Rgeulatory Accounting Guidelines issued by the Regulatory on 3 October 2003 and the accounting policies set out on pages 14 to 16 the financial position of the Licensed Distribution Business as at 31 March 2003 and of its financial performance and cashflows for the year then ended, and have been properly prepared in accordance with those draft Regulatory Accounting Guidelines and accounting policies.

Deloitte & Touche LLP
Chartered Accountants
London

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2003

	Note	**2003 £m**	2002 £m
Turnover		**214.0**	217.1
Cost of sales		**(21.5)**	(23.5)
Gross profit		**192.5**	193.6
Net operating costs	1	**(103.7)**	(93.1)
Administrative expenses	1	**(10.5)**	(9.3)
Operating profit		**78.3**	91.2
Net interest payable	2	**(37.7)**	(17.6)
Profit on ordinary activities before taxation		**40.6**	73.6
Tax on profit on ordinary activities	4	**4.0**	(10.3)
Profit on ordinary activities after taxation and retained profit	14	**44.6**	63.3

The results of the year were derived from continuing operations within the United Kingdom.

There were no recognised gains or losses (2002: £nil) other than the profit for the regulatory year and accordingly a separate statement of total recognised gains and losses has not been presented.

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

BALANCE SHEET
as at 31 March 2003

	Note	**2003 £m**	2002 £m
Fixed assets			
Tangible assets	6	**737.5**	681.9
Current assets			
Stocks	7	**4.9**	5.6
Debtors falling due within one year	8	**16.5**	25.0
Debtors falling due after more than one year	8	**-**	8.2
Cash at bank and in hand		**19.4**	6.1
		40.8	44.9
Creditors (amounts falling due within one year)	9	**61.5**	48.9
Net current liabilities		**(20.7)**	(4.0)
Total assets less current liabilities		**716.8**	677.9
Creditors (amounts falling due after more than one year)	9	**454.4**	453.9
Provisions for liabilities and charges	12	**76.8**	83.0
Net assets		**185.6**	141.0
Capital and reserves			
Called up share capital	13	**0.1**	0.1
Profit and loss account	14	**185.5**	140.9
Equity shareholder's funds		**185.6**	141.0

The accounts on pages 11 to 31 were approved by the Board of Directors on March 2004 and were signed on its behalf by:

Humphrey Cadoux-Hudson
Director

LICENSED DISTRIBUTION BUSINESS OF EDF ENERGY NETWORKS (SPN) PLC
(formerly SEEBOARD Power Networks plc)

CASH FLOW STATEMENT
for the year ended 31 March 2003

	Note	**2003 £m**	2002 £m
Reconciliation of operating profit to operating cash flows			
Operating profit		**78.3**	91.2
Non cash items	18a	**26.3**	23.3
Movement in working capital	18b	**26.5**	0.9
Net cash inflow from operating activities		**131.1**	115.4
Cash flow statement			
Cash flow from operating activities		**131.1**	115.4
Returns on investments and servicing of finance	18c	**(37.7)**	(4.6)
Taxation		**0.4**	(4.8)
Capital expenditure and financial investment	18d	**(80.5)**	(87.6)
Increase in cash and cash equivalents		**13.3**	18.4
Transfers to corporate funds	18e		(12.3)
Increase in cash in the year		**13.3**	6.1
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 April		**(443.6)**	-
Net debt at 31 March	18f	**(430.4)**	(443.6)
Movement in net debt in the year		**13.2**	(443.6)
Arising from transfer scheme			449.7
Other non-cash charges		**0.1**	-
Increase in cash in the year		**13.3**	6.1

ACCOUNTING POLICIES
for the year ended 31 March 2003

Purpose and basis of preparation of the accounts
The Regulatory Accounts are a primary source of audited financial information about the licensed electricity distribution business. They have been prepared in accordance with the draft Regulatory Accounting Guidelines ("RAGS"), issued on 3 October 2003, by the Office of Gas and Electricity Markets ("OFGEM") as modified by derogations applied for by the company.

The RAGs require the regulatory financial statements to be prepared under the historical cost convention and in accordance with UK GAAP and the Companies Act 1985, as required of a UK company listed on the London Stock Exchange, except where amended by the RAGs and in respect of the treatment of customers' contributions. The departure from the Companies Act 1985 in respect of customers' contributions is described below under "Tangible fixed assets and depreciation". The RAGs exclude the use of any disclosure and other exemptions available under the Companies Act 1985 or accounting standards applicable to subsidiary and unlisted companies. Derogations were obtained from OFGEM from compliance with the RAGs in respect of the following items:

- The RAGs require the Regulatory Accounts to be prepared incorporating the results of the Company. The Regulatory Accounts have been prepared in respect of the Licensed Distribution Business only, and therefore exclude the results of elements of the business not subject to the regulatory Licence.

Following the issue of revised Regulatory Guidelines in October 2003, an adjustment was required to align the basis of preparation of the regulatory financial statements with the basis of preparation used in preparing the statutory financial statements of the company. This adjustment related to the capitalisation of interest which was prohibited under the guidelines upon which the regulatory financial statements for the year ended 31 March 2002 Interest capitalised for the year ended 31 March was £1.0m (2002: £1.5m). No statement of recognised gains and losses has been presented as the adjustment is not considered material to the financial statements.

The accounting policies of the Licensed Distribution Business remain unchanged from last year and have been consistently applied.

Regulatory Accounts are separate to the audited Statutory Accounts prepared to 31 December each year.

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

Cost of sales, net operating costs and administrative expenses
Cost of sales includes 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.

ACCOUNTING POLICIES
for the year ended 31 March 2003

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

Charges, allocations and apportionments
In preparing these statements, the Licensed Distribution Business of the Company has been charged with directly related revenues, costs, assets, liabilities and provisions.

Pension costs
The Company's pension contributions are defined by the Group and are fully expensed 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.

The Company is unable to identify its share of the pension fund's underlying assets and liabilities or of any surplus or deficit arising from actuarial revaluations, hence the contributions are accounted for as if it was a defined contribution scheme.

Project 1998
Amounts expended on developing computer systems to enable the opening to competition of the domestic and small business electricity market in Great Britain have been included in debtors as deferred expenditure. The unamortised balance remaining at 31 March 2002 has been written off in the current regulatory year.

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

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

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

ACCOUNTING POLICIES
for the year ended 31 March 2003

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, writing off assets over their estimated useful lives.

The lives of each major class of asset are:

Overhead and underground lines	45 to 60 years
Other network plant and buildings	4 to 60 years
Fixtures, equipment and vehicles	4 to 10 years
Freehold land	Not depreciated

Customers' contributions are credited to network plant in the fixed assets and credited to the profit and loss account at the same rate as the network plant is depreciated (see note 6).

This is a departure from the Companies Act 1985, which requires fixed assets to be included at their purchase price or production cost, and contributions included as deferred income. However, as contributions relate directly to the cost of fixed assets used in the distribution network, it is the opinion of the Directors that the treatment adopted is necessary to give a true and fair view.

Non-refundable third party capital contributions are included within network assets. Refundable capital contributions are included in creditors until the conditions are met for repayment to be made. If a refund is then not required, such contributions are, at that point, applied to reduce the value of related network plant.

Stocks

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

1 Net operating costs and administrative expenses

		2003 **£m**	2002 £m
Net operating costs	- depreciation	**26.6**	27.3
	- other	**77.1**	65.8
		103.7	93.1
Administrative expenses		**10.5**	9.3
		114.2	102.4

Net operating costs and administrative expenses include:

	2003	2002
(a) Operating lease rentals	**0.3**	0.3

	2003 **£000**	2002 £000
(b) Auditors' remuneration		
Annual statutory audit	**10.0**	10.0
Regulatory audit	**32.0**	60.0
Other regulatory reporting	**35.0**	-
	77.0	70.0

2 Net Interest payable

	2003 **£m**	2002 £m
Interest payable		
On other loans wholly repayable within five years	**(8.6)**	(4.3)
On loans from parent company, repayable in whole or in part after five years	**(30.2)**	(15.0)
	(38.8)	(19.3)
Less: interest capitalised	**1.0**	1.5
	(37.8)	(17.8)
Interest receivable and similar income	**0.1**	0.2
Net interest payable	**(37.7)**	(17.6)

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

3 Directors & employees

(a) Directors' emoluments

Jim Ellis, John Weight, Michael Pavia and Humphrey Cadoux-Hudson were Directors of the Company's immediate parent company, EDF Energy (South East) plc and received emoluments from that company in respect of their services as Directors. Vincent de Rivaz has a service contract with EdF and received emoluments for his services to that company. None of these received emoluments from SPN in either the current or the prior year.

Jim Tame was appointed a director of the Company on 25 October 2001 and received the following emoluments from the Company:

	2003 £000	2002 £000
Salary	**152**	97
Bonuses	**128**	-
Benefits	**8**	4
	288	101

Mr Tame had an accumulated accrued annual pension at the year-end of £70,000 (2002 £58,000). Pension contributions paid by the Company in respect of Jim Tame were £18,200 (2002 £6,100). All of the Directors were members of defined benefit schemes.

(b) Employment costs

The aggregate remuneration of all employees, including the Directors of the Company, comprised:

	2003 £m	2002 £m
Wages and Salaries	**35.9**	33.6
Social security costs	**3.0**	3.1
Pension costs	**6.1**	3.1
	45.0	39.8
Less: charged as capital expenditure	**(23.9)**	(21.3)
Charged to profit and loss account	**21.1**	18.5
Average number of employees	**1,260**	1,250

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

4 Tax on profit on ordinary activities

	2003 **£m**	2002 £m
(a) Analysis of tax (credit)/ charge for the year		
(i) Current tax		
UK corporation tax at 30% (2002 30%)	**1.9**	5.0
Group relief	-	4.8
Total current tax charge for the year	**1.9**	9.8
(ii) Deferred tax		
Origination and reversal of timing differences	**10.4**	0.5
Increase in discount	**(16.3)**	-
Total deferred tax *(credit)/charge* for the year	**(5.9)**	0.5
Tax (credit)/charge on profit on ordinary activities	**(4.0)**	10.3

The corporation tax charge in the prior year includes current tax incurred from 1 October 2001, the date of the transfer scheme, and discounted deferred tax movements from that date. Prior to 1 October 2001, the Licensed Distribution Business was a division of EDF Energy (South East) plc, formerly SEEBOARD plc, and corporation tax was charged to that company

(b) Factors affecting current tax (credit)/charge for the year

The tax assessed for the year on profit on ordinary activities before tax differs from the standard rate of corporation tax in the UK of 30%. The difference is explained below.

	2003 **£m**	2002 £m
Profit on ordinary activities before tax	**40.6**	73.6
Less: taxed in EDF Energy (South East) plc, formerly SEEBOARD plc	-	(37.7)
Taxable in SPN	**40.6**	35.9
Tax on profit on ordinary activities at 30%	**12.2**	10.8
Effect of		
Accelerated capital allowances	**(10.7)**	(1.0)
Disallowable expenses	**0.4**	-
Total current tax charge for the year	**1.9**	9.8

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

5 Deferred tax

	2003 **£m**	2002 £m
(a) Movement in deferred tax provision during the year		
At 1 April	**82.2**	-
Arising on transfer	-	81.7
(Credited/)charged to profit and loss account	**(5.9)**	0.5
At 31 March	**76.3**	82.2
(b) Analysis of deferred tax balance at year end		
Capital allowances in excess of depreciation	**168.1**	157.7
Discount on timing differences	**(91.8)**	(75.5)
	76.3	82.2

In respect of EDF Energy Networks (SPN) plc, the majority of timing differences arise from the different treatment of capital expenditure and associated depreciation for the regulatory accounts, compared to the tax allowances given to derive taxable profits. The long life nature of the assets and the Company's profile of capital expenditure is such that as timing differences reverse, they are likely to be replaced with new timing differences. Accordingly, it is unlikely that the deferred tax liability will crystallise in the foreseeable future. However, FRS19 requires the liability to be recognised in the accounts, discounted to reflect when the originating timing differences will reverse.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

6 Tangible fixed assets

(a) Summary

	Network	Non-network land & buildings	Fixtures & equipment	Vehicles & mobile plant	Customer contribution	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2002	1,419.7	7.4	44.1	10.4	(369.9)	1,111.7
Additions	103.7	0.3	1.6	2.0	(24.7)	82.9
Disposals	(0.8)	-	-	(0.8)	-	(1.6)
Transfers	-	(0.8)	-	-	-	(0.8)
At 31 March 2003	1,522.6	6.9	45.7	11.6	(394.6)	1,192.2
Depreciation						
At 1 April 2002	491.9	0.9	39.1	6.7	(108.8)	429.8
Disposals	(0.8)	-	-	(0.8)	-	(1.6)
Charge for the year	31.3	0.2	2.0	1.5	(8.4)	26.6
Transfers	-	(0.1)	-	-	-	(0.1)
At 31 March 2003	522.4	1.0	41.1	7.4	(117.2)	454.7
Net book amount						
At 31 March 2003	**1,000.2**	**5.9**	**4.6**	**4.2**	**(277.4)**	**737.5**
At 31 March 2002	927.8	6.5	5.0	3.7	(261.1)	681.9

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

	2003	2002
	£m	£m
Freehold land	**0.2**	0.2
Freehold buildings	**4.2**	4.7
Short leasehold	**1.5**	1.6
	5.9	6.5

c) Included in fixed assets are

	2003	2002
	£m	£m
Assets in course of construction	**27.8**	23.3
Interest capitalised	**1.0**	1.5

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

7 Stocks

	2003 £m	2002 £m
Raw materials and consumables	**3.9**	3.2
Work in progress	**1.0**	2.4
	4.9	5.6

The replacement cost of stocks in not materially different from their balance sheet value.

8 Debtors

	2003 £m	2002 £m
(a) Amounts falling due within one year:		
Trade debtors	**0.9**	7.2
Amounts owed by group undertakings	**15.4**	11.4
Deferred expenditure	-	3.2
Other debtors	-	3.2
Prepayments and accrued income	**0.2**	-
	16.5	25.0
(b) Amounts falling due after more than one year:		
Deferred expenditure	-	8.2

During the year, deferred expenditure relating to Project 1998 computer systems of £11.4m was charged to the profit and loss account.

9 Creditors

	2003 £m	2002 £m
(a) Amounts falling due within one year:		
Payments received on account	**18.5**	15.4
Trade creditors	**8.3**	8.8
Amounts owed to group undertakings	**6.3**	1.3
Corporation tax	**7.3**	5.0
Other taxation and social security	**2.2**	2.2
Other creditors	**7.5**	6.5
Accruals and deferred income	**11.4**	9.7
	61.5	48.9
(b) Amounts falling due after more than one year:		
Eurobonds	**99.8**	99.7
Amounts owed to group undertakings	**350.0**	350.0
Other creditors	**4.6**	4.2
	454.4	453.9

10 Related party transactions

(a) The Company's immediate parent company is EDF Energy (South East) plc. The Company's ultimate parent company is Electricité de France (see note 19). During the year, the Licensed Distribution Business has entered into transactions with other group undertakings of Electricité de France, as set out in note 10(b) below.

(b) Transactions during the year

	2003 £m	2002 £m
(i) Charges out		
Distribution of electricity		
SEEBOARD Energy Ltd	**97.5**	109.1
London Energy plc	**11.2**	-
(ii) Charges in		
Interest on loans		
EDF Energy (South East) plc	**30.2**	15.0
Management charges		
EDF Energy (South East) plc	**8.3**	14.8
Insurance		
EDF Energy (South East) plc	**4.3**	3.9
Contracting services		
SEEBOARD Contracting Services Limited	**5.3**	2.7
Highway Lighting Services		
SEEBOARD Contracting Services Limited	**2.2**	2.0

(c) Related party balances at 31 March

	2003 £m	2002 £m
(i) Amounts receivable		
SEEBOARD Energy Limited	**13.6**	9.9
London Energy plc	**1.4**	-
Other group companies	**0.4**	1.5
	15.4	11.4
(ii) Amounts payable – falling due within one year		
EDF Energy (South East) plc	**6.1**	1.1
Other group companies	**0.2**	0.2
	6.3	1.3
(ii) Amounts payable – falling due after more than one year		
EDF Energy (South East) plc – loan	**350.0**	350.0

EDF Energy (South East) plc was formerly known as SEEBOARD plc and London Energy plc was formerly known as London Electricity plc.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

11 Derivatives and financial instruments

The Company's funding, liquidity and exposure to interest rate risks are managed by the Company's intermediate parent undertaking, EDF Energy plc. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board of EDF Energy plc.

As permitted by FRS 13 – 'Derivatives and other Financial Instruments: Disclosures', short-term debtors and creditors have been excluded from disclosures.

(a) Interest rate and currency risk
All of the Company's long term debt has been issued at fixed rates of interest. Exposure to short term interest rate movements is limited to short-term investments and borrowings resulting from working capital surpluses and deficits. The Company does not have any direct material exposure to foreign currencies.

(b) Interest rate profile
All debt outstanding at 31 March 2003 incurs interest at a fixed rate to the date of maturity. The total debt outstanding at 31 March 2003 was £449.8m (2002 £449.7m). The weighted average interest rate was 8.63% (2002 8.67%) and the weighted average period for which the rate is fixed was 18.0 years (2002 19.0 years). Other long-term creditors were predominantly non-interest bearing.

(c) Eurobond
On 3 October 1995, EDF Energy (South East) plc, formerly SEEBOARD plc, received £99.2m from the issue of £100m sterling bonds repayable on 3 October 2005. Interest, charged at 8.5%, is payable annually in arrears on 3 October in each year. Following the restructuring under the Utilities Act 2000, the £100m sterling bonds were transferred to SPN on 1 October 2001. The obligations under the bonds are guaranteed by EDF Energy (South East) plc.

(d) Amounts owed to parent undertaking
On 1 October 2001, inter-company debt of £350.0m was transferred to the Company arising out of the transfer scheme repayable on 30 August 2025. Interest is charged on the first £121.0m at 8.0% per annum and is payable on 31 December each year. Interest is charged on the next £129.0m at 8.94% per annum and is payable semi-annually on 2 February and 1 August each year. Interest is charged on the remaining £100.0m at 9.14% per annum and is payable on 27 September each year. This debt was repaid and replaced with external bonds on 6 June 2003, of £50m and £300m which mature on June 2023 and June 2026 respectively.

(e) Fair Value
The fair value of the 8.5% Eurobond at 31 March 2003 was £109.5m (2002 £107.4m) based on market value. The fair value has been calculated by discounting cash flows at prevailing interest rates at the year-end. There is no market for the 'Amounts owed to parent undertaking' which is not a traded investment, therefore its fair value at 31 March 2003 was £350m (2002 £350m). The fair value of long-term debtors and other long-term creditors is considered to be the same as book value.

(f) Committed facilities
On 21 November 2001, the CSW Investments group entered into a £320m Multicurrency Revolving Credit Facility with a syndicate of banks under which CSW Investments, EDF Energy (South East) plc, formerly SEEBOARD plc, SPN and SEEBOARD Energy Limited were borrowers. The facility was fully repaid on 29 July 2002 following the acquisition by the EDF Group and the facility is no longer available to the Company.

(g) Maturity of borrowings

	2003 £m	2002 £m
Unsecured loans outstanding at the year end were repayable as follows:		
Repayable in more than two years but not more than five years	**99.8**	99.7
Repayable in more than five years	**350.0**	350.0
	449.8	449.7

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

12 Provisions for liabilities and charges

	Deferred tax £m	Restructuring £m	Other £m	Total £m
At 1 April 2002	82.2	0.4	0.4	83.0
Utilised during the year	(5.9)	(0.2)	(0.1)	(6.2)
At 31 March 2003	**76.3**	**0.2**	**0.3**	**76.8**

13 Called up share capital

	Number	**£**
Authorised, allotted and fully paid		
Ordinary shares of £1 each at 1 April 2002 and 31 March 2003	**50,000**	**50,000**

14 Reconciliation of movements in shareholder's funds

	Share capital £m	Profit & loss account £m	Equity share-holder's funds £m
At 1 April 2002	0.1	139.4	139.5
Prior year adjustment	-	1.5	1.5
At 1 January 2002 restated	0.1	140.9	141.0
Retained profit for the year	-	44.6	44.6
At 31 March 2003	**0.1**	**185.5**	**185.6**

15 Pension costs

(a) Pension scheme
The original pension scheme available to employees of SPN was the EDF Energy Group's, formerly Seeboard Group's section of the Electricity Supply Pension Scheme ("ESPS"), which provides pensions and other related benefits based on the final pensionable pay to employees throughout the Electricity Supply Industry. The scheme was closed to new members in 1995. The assets of the scheme are held in a separate trustee administered fund and a full actuarial valuation of the scheme is carried out on a triennial basis, the latest full actuarial valuation being carried out at 31 March 2001.

The Company's contributions are defined by the Group and are fully expensed to the profit and loss account. The Company is unable to identify its share of the pension fund's underlying assets and liabilities or of any surplus or deficit arising from actuarial valuations, hence the contributions are accounted for as if it were a defined contribution scheme.
Pension costs charged to the profit and loss account during the year amounted to £6.1m (2002: £3.1m).

Since July 1995, new employees have been offered membership of either the SEEBOARD Final Salary Pension Plan or the SEEBOARD Pension Investment Plan, a defined contribution scheme. The Company's contributions are charged against profits in the year in which contributions are made.

(b) SSAP 24 - Accounting for pension costs
The Group has continued to account for pension costs in accordance with Statement of Standard Accounting Practice (SSAP) 24 – 'Accounting for Pension Costs'. The latest full actuarial valuation of SEEBOARD's section of the ESPS was carried out as at 31 March 2001 by Hewitt, Bacon & Woodrow, consulting actuaries. They subsequently updated their valuation to 29 July 2002, the date of acquisition by EDF Energy plc, formerly London Electricity Group . The results of these valuations have been used as the basis for assessing pension costs for the year. This does not take into account any movement in general stock market values since 29 July 2002. Such impact will be reflected in the next triennial valuation as at 31 March 2004 based upon which subsequent pension costs will be determined until the adoption of FRS17.

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

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

The actuarial report showed that a smoothed market value of the assets of the SEEBOARD section of the ESPS as at 31 March 2001 represented 107.4% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensions and other former members as well as benefits based on service completed to date for active members, allowing for future salary rises. The total market value of the assets of the section of the ESPS which relates to SEEBOARD was £791m.

(c) FRS 17 – Retirement benefits – transitional disclosures
Whilst the accounts for the year ended 31 March 2003 continue to include a pension charge calculated under the principles of SSAP 24, due to the Accounting Standards Board deferring the date for full adoption of FRS 17 transitional arrangements for the adoption of FRS 17 require the disclosures set out below.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation of the former SEEBOARD's section of the ESPS at 31 March 2001 and updated to assess the liabilities of the Scheme at 31 March 2003. Scheme assets are also stated at their market value as at 31 March 2003. The other pension schemes have been treated as defined contribution schemes for FRS 17 disclosure purposes.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

15 Pension costs (continued)
(c) FRS 17 – Retirement benefits – transitional disclosures (continued)

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

	2003	2002
Discount rate	**5.4%**	6.0%
Inflation rate	**2.5%**	2.9%
Increase to pensions	**2.5%**	2.8%
Increase to deferred benefits	**2.5%**	2.8%
Salary Increases	**3.5%**	4.3%

These assumptions are governed by FRS 17 and do not reflect the assumptions used by the independent actuary in the triennial valuation as at 31 March 2001, which determined the Group's contribution rate for future years.

(ii) The assets and liabilities in SEEBOARD's section of the ESPS and the expected rate of return are set out below.

	Long-term rate of Expected return		Market value	
	2003	2002	**2003 £m**	2002 £m
Equities	**8.0%**	7.8%	**348.0**	522.2
Gilts	**4.5%**	5.3%	**198.2**	163.7
Cash	**4.0%**	3.8%	-	(2.7)
Property	**6.5%**	6.3%	**45.0**	43.8
Total market value of scheme assets			**591.2**	727.0
Present value of scheme liabilities			**(763.1)**	(743.2)
Deficit in the scheme			**(171.9)**	(16.2)
Related deferred tax asset			**51.6**	4.9
Net pension liability			**(120.3)**	(11.3)

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

15 Pension costs (continued)
(c) FRS 17 – Retirement benefits – transitional disclosures (continued)

(iii) Movement from surplus to deficit during the year

	2003 £m
Deficit in scheme at 1 April 2002	**(16.2)**
Amounts that would be charged to operating profit under FRS 17	
Current service cost	**(7.1)**
Curtailment cost	**(2.1)**
Total operating charge	**(9.2)**
Amounts that would have been included as other finance income under FRS 17	
Expected return on pension assets	**51.1**
Interest on pension liabilities	**(43.7)**
Net return	**7.4**
Net charge to profit and loss account	**(1.8)**
Contributions	**7.7**
Amounts that would have been recognised in the statement of 'Total recognised gains and losses' (STRGL) under FRS 17	
Annual return less expected return on pension scheme assets	**(159.1)**
Experience gain on pension liabilities	**6.8**
Change in financial assumptions underlying pension scheme liabilities	**(9.3)**
Actuarial loss recognised in STRGL	**(161.6)**
Deficit in the scheme at 31 March 2003	**(171.9)**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

15 Pension costs (continued)
(c) FRS 17 – Retirement benefits – transitional disclosures (continued)
(iv) History of experience gains and losses

	2003
(a) Difference between actual and expected return on scheme assets	
Amount (£m)	**(159.1)**
Percentage of scheme assets	**26.9%**
(b) Experience gains on scheme liabilities	
Amount (£m)	**6.8**
Percentage of present value of scheme liabilities	**0.9%**
(c) Total actuarial loss	
Amount (£m)	**(161.6)**
Percentage of present value of scheme liabilities	**21.2%**

16 Lease obligations

	2003 £m	2002 £m
(a) The following annual obligations under operating leases for equipment and vehicles expire		
In the second to fifth year inclusive	**0.1**	-
(b) The following annual obligations under operating leases for non-network land and buildings expire		
Within one year	**0.5**	0.6

17 Capital and contingent liabilities
Capital investment in respect of which the Company has entered into contractual commitments but which was not provided for as at 31 March 2003, amounted to £5.4m (2002: £5.2m).

Under Part II A of the Environmental Protection Act 1990, retroactive liability may be imposed on landowners for the clean up of land identified by local authorities as contaminated. Land can be identified as contaminated if significant harm is being caused, pollution of controlled waters is occurring and there is a significant possibility of controlled waters being contaminated. If EDF Energy plc Group, formerly London Electricity Group, sites are contaminated, clean up costs may be incurred in the future, however, it is not currently possible to calculate a reliable estimate of such costs. Full provision has been made, however, where a problem has been identified and quantifiable liability established.
Following the acquisition of the Company on 29 July 2002, EDF Energy Group announced a restructuring programme. The cost of restructuring to the Company has not been established and accordingly no provision has been made in these accounts.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

18 Notes to the cash flow statement

	2003 £m	2002 £m
(a) Non cash items		
Depreciation	**26.6**	27.3
Profit on sale of fixed assets	-	(0.2)
Decrease in provisions	**(0.3)**	(3.8)
	26.3	23.3
(b) Movement in working capital		
Decrease/(increase) in stocks	**0.7**	(3.4)
Decrease in debtors	**16.7**	22.4
Increase/(decrease) in creditors	**9.1**	(18.1)
	26.5	0.9

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

	2003 £m	2002 £m
(c) Returns on investments and servicing of finance		
Interest received	**0.1**	0.2
Interest paid	**(37.8)**	(4.8)
	(37.7)	(4.6)
(d) Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(105.9)**	(113.5)
Customers' contributions	**24.7**	25.7
Sales of tangible fixed assets	**0.7**	0.2
	(80.5)	(87.6)
(e) Transfers to corporate funds		
Transfer to corporate funds	**-**	(25.4)
Transfer of corporate fixed assets	**-**	8.6
Other transfers	**-**	4.5
	-	(12.3)

(f) Analysis of net debt

	Balance 1 April 2002 £m	Cash Flow £m	**Balance at 31 March 2003 £m**
Cash at bank and in hand (see balance sheet)	6.1	13.3	**19.4**
Amount owed to parent undertaking (see note 11(d))	(350.0)	-	**(350.0)**
Bonds (see note 11(c))	(99.7)	(0.1)	**(99.8)**
	(443.6)	13.2	**(430.4)**

NOTES TO THE ACCOUNTS
for the year ended 31 March 2003

19 Ultimate holding company and ultimate controlling company

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

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