



**EDF ENERGY (SOUTH EAST) PLC  
(FORMERLY SEEBOARD PLC)**

**Registered Number 2366867**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2003**



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### **Directors**

Humphrey A E Cadoux-Hudson  
Vincent de Rivaz

### **Company Secretary**

Robert I Higson

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Registered Office**

40 Grosvenor Place  
Victoria  
London  
SW1X 7EN

## DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2003. The name of the Company was changed from SEEBOARD plc to EDF Energy (South East) plc on 30 June 2003.

### Principal activity and review of the business

The Company's principal activities during the year continued to be the provision of management services, property services, financial guarantees and the holding of investments. It will continue in these activities for the foreseeable future.

### Results and dividends

The profit for the year, after taxation, amounted to £25.6m (2002: restated profit of £2.2m). During the year, the Company made no dividend payments (2002: paid £30.0m) to its immediate parent company, SEEBOARD Group plc. The Directors do not recommend payment of a final dividend (2002: £Nil).

### Directors and their interests

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

Humphrey A E Cadoux-Hudson

Vincent de Rivaz

Michael J Pavia

(Resigned 31 July 2003)

None of the Directors have a service contract with the Company. One of the Directors is employed by and has a service contract with the ultimate parent company, Electricité de France (EDF). The remaining Directors are employed by the intermediate parent company, EDF Energy plc (formerly London Electricity Group plc) ("Group") and have service contracts with that company.

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 £6,540 (2002: £288,000) and no political contributions (2002: £Nil).

### 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;
- ensure that those creditors/suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- 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 39 days (2002: 36 days) purchases outstanding in its trade creditors.

## DIRECTORS' REPORT Continued

### Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy plc (formerly London Electricity Group) group of companies. This is carried out in a number of ways, including formal and informal briefings, departmental meetings, regular reports in staff newsletters and on the Group intranet.

### 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.

By order of the Board



Robert I Higson  
Company Secretary

Date 28 JUL 2004

## 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; 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.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC  
(FORMERLY SEEBOARD PLC)**

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDF ENERGY (SOUTH EAST) PLC  
(FORMERLY SEEBOARD PLC) Continued**

**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.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

Date **28 JUL 2004**

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

	Note	2003 £m	Restated 2002 £m
<b>Turnover</b>	2	20.9	22.2
<b>Gross profit</b>		20.9	22.2
Administrative expenses		(12.8)	(19.7)
<b>Operating profit</b>	3	8.1	2.5
Profit on sale of fixed assets	4	12.3	7.9
Exceptional item	5	-	(28.7)
<b>Profit/(loss) on ordinary activities before investment income, interest and taxation</b>		20.4	(18.3)
Income from fixed asset investments		0.8	1.8
Interest receivable	8	13.4	32.0
Interest payable	9	(6.5)	(9.8)
<b>Profit on ordinary activities before taxation</b>		28.1	5.7
Tax on profit on ordinary activities	10	(2.5)	(3.5)
<b>Profit for the financial year</b>		25.6	2.2
Dividends	11	-	(30.0)
<b>Profit/(loss) retained for the financial year</b>	22	25.6	(27.8)

Prior year figures have been restated to show the effect of the change in accounting policy (note 26).

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £m	Restated 2002 £m
Profit for the financial year		25.6	2.2
<b>Total recognised gains and losses relating to the year</b>		25.6	2.2
Prior year adjustment - change in accounting policy	26	(2.8)	
<b>Total recognised gains and losses since last annual report</b>		22.8	

Prior year figures have been restated to show the effect of the change in accounting policy (note 26).

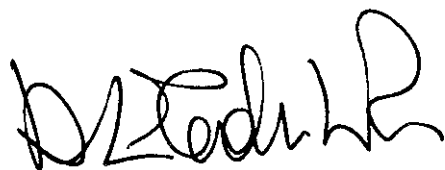


**BALANCE SHEET**  
**AT 31 DECEMBER 2003**

	Note	2003 £m	Restated 2002 £m
<b>Fixed assets</b>			
Tangible assets	12	30.0	42.5
Other investments	13	13.6	13.7
<b>Total fixed assets</b>		<b>43.6</b>	<b>56.2</b>
<b>Current assets</b>			
Debtors falling due within one year	14	95.8	58.7
Debtors falling due after more than one year	15	-	352.0
Investments	16	-	0.4
Cash		368.6	-
<b>Total current assets</b>		<b>464.4</b>	<b>411.1</b>
<b>Creditors</b> (amounts falling due within one year)	17	<b>(183.4)</b>	<b>(161.7)</b>
<b>Net current assets</b>		<b>281.0</b>	<b>249.4</b>
<b>Total assets less current liabilities</b>		<b>324.6</b>	<b>305.6</b>
<b>Creditors</b> (amounts falling due after more than one year)	18	<b>(60.0)</b>	<b>(60.0)</b>
Provisions for liabilities and charges	19	-	(6.6)
<b>Net assets</b>		<b>264.6</b>	<b>239.0</b>
<b>Capital and reserves</b>			
Called up share capital	21	125.3	125.3
Share premium account	22	7.8	7.8
Capital redemption reserve	22	6.8	6.8
Profit and loss account	22	124.7	99.1
<b>Equity shareholder's funds</b>		<b>264.6</b>	<b>239.0</b>

Prior year figures have been restated to show the effect of the change in accounting policy (note 26).

The financial statements on pages 7 to 21 were approved by the Board of Directors on **28 JUL 2004**  
and were signed on its behalf by:



Humphrey A E Cadoux-Hudson  
**Director**

## 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.

In preparing the financial statements for the current year, the Company has discontinued its policy of discounting of deferred tax assets and liabilities. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3. Further details are given in note 26.

The Company is following the transitional arrangements of FRS 17 'Retirement benefits'. The required disclosures are shown in note 23. Full adoption of the standard is required by the year ended 31 December 2005.

#### Cash flow statement

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements (revised 1996)' as it is a member of a group which produces publicly available financial statements.

#### Consolidation

Consolidated financial statements have not been prepared, as the Company is exempt from the obligation to prepare consolidated financial statements under section 228(1) of the Companies Act 1985. Consolidated financial statements are prepared by the intermediate parent company, EDF Energy plc (formerly London Electricity Group plc).

#### 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 or valuation, of each asset evenly over its expected useful life, as follows:

Non network land	—	Not depreciated
Buildings	—	40 years
Fixtures and equipment	—	3 to 10 years
Vehicles and mobile plant	—	3 to 10 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.

#### Fixed asset investments including subsidiary undertaking and joint ventures

Fixed asset investments are shown at cost less any provision for permanent diminution in value.

## 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:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, this is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over or eliminated by capital losses.
- 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 an undiscounted basis. Previously deferred tax was measured on a discounted basis. Comparative figures have been restated as required (note 26).

### Leasing commitments

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

### Pensions

The Company participates in both a defined contribution pension scheme and defined benefit pension scheme. Contributions in respect of the defined contribution pension scheme are charged to the profit and loss 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 the 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 activity of providing management services, property services and financial guarantees.

## 3. Operating profit

	2003 £m	2002 £m
This is stated after charging :		
Depreciation of owned fixed assets	0.7	3.8
Write-off of disposed fixed assets	4.3	-
Operating lease payments for land and buildings	0.2	0.1

Auditors' remuneration for the year was £20,000 (2002: £25,000).

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**4. Profit on sale of fixed assets**

	2003 £m	2002 £m
Sales proceeds	20.6	11.5
Net book value	(7.9)	(3.3)
Associate sales costs	(0.4)	(0.3)
	12.3	7.9

**5. Exceptional item**

	2003 £m	2002 £m
Waiver of intercompany loans on Group restructuring	-	28.7

On 1 January 2002, SEEBOARD Natural Gas Limited sold its interest in SEEBOARD Energy Gas Limited to SEEBOARD Energy Limited, a subsidiary of EDF Energy (South East) plc (formerly SEEBOARD plc). On the same date, the shareholder loan of £28.7m payable by SEEBOARD Natural Gas Limited to EDF Energy (South East) plc (formerly SEEBOARD plc) was waived.

**6. Directors' emoluments**

None of the Directors received any remuneration from the Company during the year. One of the Directors is employed by the ultimate parent company, Electricité de France (EDF). The remaining Directors are employed by the intermediate parent company, EDF Energy plc (formerly London Electricity Group plc).

**7. Staff costs**

	2003 £m	2002 £m
Wages and salaries	2.8	7.4
Social security costs	0.1	0.3
Other pension costs	0.5	1.3
	3.4	9.0

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

	2003 Number	2002 Number
Administration staff	56.5	75.0

**8. Interest receivable**

	2003 £m	2002 £m
Bank interest	0.3	-
Interest receivable from other Group companies	13.1	32.0
	13.4	32.0

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**9. Interest payable**

	2003 £m	2002 £m
Bank loans and overdrafts	-	1.9
Interest payable on loans from other Group companies	6.5	7.9
	<b>6.5</b>	<b>9.8</b>

**10. Tax on profit on ordinary activities**

a) Analysis of tax charge in the year

**UK current tax**

	2003 £m	Restated 2002 £m
UK corporation tax charge on profits of the year	(9.3)	(2.0)
Total current tax charge (Note 10(b))	(9.3)	(2.0)

**UK deferred tax**

	2003 £m	Restated 2002 £m
Origination and reversal of timing differences	1.1	(1.5)
Adjustment in respect of previous years	5.7	-
Total deferred tax credit/(charge)	6.8	(1.5)
<b>Tax charge on profit on ordinary activities</b>	<b>(2.5)</b>	<b>(3.5)</b>

(b) Factors affecting tax charge for the year:

	2003 £m	2002 £m
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	28.1	5.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(8.4)	(1.7)
Effect of:		
Non-deductible expenditure	(1.5)	(0.3)
Non-taxable income	3.9	0.8
Capital allowances in excess/(lower) than depreciation	0.2	(0.7)
Capital gains	(3.5)	-
Other	-	(0.1)
Current tax charge for the year	(9.3)	(2.0)

NOTES TO THE FINANCIAL STATEMENTS Continued

11. Dividends

	2003 £m	2002 £m
Dividends paid	-	30.0

12. Tangible fixed assets

(a)	Land & Buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total £m
<b>Cost</b>				
At 1 January 2003	49.9	24.5	0.1	74.5
Additions	0.6	-	-	0.6
Disposals	(10.4)	(24.5)	(0.1)	(35.0)
<b>At 31 December 2003</b>	<b>40.1</b>	<b>-</b>	<b>-</b>	<b>40.1</b>
<b>Depreciation</b>				
At 1 January 2003	11.8	20.2	-	32.0
Charge for the year	0.7	-	-	0.7
Disposals	(2.4)	(20.2)	-	(22.6)
<b>At 31 December 2003</b>	<b>10.1</b>	<b>-</b>	<b>-</b>	<b>10.1</b>
<b>Net book value</b>				
<b>At 31 December 2003</b>	<b>30.0</b>	<b>-</b>	<b>-</b>	<b>30.0</b>
At 31 December 2002	38.1	4.3	0.1	42.5

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

	2003 £m	2002 £m
Freehold - land	8.9	6.4
- buildings	20.9	31.5
Short leasehold	0.2	0.2
	<b>30.0</b>	<b>38.1</b>

## NOTES TO THE FINANCIAL STATEMENTS Continued

### 13. Fixed asset investments

	Shares £m	Other £m	Total £m
<b>Cost:</b>			
At 1 January 2002	14.2	0.1	14.3
Group restructure	(0.6)	-	(0.6)
At 31 December 2002	13.6	0.1	13.7
Disposals	-	(0.1)	(0.1)
<b>At 31 December 2003</b>	<b>13.6</b>	<b>-</b>	<b>13.6</b>

During the 2002 financial year, the Company transferred SEEBOARD Trading Limited and EDF Energy (Powerlink Holdings) Limited (formerly SEEBOARD Powerlink Holdings Limited) to its subsidiary EDF Energy (Asset Management) Limited (formerly SEEBOARD Asset Management Limited).

The principal undertakings at 31 December 2003, which are companies incorporated in Great Britain and are registered and operate in England and Wales (unless otherwise stated), are as follows:

	Percentage of ordinary shares held	Principal activity
EDF Energy (Asset Management) Limited (formerly SEEBOARD Asset Management Limited)	100%	Investment company
EDF Energy (Metro Holdings) Limited (formerly SEEBOARD Metro Holdings Limited)	100%	Investment company
EDF Energy (Powerlink Holdings) Limited (formerly SEEBOARD Powerlink Holdings Limited)*	100%	Investment company
EDF Energy (Projects) Limited (formerly SEEBOARD Projects Limited)*	100%	Investment company
EDF Energy (South Eastern Services) Limited (formerly South Eastern Services Limited)*	100%	Property management
EDF Energy Networks (SPN) plc (formerly SEEBOARD Power Networks plc)	100%	Contract management for distribution network
Islington Lighting Limited*	100%	Electrical contracting
Islington Lighting (Finance) Limited*	100%	Investment company
Longfield Insurance Company Limited (Guernsey)	100%	Insurance
Seeb Limited	100%	Investment company
SEEBOARD Contracting Services Limited*	100%	Electrical contracting
SEEBOARD Employment Services Limited	100%	Management company
SEEBOARD Energy Gas Limited*	100%	Gas supply
SEEBOARD Energy Limited	100%	Energy supply
SEEBOARD Highway Lighting No.2 Limited*	100%	Holding company
SEEBOARD Highway Services Limited*	100%	Holding company
SEEBOARD Insurance Company Limited (Isle of Man)	100%	Insurance
SEEBOARD International Limited	100%	Investment company
SEEBOARD Metering Limited*	100%	Investment company
SEEBOARD Natural Gas*	100%	Investment company
SEEBOARD Powerlink Limited*	80%	Asset management
SEEBOARD Trading Limited *	100%	Investment company
Southern Gas Limited*	100%	Investment company

\*Investment held indirectly

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**13. Fixed asset investments continued**

The joint ventures at 31 December 2003, which are incorporated in Great Britain and are registered and operate in England and Wales, are as follows:

	Percentage of ordinary shares held	Principal activity
Power Asset Development Company Limited*	50%	Asset management
Metronet SSL Limited*	20%	Maintaining and renewing underground network
Metronet BCV Limited*	20%	Maintaining and renewing underground network
Trans4m Limited*	25%	Engineering contractor

\*Investment held indirectly

**14. Debtors falling due within one year**

	2003 £m	2002 £m
Trade debtors	0.1	0.3
Other taxes and social security costs	0.1	-
Deferred tax asset (note 20)	0.8	-
Amounts owed by parent companies	27.8	28.4
Amounts owed by other group companies	66.1	23.1
Prepayments and accrued income	0.9	6.9
	<b>95.8</b>	<b>58.7</b>

**15. Debtors falling due after more than one year**

	2003 £m	2002 £m
Amounts owed by other group companies	-	352.0

**16. Current asset investments**

	2003 £m	2002 £m
Cash investments	-	0.4



**NOTES TO THE FINANCIAL STATEMENTS Continued**

**17. Creditors: amounts falling due within one year**

	2003 £m	Restated 2002 £m
Bank loans and overdraft	-	34.6
Payments received on account	0.6	0.9
Trade creditors	1.5	2.2
Amounts owed to parent companies	3.2	3.2
Amounts owed to other group companies	148.7	97.6
Corporation tax	22.9	13.6
Other taxes and social security costs	-	0.2
Other creditors	1.0	5.2
Accruals	5.5	4.2
	<b>183.4</b>	<b>161.7</b>

**18. Creditors: amounts falling due after more than one year**

	2003 £m	Restated 2002 £m
Amounts owed to other group companies	60.0	60.0

## NOTES TO THE FINANCIAL STATEMENTS Continued

### 19. Provisions for liabilities and charges

The movements in provisions during the current year are as follows:

	At 1 January 2003 (restated)	Utilised in the year	Released in the year	Arising during the year	Adjustment in respect of previous years	At 31 December 2003
	£m	£m	£m	£m	£m	£m
Deferred tax (note 20)	6.0	-	-	(0.3)	(5.7)	-
Other	0.6	(0.5)	(0.1)	-	-	-
	<b>6.6</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(5.7)</b>	<b>-</b>

### 20. Deferred taxation

The movements in deferred taxation during the current year are as follows:

	£m
At 1 January 2003	3.2
Prior year adjustment (note 26)	2.8
At 1 January 2003 (restated)	6.0
Credit for the year (note 10)	(6.8)
<b>At 31 December 2003 (Deferred tax asset)</b>	<b>(0.8)</b>

Deferred taxation provided in the financial statements is as follows:

	2003 £m	Restated 2002 £m
Accelerated capital allowances	(0.6)	7.6
Short-term timing differences	(0.2)	(1.6)
<b>Deferred tax (asset)/provision</b>	<b>(0.8)</b>	<b>6.0</b>

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**21. Share capital**

Authorised

	2003 £m	2002 £m
400,000,000 Ordinary shares of £0.50 each	200.0	200.0

Allotted, called up and fully paid

	2003 Number	2002 Number	2003 £m	2002 £m
Ordinary shares of £0.50 each	250,493,703	250,493,703	125.3	125.3

**22. Reconciliation of shareholder's funds and movement on reserves**

	Share capital £m	Share premium capital £m	Capital redemption reserve £m	Profit and loss account £m	Total share- holder's funds £m
At 1 January 2002	125.3	7.8	6.8	129.1	269.0
Prior year adjustment	-	-	-	(2.2)	(2.2)
At 1 January 2002 (restated)	125.3	7.8	6.8	126.9	266.8
Retained loss for the financial year (restated)	-	-	-	(27.8)	(27.8)
At 31 December 2002 (restated)	125.3	7.8	6.8	99.1	239.0
Retained profit for the financial year	-	-	-	25.6	25.6
<b>At 31 December 2003</b>	<b>125.3</b>	<b>7.8</b>	<b>6.8</b>	<b>124.7</b>	<b>264.6</b>

## NOTES TO THE FINANCIAL STATEMENTS *Continued*

### 23. Pension commitments

The Company participates in the following Group-wide pension schemes.

#### Electricity Supply Pension Scheme

The SEEBOARD Group segment of the Electricity Supply Pension Scheme (ESPS) is a multi-employer defined benefit scheme. The ESPS which operates throughout the Electricity Supply Industry, provides pension and other related benefits based on final pensionable pay of employees. The assets of the scheme are held in a separate trustee-administered fund. The scheme was closed to new employees in 1995.

It is not possible to identify the Company's share of the underlying assets and liabilities in the Group scheme. Accordingly, the Company accounts for the scheme as if it were a defined contribution scheme i.e. the Company pays contributions to the scheme at a fixed contribution rate, defined by Group, which is charged directly to the profit and loss account.

The most recent formal actuarial valuation of the SEEBOARD Group segment of ESPS was carried out as at 31 March 2001 by Hewitt Bacon & Woodrow, consulting actuaries. This valuation was updated by Hewitt Bacon & Woodrow to 31 December 2003. The results of these valuations have been used as the basis for assessing pension costs for the year.

Details of the principal assumptions used to calculate the assets and liabilities of the SEEBOARD Group segment of the ESPS under FRS 17 are set out below, while the results of the valuation are included in the accounts of EDF Energy plc. The total market value of the assets of SEEBOARD Group's segment of the ESPS at 31 December 2003 was £684m (2002 £620m) and the present value of the scheme liabilities was £802m (2002 £736m).

The principal financial assumptions used to calculate ESPS liabilities under FRS 17 were:

	31 December 2003 % p.a.	31 December 2002 % p.a.
Inflation assumption	2.8	2.3
Rate of increase in salaries	3.8	3.3
Rate of increase of pensions in payment and deferred pensions	2.8	2.3
Rate used to discount plan liabilities	5.4	5.5
Expected rate of return on equities	8.5	8.0
Expected rate of return on bonds	4.8	4.5

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.

#### SEEBOARD Final Salary Pension Plan and SEEBOARD Pension Investment Plan

Since 1 July 1995, new employees of the Company have been offered membership of either of the SEEBOARD Final Salary Pension Plan (FSPP) or the SEEBOARD Pension Investment Plan (PIP).

FSPP is a final salary pension scheme and PIP is a money purchase pension scheme. The assets of both schemes are held in separate trustee-administered funds.

In March 2004, the Group merged its non-ESPS pension schemes, including the FSPP and PIP into the EDF Energy Group Pension Scheme. All past benefits have not changed. Hereafter, members of the affected scheme have the option to contribute to the new defined benefit scheme.

The pension charge for the year relating to all schemes, charged to the profit and loss account for the year, amount to £514,000 (31 December 2002: £1,300,000)

## NOTES TO THE FINANCIAL STATEMENTS Continued

### 24. Other financial commitments

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

	2003 £m	2002 £m
Operating leases which expire:		
Within one year	0.1	0.2
In two to five years	0.2	0.3
In more than five years	2.0	1.1
	<b>2.3</b>	<b>1.6</b>

### 25. Related parties

In accordance with FRS 8 'Related parties disclosures', the Company is exempt from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

### 26. Prior year adjustment

#### Deferred tax

The Directors have decided to discontinue the policy of discounting deferred tax assets and liabilities in order to reduce the difference in the Company's accounting policies with those of the Company's ultimate parent company, EDF, which prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Under IFRS, the discounting of deferred tax assets and liabilities is not permitted. This change in accounting policy has been reflected in the financial statements as a prior year adjustment in accordance with FRS 3.

The effect on the Company profit and loss account for the years ended 31 December 2003 and 31 December 2002 is shown below.

	2003 £m	2002 £m
Increase/(decrease) in tax charge as a result of accounting policy change	(2.9)	0.6
Total net profit increase	2.9	-
Total net loss increase	-	(0.6)
As previously reported		(27.2)
As restated		(27.8)

The effect on the Company balance sheet at 31 December 2003 and 31 December 2002 is shown below.

	2003 Under previous policy £m	2003 Accounting policy change £m	Per accounts £m	As previously reported £m	2002 Accounting policy change £m	2002 Per accounts (restated) £m
Deferred tax asset	0.7	0.1	0.8	-	-	-
Provisions for liabilities and charges	-	-	-	(3.2)	(2.8)	(6.0)
Movement in equity shareholder's funds	-	(0.1)	-	-	2.8	-

**NOTES TO THE FINANCIAL STATEMENTS Continued**

**27. Parent company and controlling party**

SEEBOARD Group plc holds a 100% interest in EDF Energy (South East) plc (formerly SEEBOARD plc) and is considered to be the immediate parent company. EDF Energy plc (formerly London Electricity Group plc), the intermediate parent company, is the smallest group for which consolidated financial statements 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 financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from Electricité de France, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.