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EDF ENERGY

EDF ENERGY (SERVICES) LIMITED
(FORMERLY LONDON ELECTRICITY SERVICES LIMITED)

Registered Number 2228168

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

CONTENTS

Directors

Humphrey A E Cadoux-Hudson
Andrew K MacAskill
Maria H Maes

Company Secretary

Robert I Higson

Auditors

Ernst & Young LLP
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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 Company changed it's name from London Electricity Services Limited to EDF Energy (Services) Limited on 30 June 2003.

Principal activity and review of the business

The Company's principal activity during the year continued to be the management of electricity distribution systems. It will continue in this activity for the foreseeable future.

Results and dividends

The profit for the year, after taxation, amounted to £9,025,000 (2002: restated profit of £7,885,000). The Directors recommend that no dividend should be paid this year (2002: £Nil).

Directors and their interests

Directors who held office during the year were as follow:

Humphrey A E Cadoux-Hudson	(Appointed 1st April 2003)
Andrew K MacAskill	
Maria H Maes	(Appointed 1st January 2004)
Vincent de Rivaz	(Appointed 1st April 2003, resigned 1st January 2004)
Michael J Pavia	(Appointed 1st April 2003, resigned 31st July 2003)
Paul A Cuttill	(Resigned 1st April 2003)
Kevin Morton	(Resigned 1st April 2003)

One of the Directors has a service contract with the Company. One of the Directors who held office during the year is employed by and has a service contract with the ultimate parent company, Electricité de France (EdF). The remaining Directors are all employed by other, EDF Energy plc (formerly London Electricity Group plc) companies and have service contracts with those companies.

There were 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 £10,906 (2002: £6,639) and no political contributions.

DIRECTORS' REPORT Continued

Creditors payment policy

The Company's current policy concerning the payment of the majority 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;
- 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 4 days purchases outstanding in its trade creditors (2002: 5 days).

Employee involvement

The Company keeps its employees informed on matters affecting them relating to the EDF Energy plc (formerly London Electricity Group plc) 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.

Going concern

The financial statements have been prepared under the going concern concept. EDF Energy plc (formerly London Electricity Group plc), the parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

By order of the Board

Robert I Higson
Company Secretary
Date 09 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 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 access to 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 (SERVICES) LIMITED (FORMERLY LONDON ELECTRICITY SERVICES LIMITED)

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 24. 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 (SERVICES) LIMITED (FORMERLY LONDON ELECTRICITY SERVICES LIMITED) 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 9 July 2004

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £000	Restated 2002 £000
Turnover	2	**30,749**	27,566
Gross profit		**30,749**	27,566
Distribution expenses		**(5,450)**	(4,212)
Administrative expenses		**(6,035)**	(5,040)
Operating profit	3	**19,264**	18,314
Profit on ordinary activities before interest and taxation		**19,264**	18,314
Interest payable	7	**(7,042)**	(6,477)
Profit on ordinary activities before taxation		**12,222**	11,837
Tax on profit on ordinary activities	8	**(3,197)**	(3,952)
Profit retained for the financial year	18	**9,025**	7,885

Prior year figures have been restated to show the effect of the change in accounting policy (note 23).

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

	Note	2003 £000	Restated 2002 £000
Profit retained for the financial year		**9,025**	7,885
Total recognised gains and losses relating to the year		**9,025**	7,885
Prior year adjustment – change in accounting policy	23	**(7,391)**	
Total recognised gains and losses since last annual report		**1,634**	

Prior year figures have been restated to show the effect of the change in accounting policy (note 23)

BALANCE SHEET
AS AT 31 DECEMBER 2003

	Note	2003 £000	Restated 2002 £000
Fixed assets			
Intangible assets	9	**942**	1,008
Tangible assets	10	**173,886**	142,452
Total fixed assets		**174,828**	143,460
Current assets			
Stock	11	**3,458**	2,138
Debtors falling due within one year	12	**9,531**	2,341
Total current assets		**12,989**	4,479
Creditors (amounts falling due within one year)	13	**(104,885)**	(64,077)
Net current liabilities		**(91,896)**	(59,598)
Total assets less current liabilities		**82,932**	83,862
Creditors (amounts falling due after more than one year)	14	**(35,100)**	(44,700)
Provision for liabilities and charges	16	**(20,270)**	(20,625)
Net assets		**27,562**	18,537
Capital and reserves			
Called up share capital	17	**10,100**	10,100
Profit and loss account	18	**17,462**	8,437
Equity shareholder's funds		**27,562**	18,537

Prior year figures have been restated to show the effect of the change in accounting policy (note 23).

The financial statements on pages 7 to 20 were approved by the Board of Directors on 09 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 23.

The Group is following the transitional arrangements of FRS 17 'Retirement benefits'. The required disclosures are shown in note 20. Full adoption of the standard is required by the year ended 31 December 2005.

Fundamental accounting concept

The financial statements have been prepared under the going concern concept. EDF Energy plc (formerly London Electricity Group plc), the parent company, has agreed to continue to support the Company financially and not to recall amounts advanced to the Company until the claims of all creditors have been met.

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.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

The cost of individual tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Cost includes staff costs where employees participate directly in the construction of assets.

NOTES TO THE FINANCIAL STATEMENTS Continued

Depreciation

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

Operational assets:		
Network assets excluding cable	–	Over 30 years
Cable	–	Over 50 years
Leasehold land and buildings	–	Shorter of lease term or 40 years
Non operational assets:		
Fixtures and equipment	–	Over 5 years
Vehicles	–	Over 5 years
Software	–	Over 5 years
IT equipment	–	Over 3 years

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as follows:

Work in progress	–	Cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

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

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 23).

NOTES TO THE FINANCIAL STATEMENTS Continued

Leasing and hire purchase commitments

Rentals payable under operating leases are charged to 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 account as they become payable in accordance with the rules of the scheme.

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

2. Turnover

Turnover, which is stated net of value added tax, arises entirely in the United Kingdom and is attributable to the continuing activity of the management of various electricity distribution systems.

3. Operating profit

This is stated after charging:		**2003** **£000**	2002 £000
Depreciation of owned fixed assets		**3,209**	2,655
Amortisation of goodwill		**66**	65
Auditors' remuneration		**15**	15
Operating lease rentals	- land and buildings	**341**	258
	- vehicles	**232**	212

4. Exceptional items

	2003 **£000**	2002 £000
Provision for debtors owed by LEC (London Electricity Contracting)	**61**	-
Provisions in relation to warranty and indemnity claims on sale of LEC	**(2,227)**	-

NOTES TO THE FINANCIAL STATEMENTS Continued

5. Directors' emoluments

Emoluments payable to the highest paid director were as follows:	**2003 £000**	2002 £000
Aggregate emoluments	**125**	107

	2003 Number	2002 Number
Members of defined benefit pension scheme	**1**	1

6. Staff costs

	2003 £000	2002 £000
Wages and salaries	**3,331**	3,018
Social security costs	**299**	285
Other pension costs	**263**	240
Less capitalised expenditure	**(1,472)**	(1,493)
	2,421	2,050

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

	2003 Number	2002 Number
Administration	**20**	18
Production	**72**	66
	92	84

7. Interest payable

	2003 £000	2002 £000
Interest due on loan from EDF Energy plc (formerly London Electricity Group plc)	**7,042**	6,477
	7,042	6,477

NOTES TO THE FINANCIAL STATEMENTS Continued

8. *Tax on profit on ordinary activities*

(a) Analysis of tax charge in the year

UK current tax	**2003 £000**	Restated 2002 £000
UK corporation tax charge on profits of the year	**(1,386)**	(1,987)
Adjustment in respect of previous years	**-**	1,761
Total current tax charge (Note 8(b))	**(1,386)**	(226)
UK deferred tax		
Origination and reversal of timing differences	**(3,031)**	(3,726)
Adjustment in respect of previous years	**1,220**	-
Total deferred tax charge	**(1,811)**	(3,726)
Tax charge on profit on ordinary activities	**(3,197)**	(3,952)

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	**12,222**	11,837
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	**(3,667)**	(3,551)
Effect of:		
Adjustment to prior year tax charge	**-**	1,761
Disallowed expenses and non-taxable income	**(730)**	(118)
Capital allowances in excess of depreciation	**2,381**	1,702
Amortisation of goodwill	**(20)**	(20)
Other	**650**	-
Current tax charge for the year	**(1,386)**	(226)

NOTES TO THE FINANCIAL STATEMENTS Continued

9. Intangible fixed assets

Goodwill	2003 £000	2002 £000
Cost		
At 1 January and 31 December	**1,314**	1,314
Amortisation		
At 1 January	**306**	241
Charged to profit and loss account	**66**	65
At 31 December	**372**	306
Net book amount		
At 31 December	**942**	1,008

Goodwill is being amortised over a period of 20 years on a straight-line basis.

The Directors have reviewed the net book amount of goodwill at 31 December 2003 and in their opinion this amount is fully supported by their valuation of the Group's net assets.

10. Tangible fixed assets

	Network assets £000	Assets in the course of construction £000	Non-operational land and buildings £000	Vehicles £000	Fixtures & equipment £000	**Total £000**
Cost						
At 1 January 2003	91,113	68,949	247	6	652	160,967
Additions	151	34,064	-	-	428	34,643
Transfers	50,491	(51,426)	-	-	935	-
At 31 December 2003	**141,755**	**51,587**	**247**	**6**	**2,015**	**195,610**
Depreciation						
At 1 January 2003	17,937	-	47	6	525	18,515
Charge for the year	3,021	-	80	-	108	3,209
At 31 December 2003	**20,958**	**-**	**127**	**6**	**633**	**21,724**
Net book amount						
At 31 December 2003	**120,797**	**51,587**	**120**	**-**	**1,382**	**173,886**
At 31 December 2002	73,176	68,949	200	-	127	142,452

NOTES TO THE FINANCIAL STATEMENTS *Continued*

11. Stocks

	2003 £000	2002 £000
Work in progress	**3,458**	2,138

12. Debtors

	2003 £000	Restated 2002 £000
Trade debtors	**3,463**	376
Other debtors	**550**	725
Prepayments and accrued income	**4,153**	39
Amounts owed by other group companies	**175**	220
Other taxes and social security costs	**1,190**	981
	9,531	2,341

13. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	**347**	571
Borrowings (note15)	**15,228**	13,528
Bank overdraft	**79,312**	44,436
Corporation taxation (Group relief payable)	**3,373**	1,987
Amounts owed to other group companies	**904**	36
Amounts owed to EDF Energy plc (formerly London Electricity Group plc)	**2,623**	1,621
Accruals	**3,098**	1,898
	104,885	64,077

14. Creditors: amounts falling due after one year

	2003 £000	2002 £000
Borrowings (note15)	**35,100**	44,700

NOTES TO THE FINANCIAL STATEMENTS Continued

15. Borrowings

	2003 £000	2002 £000
Loan from EDF Energy plc (formerly London Electricity Group plc)	**50,328**	58,228

Amounts repayable:	2003 £000	2002 £000
In one year or less, or on demand	**15,228**	13,528
	15,228	13,528
In more than one year but not more than two years	**9,000**	9,600
In more than two years but not more than five years	**26,100**	35,100
	35,100	44,700
	50,328	58,228

NOTES TO THE FINANCIAL STATEMENTS Continued

16. Provisions for liabilities and charges

	At 1 January 2003 (restated) £000	Adjustment in respect of previous years £000	Released in the period £000	Arising during the year £000	**At 31 December 2003 £000**
Provision re: Sale of LEC	4,012	-	(2,227)	61	**1,846**
Deferred tax	16,613	(1,220)	-	3,031	**18,424**
	20,625	(1,220)	(2,227)	3,092	**20,270**

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

	2003 £000
At 1 January	**9,222**
Prior year adjustment (note 23)	**7,391**
At 1 January (restated)	**16,613**
Charge for the year (note 9)	**1,811**
At 31 December	**18,424**

Deferred taxation provided in the financial statements and the amounts are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	**18,994**	16,613
Other timing differences	**(570)**	-
Provision for deferred tax	**18,424**	16,613

17. Share capital

Authorised

	2003 £000	2002 £000
15,000,000 Ordinary shares of £1 each	**15,000**	15,000

Allotted, called up and fully paid

	2003 Number	2002 Number	**2003 £000**	2002 £000
Ordinary shares of £1 each	**10,100,000**	10,100,000	**10,100**	10,100

NOTES TO THE FINANCIAL STATEMENTS Continued

18. Reconciliation of shareholder's funds and movement on reserves

	Share capital	Profit and loss account	**Total shareholder's funds**
	£000	£000	**£000**
At 1 January 2002	10,100	6,413	**16,513**
Prior year adjustment	-	(5,861)	**(5,861)**
At 1 January 2002 (restated)	10,100	552	**10,652**
Profit retained for the financial year (restated)	-	7,885	**7,885**
At 31 December 2002 (restated)	10,100	8,437	**18,537**
Profit retained for the financial year	-	9,025	**9,025**
At 31 December 2003	**10,100**	**17,462**	**27,562**

19. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £115,692,000 (2002: £106,413,000).

20. Pension commitments

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

Electricity Supply Pension Scheme

The London Electricity 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 1994.

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 London Electricity Group segment of the 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 London Electricity 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 London Electricity Group's segment of the ESPS at 31 December 2003 was £1,056m (2002 £925m) and the present value of the scheme liabilities was £1,292m (2002 £1,128m).

NOTES TO THE FINANCIAL STATEMENTS *Continued*

20. Pension commitments continued

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.

London Electricity 1994 Retirement Plan

Since April 1994, new employees of the Company have been offered membership of the London Electricity 1994 Retirement Plan (LERP), a defined contribution pension scheme.

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

Pension costs arising from all the pension schemes, charged to the profit and loss account for the year, amounted to £263,479 (2002 £240,232).

21. Other financial commitments

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

	Land and buildings 2003 £000	**Other 2003 £000**	Land and buildings 2002 £000	Other 2002 £000
Operating leases which expire:				
Within one year	**-**	**-**	-	37
In two to five years	**198**	**182**	209	145
In over five years	**261**	**-**	40	-
	459	**182**	249	182

22. Related parties

In accordance with FRS 8 'Related party 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

23. 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	2002
	£000	£000
Increase in tax charge as a result of change in accounting policy	**2,521**	1,530
Total net profit decrease	**(2,521)**	(1,530)
As previously reported		(11,837)
As restated		(10,307)

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

	2003			2002		
	Under previous policy	**Accounting policy change**	**Per accounts**	As previously reported	Accounting policy change	Per accounts (Restated)
	£000	**£000**	**£000**	£000	£000	£000
Provisions for liabilities and charges	**(10,358)**	**(9,912)**	**(20,270)**	(13,234)	(7,391)	(20,625)
Movement in equity shareholder's funds	-	**9,912**	-	-	7,391	-

24. Parent undertaking and controlling party

EDF Energy plc (formerly London Electricity Group plc) holds a 100% interest in EDF Energy (Services) Ltd and is considered to be the immediate parent company. EDF Energy plc (formerly London Electricity Group plc) 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.